Economic and Management Sciences
Grade 9

By:
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Economic and Management Sciences Grade 9

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C O N N E X I O N S

Rice University, Houston, Texas

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Chapter 1

Term 1

1.1 The flow of money, production factors and goods (revised)[1]

1.1.1 ECONOMIC AND MANAGEMENT SCIENCES

1.1.2 Grade 9

1.1.3 THE ECONOMIC CYCLE

1.1.4 Module 1

1.1.5 THE FLOW OF MONEY, PRODUCTION FACTORS AND GOODS

1.1.5.1 ASSESSMENT STANDARD 1.1:

1.1.5.2 THE FLOW OF MONEY, PRODUCTION FACTORS AND GOODS

ON COMPLETING THIS SECTION YOU WILL BE ABLE TO DESCRIBE THE FLOW OF MONEY, PRODUCTION FACTORS AND GOODS AND SERVICES IN THE ECONOMIC CYCLE OF THE SOUTH AFRICAN ECONOMY.

In order for us to understand the economic cycle, we need to analyse the participants in the economy, who are naturally also the participants in the cycle:

The first participants are the CONSUMERS or the HOUSEHOLDS.

Consumers have certain NEEDS that have to be met in order for them to survive, namely the need for FOOD, CLOTHING, HOUSING and SAFETY. In order to satisfy these basic needs, the consumers or households will have to use or apply their means or FACTORS OF PRODUCTION. In other words, they must use / apply their LABOUR, CAPITAL, LAND and ENTREPRENEURIAL TALENT in order to produce the necessary products.

Activity 1: HUMAN NEEDS

SELF:

Make a list of human needs and give good examples in each case. (Hint: Start off by making a list of your own needs.)

1.
2.
3.
4.
5.

Activity 2: HUMAN NEEDS

[1] This content is available online at <http://cnx.org/content/m21445/1.1/>.

GROUP:
Which of the previously mentioned needs are the most compelling ones?
1.
2.
3.
4.
5.

The consumers will thus have to "sell" their factor of production to the second participant in the cycle, the PRODUCER or the BUSINESS ENTERPRISE, who will then organise and arrange to produce products that will meet the needs of the consumers. The producer will "remunerate" the consumer for the use of his / her factors of production (in the following way):

- A WAGE is paid for the use of LABOUR;
- INTEREST is paid for the use of CAPITAL;
- RENT is paid for the use of LAND; and
- The consumer is paid a share of the profit for the use of his / her ENTREPRENEURIAL TALENT.
- This compensation is used by the consumer to purchase products from the producer (his supply of goods and services) in order to satisfy his needs.

1.1.6 Assessment

Learning Outcomes (LUs)

LO 1

the economic cycle

The learner will be able to demonstrate knowledge and understanding of the economic cycle within the context of "the economic problem."

Assessment Standards(ASs)

We know this when the learner:

1.5 explains the different flows of money, factors of production, goods and services in the economic cycle within the South African economy;

1.6 discusses the role of the foreign sector in the economic cycle;

1.7 illustrates by means of a graph and discusses how demand and supply influence prices;

1.8 critically assesses the influence and actions (strikes and stayaways) of trade unions in general and during the apartheid era on:

- the South African economy;
- political, economic and social transformation;
- labour issues;

1.9 discusses the effect of the national budget on the economy (e.g. taxation and expenditure on education, social welfare, health and security.)

1.1.7 Memorandum

ACTIVITY 1: Human needs

SELF:

A list of the needs of people:

Food, clothing, housing, protection, recreation, music, love, power, etc.

ACTIVITY 2: Human needs

GROUP:
The most urgent needs:
Food, clothing, housing, protection, recreation

1.2 Explaining business enterprises[2]

1.2.1 ECONOMIC AND MANAGEMENT SCIENCES

1.2.2 Grade 9

1.2.3 THE ECONOMIC CYCLE

1.2.4 Module 2

1.2.5 EXPLAINING BUSINESS ENTERPRISES

1.2.5.1 Activity 1:PRODUCTION ACTIVITIES

SELF:
Classify, with relevant examples, the different activities of the industries / business enterprises.
1.
2.
3.
4.
Activity 2: PRODUCTION FACTORS
GROUP:
Picture a household / family in which all the factors of production are present. Explain the role of each member to show how he / she participates in the production process. The members of each group must explain their examples to the rest of the class and also describe them fully.
Therefore the economic cycle could be presented as follows in its simplest form:
PRODUCERS / BUSINESS ENTERPRISES
On analysing the cycle, one can see very clearly that there are TWO streams, namely a MONEY STREAM and a GOODS STREAM. These two streams flow in opposite directions and will be equal in a "closed" economy. The reason for this is simply that the businesses cannot spend more than what they have received as "income". Note that their "income" is equal to the value of the goods and services that they have produced and sold on the markets for consumer goods. On the other hand the households can also spend only the "money" that they have received as compensation for the services of their production factors.

1.2.6 Assessment

Learning Outcomes (LUs)
LO 1
the economic cycle
The learner will be able to demonstrate knowledge and understanding of the economic cycle within the context of "the economic problem."
Assessment Standards(ASs)
We know this when the learner:
1.5 explains the different flows of money, factors of production, goods and services in the economic cycle within the South African economy;
1.6 discusses the role of the foreign sector in the economic cycle;
1.7 illustrates by means of a graph and discusses how demand and supply influence prices;

[2]This content is available online at <http://cnx.org/content/m21444/1.1/>.

1.8 critically assesses the influence and actions (strikes and stayaways) of trade unions in general and during the apartheid era on:

-
- the South African economy;
- political, economic and social transformation;
- labour issues;

1.9 discusses the effect of the national budget on the economy (e.g. taxation and expenditure on education, social welfare, health and security.)

1.2.7 Memorandum

ACTIVITY 1: Production activities
SELF:
Activities of industries / business enterprises
primary industries, e.g. agriculture, stock farming, forestry, mining, fisheries, etc.
Secondary industries, e.g. processing industries involving fish factories, abattoirs, etc.
Tertiary industries, e.g. distributing industries involving transport, shops, cafes, etc.
Service industries, e.g. doctors, lawyers, hairdressers, etc.
ACTIVITY2: Factors of production
GROUP:
Family representing all the factors of production (example)

Father:	Farmer and landowner(primary industry)	• Entrepreneurial talent and owner of production factor, land.
Mother:	Doctor in private practice(service industry)	• Entrepreneurial talent and labour
Son:	Cabinet maker(secondary industry)	• Labour
Daughter:	Owner, cash loans bank(tertiary industry)	• Provider of capital

Table 1.1

1.3 The economic cycle and markets[3]

1.3.1 ECONOMIC AND MANAGEMENT SCIENCES

1.3.2 Grade 9

1.3.3 THE ECONOMIC CYCLE

1.3.4 Module 3

1.3.5 THE ECONOMIC CYCLE AND MARKETS

1.3.5.1 Activity 1: ECONOMIC CYCLE

SELF:

Draw your own version of the economic cycle so that both the participants and the flow are clear. Insert the diagram on a separate sheet.

1.3.5.2 Activity 2: MARKET FOR FACTORS OF PRODUCTION

GROUP:

Classify all the factors of production factors that will be available on the market for factors of production and indicate what remuneration will be paid to each.

1. FACTOR OF PRODUCTION
2. EXAMPLE
3. COMPENSATION

1.3.5.3 Activity 3: MARKET FOR CONSUMER GOODS

GROUP:

Classify the products that are traded on the market for consumer goods. Give two appropriate examples in each case.

1. TYPE OF PRODUCT
2. EXAMPLES

In a "closed" economy the STATE also plays an important role, seeing that the state is also a consumer (e.g. state hospitals that purchase food products and medical supplies on the market for consumer products). In addition, the state is also a producer (hospitals supply medical services to consumers).

Furthermore, the consumers pay taxes to the state and from these "funds" certain services that are of national interest are delivered, for example education and police services. In this way, when the state pays for the use of the services of the factor of production, for example salaries, the "tax money" flows back to the consumers.

1.3.5.4

1.3.5.5 Activity 4: ECONOMIC CYCLE THAT INCLUDES THE STATE

SELF:

Draw your own version of the economic cycle (that includes the state) so that both the participants and the flow are clear. Insert the diagram on a separate sheet.

[3] This content is available online at <http://cnx.org/content/m21446/1.1/>.

1.3.5.6 Activity 5: SERVICES OFFERED BY THE STATE [LO 1.1]

GROUP:
Classify the services that are delivered by the state and give appropriate examples of each:

1. SERVICES DELIVERED BY THE STATE
2. EXAMPLES

1.3.6 Assessment

Learning Outcomes (LUs)
LO 1
the economic cycle The learner will be able to demonstrate knowledge and understanding of the economic cycle within the context of "the economic problem."
Assessment Standards(ASs)
We know this when the learner:
1.5 explains the different flows of money, factors of production, goods and services in the economic cycle within the South African economy;
1.6 discusses the role of the foreign sector in the economic cycle;
1.7 illustrates by means of a graph and discusses how demand and supply influence prices;
1.8 critically assesses the influence and actions (strikes and stayaways) of trade unions in general and during the apartheid era on:
• the South African economy;
• political, economic and social transformation;
• labour issues;
1.9 discusses the effect of the national budget on the economy (e.g. taxation and expenditure on education, social welfare, health and security.)

Table 1.2

1.3.7 Memorandum

ACTIVITY 1: The economic cycle
SELF:
Diagram illustrating economic cycle.
ACTIVITY 2: Market for production factors
GROUP:
Classification of production factors

Natural resources – Landowner - Rent
Capital - Loan from bank - Interest
Labour - Working as cabinet maker - Wages / salary
Entrepreneurial talent - Owner/manager - Profit
ACTIVITY 3: Market for consumer goods
Classification of products in market for consumer goods

1. Durable goods, e.g. cars, furniture, equipment, etc. (long-term use)
2. Semi-durable goods, e.g. a pen, pencil, etc.
3. Non-durable goods, e.g. foods, fuel, etc. (once-only use)
4. Services, e.g. medical services, etc.

ACTIVITY 5: Services provided by the state
Classification of services provided by the state

- Ensuring security:

SAPS, SANDF, Correctional Services.

- Ensuring social services:

Hospitals, pensions, schools, low-cost housing.
Regulating relations in business: Legislation with regard to labour, pollution, etc.
Financial organisation by means of the Land Bank, SARS, etc.
Research by means of the CSIR, SABS, etc

- Supplies economic infrastructure:

Electricity, roads, traffic control, etc.

1.4 The foreign sector in the economic cycle[4]

1.4.1 ECONOMIC AND MANAGEMENT SCIENCES

1.4.2 Grade 9

1.4.3 THE ECONOMIC CYCLE

1.4.4 Module 4

1.4.5 THE FOREIGN SECTOR IN THE ECONOMIC CYCLE

1.4.5.1 ASSESSMENT STANDARD 1.2:FOREIGN SECTOR IN THE ECONOMIC CYCLE

UPON COMPLETING THIS SECTION YOU WILL BE ABLE TO INDICATE THE ROLE OF THE FOREIGN SECTOR IN THE ECONOMIC CYCLE.

Up to now we have assumed that all economic activities of a country occur solely within its borders. However, with present-day technological developments in the field of communication and transport, as well as the benefits that arise from the use of large-scale production, we find that product markets are exploited not only domestically, but also internationally. Consider in this regard South Africa's export trade in coal and other minerals, as well as agricultural products such as wine, sugar and wool, and also the imports of technological products and machinery that are imported from foreign countries.

[4]This content is available online at <http://cnx.org/content/m21450/1.1/>.

The aim of international trade as explained in the previous paragraph, is mainly to satisfy the needs of the citizens of the country more effectively. In this way, a country can reach a stage where it is no longer dependent solely on its own resources / production, but where it can also utilise other countries' products. That means, for example, that we in South Africa can now import sophisticated computers, while there are other countries that will want to purchase iron ore and gold from South Africa.

This international trade between countries has two components, namely:

- The flow of goods and services that are dispatched and received (also known as international trade); and
- The mutual payment for these goods and services in the monetary unit of each country (also known as currency transactions).
-
- International trade takes place because:
- certain countries have an excess of certain resources; for instance, South Africa has an abundance of gold and other minerals that can be exported, while there are no natural oil resources;
- climatic conditions vary from country to country. As a result of the erratic rainfall in South Africa there are certain agricultural products that cannot be cultivated here, and that have to be imported, for example coffee;
-
- the level of technological development varies; for instance, the Japanese are renowned for their expertise in computer technology;
- transport and communication have improved drastically. For example, fresh flowers from South Africa are supplied to markets throughout Europe on a daily basis.
-

1.4.5.2 Activity 1:

1.4.5.3 FOREIGN SECTOR

SELF:

Draw your own version of the economic cycle (that includes the foreign sector) so that both the participants and the flow are evident. Insert the diagram on a separate sheet.

1.4.5.4 Activity 2:

1.4.5.5 REASONS FOR FOREIGN TRADE

GROUP:

Refer to the reasons for foreign trade supplied below, and in each case give examples that could explain the South African situation.

REASON	RSA EXAMPLES
1. Availability of resources:	
	continued on next page

1. Differing climatic conditions:	
1. Level of technology:	
1. Transport and communication:	

Table 1.3

The inclusion of the foreign sector as the fourth participant in the economic cycle is also linked by way of two streams, namely the *goods stream* and the *monetary stream*, as explained above. The inclusion of the foreign sector has resulted in the fact that the economy is no longer "closed", but that it has become more "open", because imports and exports have caused "more" goods and money to flow into / flow out of the two streams as indicated earlier.

1.4.5.6 Activity 3:

1.4.5.7 FOREIGN TRADE

SELF / GROUP:

Make a list of goods that are exported from and imported to South Africa. Indicate, as far as possible, where the goods are exported to and from where these goods are imported.

RSA EXPORTS AND ITS DESTINATION	RSA IMPORTS AND ITS ORIGIN

Table 1.4

1.4.5.8 Activity 4:

1.4.5.9 FOREIGN TRADE

SELF/GROUP:

Name the monetary unit of each country that has been listed in the table below:

COUNTRY	MONETARY UNIT
1. Japan	
1. Russia	
1. USA	
1. Britain	
1. Botswana	
1. India	
1. Germany	
8. France	

Table 1.5

1.4.5.10 Activity 5:

1.4.5.11 GRAPH OF FOREIGN EXCHANGE

GROUP:

On every Wednesday for at least eight weeks, indicate what the exchange rate is between the South African Rand and the following monetary units: (Divide the class into four groups for this purpose.)

Week:	(Group 1)Rand/USA Dollar	(Group 2)Rand/Euro	(Group 3)Rand/Pound	(Group 4)Rand/Pula
				continued on next page

1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				

Table 1.6

GROUP:

At the end of the eight weeks each group must indicate their findings on a graph and then explain to the rest of the class what tendency prevailed in the course of the eight weeks.

1.4.6 Assessment

Learning Outcomes(LUs)

LO 1

the economic cycle

The learner will be able to demonstrate knowledge and understanding of the economic cycle within the context of "the economic problem."

Assessment Standards(ASs)

We know this when the learner:

1.5 explains the different flows of money, factors of production, goods and services in the economic cycle within the South African economy;

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1.7 illustrates by means of a graph and discusses how demand and supply influence prices;

1.8 critically assesses the influence and actions (strikes and stayaways) of trade unions in general and during the apartheid era on:

the South African economy;

political, economic and social transformation;

labour issues;

1.9 discusses the effect of the national budget on the economy (e.g. taxation and expenditure on education, social welfare, health and security.)

1.4.7 Memorandum

ACTIVITY 2: Reasons for foreign trade

Provide reasons for foreign trade

Availability of resources: The RSA has a variety of minerals, but no natural oil.

Differing climatic conditions: The RSA produces maize, oranges, etc, but no coffee, rubber.

Level of technology: The RSA has to import watches, computers, etc.

1. Transport and communication: RSA has good transport and communications facilities.

ACTIVITY 3: Foreign trade

List of goods that are imported and exported.

EXPORTS	IMPORTS
Maize (African countries)	Computers (USA)
Wine (Europe)	Watches (Switzerland)
Iron ore (Japan)	Cars (Japan)

Table 1.7

ACTIVITY 4: Foreign exchange (means of payment)
Provide the monetary unit of the following countries
JAPAN: yen
RUSSIA: rouble
USA: dollar
BRITTAIN: pound sterling
BOTSWANA: pula
INDIA: rupee
ACTIVITY 5: Graph illustrating foreign exchange
Collect data relating to rates of exchange and draw the graph with the help of the information obtained.

1.5 Price-fixing through supply and demand[5]

1.5.1 ECONOMIC AND MANAGEMENT SCIENCES

1.5.2 Grade 9

1.5.3 THE ECONOMIC CYCLE

1.5.4 Module 5

1.5.5 PRIECE-FIXING THROUGH SUPPLY AND DEMAND

1.5.5.1 ASSESSMENT STANDARD 1.3:

1.5.5.2 PRICE-FIXING THROUGH SUPPLY AND DEMAND

In order to make bartering and business transactions possible, it is necessary that the value of a product be expressed by the dealer in terms of a monetary amount, or as we know it, a price. It is common for us to walk into a shop and compare the prices of products on the shelves in order to decide which product(s) we want to buy. However, the question is: How are these prices determined?

The price that is given to a product by a dealer depends on (1) the price that he paid for the product and (2) the price at which he is prepared to sell the product. This raises the principle of DEMAND for a product or products at a specific price, in a specific quantity or number (of the product) and at a specific time. As a simple example one can refer to the municipal fresh produce market or an auction where livestock is sold. Note that at such markets the sellers and the prices that they ask for their products, as well as the number of products available, can differ from day to day.

The following data are given concerning the SUPPLY of cabbages on the municipal fresh produce market:

[5] This content is available online at <http://cnx.org/content/m21461/1.1/>.

PRICE PER CABBAGE	NUMBER SUPPLIED
R0.80	400
R0.70	350
R0.60	300
R0.50	200
R0.40	100

Table 1.8

1.5.5.3 Activity 1: SUPPLY CURVE

Make use of the data supplied in the table above and draw the supply curve. Insert it on a separate page.

From this the LAW OF SUPPLY can be deduced, which states that *"the number / quantity of goods that are offered will rise in proportion to rises, in the price and vice versa, namely that the number / quantity supplied will fall when the price shows a decline".*

1.5.5.4 Activity 2: SUPPLY

Draw up a list of the factors that will influence the number / quantity supplied.

1.	6.
2.	7.
3.	8.
4.	9.
5.	

Table 1.9

The price that a consumer is willing to pay for a product depends mainly on (1) how urgent his need is and (2) the amount of money that the consumer has available. Here we have to do with the DEMAND for a product or products that is / are valid at a specific price, in specific numbers / quantity and at a specific time. Once again it is possible that the indicated prices and numbers / amounts may differ from day to day.

The following data concerning the DEMAND for cabbage on the municipal fresh produce market on 14 January are also supplied:

PRICE PER CABBAGE	NUMBER SUPPLIED
R0.80	150
R0.70	200
R0.60	300
R0.50	450
R0.40	650

Table 1.10

1.5.5.5 Activity 3: DEMAND CURVE

Make use of the data supplied in the table above and draw the demand curve. Insert it on a separate page.

From this the LAW OF DEMAND can be deduced, which states that *"the number / quantity demanded will rise in proportion to the decline in price, and vice versa, namely that the number / quantity demanded will fall when the price shows an inclination to rise"*.

Draw up a list of the factors that will influence the number / quantity demanded.

1. ……	6. ……
2.	7.
3.	8.
4.	9.
5.	

Table 1.11

When the above-mentioned supply and demand curves are drawn on the same axis, we see that the two curves meet at a specific point, namely when the price is R0,60, the sellers are prepared to supply 300 heads of cabbage and the buyers are prepared to purchase 300 heads of cabbage at that price. This price is known as the MARKET EQUILIBRIUM PRICE

and it represents the price at which the buyer and the seller are prepared to barter. At any other price the parties will not be able to agree and they will not be prepared to conclude a transaction.

1.5.5.6 Activity 4: SUPPLY AND DEMAND CURVE

Use the data that are supplied above and draw the Supply and Demand Curve on the same axis system: (Insert a separate page.)

Now read the following data from the graph:

1. The market equilibrium price:
2. The quantity demanded / supplied:

1.5.6 Assessment

Learning Outcomes (LUs)
LO 1
the economic cycle The learner will be able to demonstrate knowledge and understanding of the economic cycle within the context of "the economic problem."
Assessment Standards(ASs)
We know this when the learner:
continued on next page

1.5 explains the different flows of money, factors of production, goods and services in the economic cycle within the South African economy;
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Table 1.12

1.5.7 Memorandum

ACTIVITY 1: Supply curve

Draw the graph according to the information supplied in the table.

ACTIVITY 2: Supply

Factors that will affect the amount that is supplied

Cost of production – the greater the cost, the longer it takes to establish a supply.

Price of products – the higher the price, the greater the quantity offered.

Production techniques – better techniques at lower prices can increase the quantity offered.

Competition – when there is little competition, the producer will limit the supply in order to increase the price.

Market conditions – if there are more sellers than buyers, the producer will lower prices in order to sell the supply.

Tax levies – increase the price, which decreases the demand, as well as the supply.

Climatic conditions – if the rainfall is insufficient, production will decrease, which will also lower the supply.

ACTIVITY 3: Demand curve

Draw the graph according to the information supplied in the table.

Factors that will affect the quantity that is demanded

Price – if prices increase, the demand will probably decrease.

Tastes and custom – changes can result in price fluctuations.

Change in income – if incomes increase, the demand may increase.

Substitution goods – a cheaper substitute will cause a decrease in the demand.

Tax – the price increases, which lowers the demand for the product.

Economic conditions – in times of prosperity, the demand, especially for luxury goods, will increase.

ACTIVITY 4: Supply and demand curve

Draw the supply and demand curve from the above data and provide the answers to the following:

The market equilibrium price: 60c
The demand and supply amount: 300 heads of cauliflower

1.6 The influence of trade unions[6]

1.6.1 ECONOMIC AND MANAGEMENT SCIENCES

1.6.2 Grade 9

1.6.3 THE ECONOMIC CYCLE

1.6.4 Module

1.6.5 THE INFLUENCE OF TRADE UNIONS

1.6.5.1 ASSESSMENT STANDARD 1.4:

1.6.5.2 THE INFLUENCE OF TRADE UNIONS

The Labour Relations Act of 1997 provides for the right (1) to fair labour practice, (2) to establish a trade union and to become a member of it, (3) to organise for joint bargaining, and (4) to strike and to be locked out.

Trade unions are the mouthpiece of the workers that they represent, seeing that they represent the workers in a certain sector in order to establish good relations between the employees and the employers. The relevant trade union should therefore strive towards promoting the social, economic and political interests of the employees. It is important to note that an employee is free to join a trade union and he / she may neither be prevented from doing so, nor be dismissed by the employer when he / she joins a trade union.

According to the Labour Relations Act trade unions have the following rights:

ACCESS TO THE WORKPLACE: The trade union has the right to canvass members within the workplace and to hold meetings during off hours.

MEMBERSHIP FEES: Contributions towards membership fees may be deducted from employees' wages / salaries.

ELECTIONS: Representatives of the trade unions may be elected within the workplace.

SERVICE TO THE TRADE UNION: Trade union members are entitled to taking paid leave in order to perform their duties as trade union representatives and also for the purpose of undergoing training.

DISCLOSING INFORMATION: The trade union is entitled to any information that has a bearing on issues that concern the employees within the workplace.

According to the Labour Relations Act (1997) employees have the right to STRIKE (i.e. refusal to work, to work at a slower pace, and an embargo on working overtime), while employers have the right to LOCK OUT employees (i.e. physically preventing employees from entering the workplace). The two actions could, amongst other things, result from (1) an insistence on a wage or salary increase, (2) an insistence on recognising a trade union, or (3) an insistence on changing conditions in the workplace.

In general it is fair to expect that the activities of trade unions should be of such a nature that not only are the employees' social, economic and political interests served, but that the interests of the South African economy as a whole should be fostered.

Judge the following translated extract from a report that appeared in *Die Burger* during October 2002, and evaluate the impact that strikes, in other words trade union action, had during 2001.

'Last year strikes more than doubled and the country lost 1,25 million working days as a result of strikes, but it was a one-time occurrence and strike figures will drop again significantly in the next two years,' allege Andrew Levy and Associates in their latest annual report on labour relations. Last year 1,25 million working days were lost as a result of strike action, as opposed to 5 000 000 the previous year.

[6]This content is available online at <http://cnx.org/content/m22933/1.1/>.

In view of the recent changes to the Labour Relations Act that allow strike action, labour cut-backs could give rise to more strikes this year. 'This could lead to conflict in the public sector on the matter of privatisation, but it will probably be a brief strike after which the government will continue with its privatisation programme,' declares Levy.

Labour cut-backs as a result of the decline in the world economy will also place job opportunities in greater jeopardy this year as compared to last year, Levy believes. The average wage / salary increase that was negotiated in central bargaining forums was 7,8% and the average rate for wage increases in other negotiations was 7,4% as opposed to the average inflation rate (CPI) of 5,7% last year. The highest agreement was 9% in the car production industry, where a drawn-out strike in August last year lasted for 15 working days. That led to a loss of 315 000 working days. Mr Andrew Levy who wrote the annual report, expects that average wage agreements will be between 8,2% and 8,5% this year. There is no fear that wage increases will lead to inflation pressure this year, but in the next two to three years it could be cause for concern because real wages increase very slightly while imported inflation pressure increases steadily. Levy predicts that the number of HIV positive people will increase from approximately 4 million at present to 6 million within two years. 'Organisations can expect to lose more than 4% of their labour force in the following ten years.'

Trade union membership has again begun to increase after a slight drop in 2000 and presently it stands at 3,5 million. COSATU, the country's largest federation of trade unions, has 1,883 million members. The membership has increased since last year despite severe labour cut-backs. FEDUSA, the second largest federation of trade unions, represents 503 241 members, and NACTU, the third largest, represents 398 106 employees.

Source: *Die Burger*, October 2002

1.6.6 Activity 1: STRIKES

Judge the influence of the strikes from the following table:

Influence of:	Social conditions	Economic conditions
1. Working days lost		
1. Labour cut-backs		
1. Wage increases		
1. HIV/AIDS		

Table 1.13

The political role played by trade unions in South Africa is clearly to be seen in the activities of the CONGRESS OF SOUTH AFRICAN TRADE UNIONS (COSATU), an organisation that was established as early as 1985. COSATU is a federation of a group of South African trade unions. In 1985 COSATU joined the UNITED DEMOCRATIC FRONT (UDF) in the MASS DEMOCRATIC MOVEMENT and actively

supported the movement in its fight against apartheid. Conditions in the workplace were politicised through strikes, stay-aways and the so-called "go-slows" that had a severely negative effect on production.

Their active participation in the struggle for political and economic change in South Africa led to the fact that COSATU joined the African National Congress (ANC) and the South African Communist Party (SACP) as a partner in the 1994 election campaign. This partnership won the election with an impressive majority. Today COSATU is still part of the three party partnership that governs South Africa. As an equal partner in the alliance it is thus possible that COSATU, which represents a great mass of the workers in South Africa, could offer a significant contribution and exert a profound influence on economic and political policy.

1.6.7 Activity 2: TRADE UNIONS

Explain the following abbreviations and indicate which occupations are represented by these federations of trade unions:

1. FEDUSA:
2. NACTU:
3. NUM: NUMSA:

1.6.8 Assessment

Learning Outcomes(LUs)
LO 1
the economic cycleThe learner will be able to demonstrate knowledge and understanding of the economic cycle within the context of "the economic problem."
Assessment Standards(ASs)
We know this when the learner:
1.5 explains the different flows of money, factors of production, goods and services in the economic cycle within the South African economy;
1.6 discusses the role of the foreign sector in the economic cycle;
1.7 illustrates by means of a graph and discusses how demand and supply influence prices;
1.8 critically assesses the influence and actions (strikes and stayaways) of trade unions in general and during the apartheid era on:
• the South African economy;
continued on next page

• political, economic and social transformation;
• labour issues;
1.9 discusses the effect of the national budget on the economy (e.g. taxation and expenditure on education, social welfare, health and security.)

Table 1.14

1.6.9 Memorandum

ACTIVITY1: Strikes
Effect of strike action

	Social conditions	Economic conditions
Work days lost	loss of income – poorer	production decreases - losses
Labour cuts	loss of employment opportunities– poorer	production decreases - losses
Wage increases	improvement in expendable income	input costs increase – inflation
HIV/AIDS	greater pressure on health services	work force diminished – losses

Table 1.15

ACTIVITY 2: Unions
Identify labour unions

1. FEDUSA: Federated Unions of South Africa - General
2. NACTU: National Congress of Trade Unions - General
3. NUM: National Union of Mineworkers - Mineworkers
4. NUMSA: National Union of Metalworkers of SA - Workers in the automobile industry

1.7 The national budget, growth and economical equalities[7]

1.7.1 ECONOMIC AND MANAGEMENT SCIENCES

1.7.2 Grade 9

1.7.3 THE ECONOMIC CYCLE

1.7.4 Module 7

1.7.5 THE NATIONAL BUDGET

1.7.5.1 ASSESSMENT STANDARD 1.5:

1.7.5.2 THE NATIONAL BUDGET

- The national budget is a document that is drawn up annually by the Minister of Finance, and in which a forecast is made of the government's expected income and expenditure for the coming year.

[7] This content is available online at <http://cnx.org/content/m21498/1.1/>.

The national budget is regarded as the planned framework within which the state must operate, and therefore it has the following two main objectives:

- the announcement of expected government expenditure and tax income; and
- an indication of government strategy to keep the economy on a specific course.

In planning the national budget the first important step is that the different state departments must compile their own budgets in which an indication is given of their needs / expenditure. When all the departments have submitted their budgets, these are processed in order to obtain a complete view of all state expenditure.

- GOVERNMENT EXPENDITURE can be distinguished in the following four groups of functions that are fulfilled by the state and for which funds are needed (also called the FUNCTIONAL CLASSIFICATION):

- GENERAL OR COLLECTIVE SERVICES are services such as defence, maintenance of law and order and general state administration.
- COMMUNITY SERVICES are services that are provided where a great number of people live together (for example services such as road construction, sanitation and refuse removal).
- SOCIAL SERVICES such as health care, education and housing that are covered mainly by taxes.
- ECONOMIC SERVICES such as expenditure on direct production and research.

Hereafter planning is done to find the necessary funds to cover the expenses. These funds are mainly generated by levying TAXES such as DIRECT TAXES (for instance personal income tax that is levied on an individual's income) and INDIRECT TAXES (for instance customs and excise tax, and value added tax or VAT).

-
- A brief summary of the annual budget for the fiscal year 1999-2000 is given below:

ANNUAL BUDGET (1999 – 2000)	ALLOCATED AMOUNT	PERCENTAGE OF TOTAL EXPENDITURE(%)
Total income:	190,3	
Total expenditure:		
Transport and communication	8,2	3,7
Interest (on loans)	48,5	22,1
Salaries (government service staff)	86,5	51,0
Education	48,5	22,1
Health	24,0	10,9

continued on next page

Community security and welfare services	19,8	9,0
Housing and community development	9,6	4,5
Police	15,3	7,0
Defence	35,5	5,5
Prison services (Correctional services)	5,4	2,7
Justice (administration of justice)	2,8	1,3
Agriculture, Forestry and Fisheries	3,6	1,6
Deficit	25,1	

Table 1.16

1.7.5.3

1.7.5.4 Activity 1: NATIONAL BUDGET

Refer to the table above and answer the following questions:

1. Which expenditure is expected to be the greatest?
2. Which expected expenditure is the greatest: on Defence or on Education?

1.7.5.5 Activity 2: NATIONAL BUDGET

The last column indicates the percentage of the total expenditure for each department.

Use the information to draw a bar graph in order to indicate how much is spent on each category. Insert the graph on a separate sheet.

1.7.5.6 Activity 3: RANKING ORDER OF EXPENDITURE

Refer to the graph and indicate in order from the highest to the lowest expenditure how the expenses (in order of importance) are prioritised.

1.7.5.7 Activity 4: ASSESSMENT OF RANKING

Do the group members agree with the priority list as presented in the table above?

Decide how your group will spend the available funds according to your own priority list and then redesign the column graph according to your division.

1.7.6 Assessment

Learning Outcomes (LUs)

LO 1

the economic cycle

The learner will be able to demonstrate knowledge and understanding of the economic cycle within the context of "the economic problem."

Assessment Standards(ASs)

We know this when the learner:

1.5 explains the different flows of money, factors of production, goods and services in the economic cycle within the South African economy;

1.6 discusses the role of the foreign sector in the economic cycle;

1.7 illustrates by means of a graph and discusses how demand and supply influence prices;

1.8 critically assesses the influence and actions (strikes and stayaways) of trade unions in general and during the apartheid era on:

- the South African economy;
-
- political, economic and social transformation;
- labour issues;

1.9 discusses the effect of the national budget on the economy (e.g. taxation and expenditure on education, social welfare, health and security.)

1.7.7 Memorandum

ACTIVITY1: National budget

SELF:

Answers related to the table:

Salaries of civil service employees.

Education 22,15% compared to the 5,5% of Defence.

ACTIVITY 2: Graphic representation of budget figures

Draw a column graph to show the percentage of the contribution to the budget with regard to each kind of expenditure.

ACTIVITY 3: Ranking of expenditure

SELF:

Evaluate the learners' priorities.

ACTIVITY 4: Evaluation of ranking

GROUP:

Evaluate the group's classification and their priorities

Chapter 2

Term 2

2.1 Reconstruction and development programme[1]

2.1.1 ECONOMIC AND MANAGEMENT SCIENCES

2.1.2 Grade 9

2.1.3 SUSTAINABLE GROWTH AND DEVELOPMENT

2.1.4 Module 8

2.1.5 THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME (RDP)

In order to counteracting the deep-rooted inequalities of south african society, which were established through colonization, racism, sexism and repressive labour and other legislation, the present ANC-led government formulatedthe RECONSTRUCTION AND DEVELOPMENT PROGRAMME (RDP) in 1994. The realisation of the programme was to be achieved throughFIVE programmes.

1. The **FIRST PROGRAMME** would focus on PROVIDING THE BASIC NEEDS OF THE POPULATION to ensure that everyone has access to the following "basic necessities":

a) Creation of EMPLOYMENT OPPORTUNITIES by means of co-ordinated government plans that would also ensure maximum participation by women and young job seekers.

b) LAND REFORM, with redistribution of land and resettlement of formerly disadvantaged people as key components;

c) HOUSING AND SERVICES, as the responsibility of the democratic government, to ensure secure dwelling places for all;

d) WATER AND SANITATION to meet the health and functional needs of all for cultivating products, and to support economic development;

e) PROVISION OF POWER AND ELECTRIFICATION for all households to increase the capacity for production and to provide services to schools, clinics and providers of water;

f) TELECOMMUNICATION to ensure universal access to basic services, particularly for disadvantaged communities;

g) TRANSPORT that makes provision for safety, affordability and availability and is in the interest of society in general;

h) ENVIRONMENTAL CONSERVATION that could ensure a "good life" for all by means of sustainable use of natural resources, particularly with regard to access, safety, health and participation in decision making

[1] This content is available online at <http://cnx.org/content/m21501/1.1/>.

i) NUTRITION, by which is meant that all persons should gain access to feeding programmes as soon as possible (within three years) to ensure that there will be no fear of famine;.

j) HEALTH CARE that would be affordable and would lead to improvement in physical and mental health, while attending to combating disease, also in the southern african region;

k) COMMUNITY CARE AND PROSPERITY, which has the aim of achieving communal rights for all, eradicating the inequalities of the past through affirmative action and the empowerment of communities to participate in local, provincial and national initiatives.

2.1.5.1

2.1.5.2 Activity 1: Providing basic needs

Discuss and do research on successes that have been achieved in the above programmes since 1994. Also evaluate the shortcomings of the programmes and the reasons for failure to realise objectives. **NB:***Evaluate conditions in your immediate environment.*

- Prepare your presentation thoroughly so that you can report your findings to the class for discussion of each aspect. The written presentation should be presented in folio format and a summary must be presented.

2. The **SECOND PROGRAMME** was to focus on the development of human resources, to ensure that each person would be enabled to attain his or her full potential at the following levels of society:

a) EDUCATION AND TRAINING, in which equal opportunities were to be made available to all, independent of race, colour, gender, language, age, religion, geographical background, political or other orientation, so that the necessary knowledge and skills can be developed to provide quality products and improved quality of life for all.

b) ART AND CULTURE that would promote freedom of expression and creativity so that all might gain access to resources and facilities to be able to satisfy their need for artistic and cultural expression and literacy and escape the cultural impoverishment of the past.

c) SPORT AND RECREATION that would promote representative participation and full availability of facilities and training from grassroots level.

d) YOUTH DEVELOPMENT PROGRAMMES that would focus on education, training and job creation to empower the youth to attain their full potential for participating in their communities.

2.1.5.3 Activity 2: Development of human resources

Discuss and do research on successes that have been achieved in the above programmes since 1994. Also evaluate the shortcomings of the programmes and the reasons for failure to realise objectives. **NB**: *Evaluate conditions in your immediate environment.*

- Prepare a thorough presentation so that you can report your findings to the class for discussion of each aspect. The written presentation should be presented in folio format and a summary must be presented:

3. The **THIRD PROGRAMME** was to focus on the development of ThE economy, so that strengths, such a mining, manufacturing, agriculture, commercial and financial services and the well-developed infrastructure could be utilised to benefit everyone with regard to:

a) INTEGRATION OF RECONSTRUCTION AND DEVELOPMENT, with the aim of having the public sector playing a leading role in development planning, because it was expected that

the market mechanism by itself would not be able to make the structural adjustment benefit the wider population.

b) MANUFACTURING, TRADE AND INDUSTRY which attempts to utilise public sector and government interests and support to enhance investment possibilities, in particular with regard to manufacturing, job creation and satisfaction of basic needs

c) RESOURCE-BASED INDUSTRIES like mining, agriculture, fisheries and forestry which were previously dominated by the white minority, are to be utilised to the advantage of the whole population in terms of ownership, job creation and empowerment.

d) UPGRADING OF INFRASTRUCTURE, like electricity, telecommunication and transport, so that this will lead to improved satisfaction of basic needs, as well as new and effective economic activity.

e) REFORM OF THE FINANCIAL SECTOR, which, at present, is centred in a number of dominant financial groups, so that the aspirations of new sectors of the economy and the needs of informal and micro-enterprises can be met satisfactorily.

f) LABOUR AND WORKER RIGHTS that would ensure that organised labour is empowered to effective as a force in the reconstruction and development of the country.

g) Southern african regional poliCy which signifies that reconstruction and development in South Africa have to be realised in relation to developments, conditions and planning for Africa as a whole to make use of the mutual advantages.

2.1.5.4 Activity 3: Growing the economy [LO 2.3]

Investigate the following initiatives that were initiated, mainly from South Africa, in an effort to co-ordinate and expand economic development in Africa:

1. The establishment of the African Union (AU)
2. NEW ECONOMIC PROGRAMME FOR AFRICAN DEVELOPMENT (NEPAD)

- Provide a report of (at most) two pages per initiative and format each report to fit the following framework: Introduction, Objectives, Functions, Advantage for South Africa, Sources of Reference.

4. The **FOURTH PROGRAMME** was to focus on the democratisation of state and society and aimed at opening the way to a new democratic order in South Africa by means of democracy, development and a people-centred approach.

The programme set out the role of the Constitution and the Charter of Human Rights, the role of National, Provincial and Local government, administration of justice, the private sector, semi-state organisations, the police and security services, community services, non-governmental organisations (NGOs) and a democratic information system for facilitating socio-economic development.

2.1.5.5 Activity 4: Democratisation of state and society

Group 1:

Do research into the basic content of the Constitution and the Charter of Human Rights and provide a comprehensive report of at least two pages on each. This must also be used for the presentation to the class. Provide your own summary of the information contained in the presentation.

Group 2:

Do research on the structure (in organogram format) of National, Provincial and Local Government. Provide three posters showing the different government structures. These posters must also be used for presentation to the class.

Group 3:

Do research on the semi-state organisations (including those of the previous government) and provide a report of three pages (at most) which indicates the name and function of each. This must also be used for presentation to the class.

Group 4:

Do research into TWO non-governmental organisations (NGOs) that operate in South Africa and provide a report of two to three pages on each. The reports must indicate the names and functions of the NGOs and must also be used for presentation to the class.

5. The **FIFTH PROGRAMME** was to focus on the implementation of the RDP and involved the establishment of effective RDP structures at national, provincial and local government levels to monitor the progress of the programmes. The important aspects of the programme involved:

a) FRAMEWORKS FOR PLANNING that would take place within a comprehensive national framework guided by provincial governments endowed with specific authority and functions

b) FINANCING FOR THE RDP that is regarded as a national priority to be funded accordingly. Allocations to be made from national sources with acknowledgment of existing inequalities between the provinces, as well as factors such as population size, development handicaps, etc.

2.1.5.6 Activity 5: The Reconstruction and Development Programme (RDP) [LO 2.2]

Do critical evaluation of the development of the different Reconstruction and Development Programmes since 1994. Refer to successes and shortcomings and offer your own recommendations for eliminating such shortcomings. Present this in

the form of a 2 to 3 page report. Provide your own summary of the information contained in the presentation.

2.1.5.7 Source:

- ANC, 1994: THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME: A Policy Framework. Umanyano Publications, PO Box 3851, Johannesburg, 1994
-

2.1.6 Assessment

Learning outcomes (Los)
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENT The learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
Assessment standards (ASs)
We know this when the learner:
2.1 discusses how the national budget, regional and international agreements can be used to facilitate sustainable growth and development;
2.2 investigates and debates the successes and shortcomings of the RDP;
2.3 explains the role of savings and investments in economic prosperity and growth;
2.4 discusses productivity and growth and its effects on economic prosperity, growth and global competition.

Table 2.1

2.1.7 Memorandum

ACTIVITY 1: PROVIDING BASIC NEEDS

Let learners examine instances of "better" satisfaction of basic needs in their own environment. Failures should also be discussed, together with possible reasons for the lack of success of programmes.

ACTIVITY 2: DEVELOPMENT OF HUMAN RESOURCES

Let learners examine programmes aimed at improving training in their own environment. They also need to evaluate failures and provide possible reasons to explain why projects failed

ACTIVITY 3: GROWING THE ECONOMY

Let learners investigate the AU (African Union) as replacement for the OAU (organisation FoR African Unity) and the objectives that are pursued.

Learners also have to research the NEW ECONOMIC PROGRAMME FOR AFRICAN DEVELOPMENT (NEPAD) to gain clarity concerning the planned objectives of the programme.

ACTIVITY 4: DEMOCRATISATION OF STATE AND SOCIETY

Let the groups do research into:

1. The basic content of the Constitution and the Charter of Human Rights
2. The structure of National, Provincial and Local government structures (poster format)
3. The semi-state organisations, e.g. SASOL, ISCOR, KRYGKOR, etc.
4. Two non-governmental organisations (NGOs) that operate in South Africa.

ACTIVITY 5: RECONSTRUCTION AND DEVELOPMENT PROGRAMME (RDP)

Following from the above research, the learner has to undertake critical evaluation of the RDP, with particular reference to its successes and shortcomings. Encourage the learners to offer their own recommendations.

2.2 Regional and international agreements[2]

2.2.1 ECONOMIC AND MANAGEMENT SCIENCES

2.2.2 Grade 9

2.2.3 SUSTAINABLE GROWTH AND DEVELOPMENT

2.2.4 Module 8

2.2.5 REGIONAL AND INTERNATIONAL AGREEMENTS

The existence of definite inequalities between the different regions is a characteristic of the South African economy. These inequalities are mainly attributable to the ethnic divisions that formed the basis of regional development policy during the previous political dispensation. Ethnic groupings were localised in particular regions in which so-called "homelands" were allocated to each group. Any particular group had to facilitate its social, political and economic development within the homeland allocated to it. This enforced segregation or separation and industrial decentralization placed whole communities in areas where their economic existence was threatened by disadvantageous results like poverty, underfeeding, overpopulation, crime, etc. Close to half of the black population were forced to remain in the homelands where the per capita income was less that a quarter of the national average.

2.2.5.1 Activity1: Homelands Policy [LO 2.1]

Identify the so-called former independent and self-governing states that existed under the previous dispensation and indicate the ethnic groups that had to find their political, social and economic refuge in each "homeland".

- Present the information that you have gathered:

The results of the above-mentioned regional development policy was stagnation of economic growth, a considerable decrease in investments and considerable lowering of real income over a number of decades. The economy was mainly dependent on exportation of minerals and the manufacturing sector was unable to provide the required employment opportunities that would supply the needs of the population. Because of the apartheid policies, there was very little economic co-operation with other African states and South Africa found itself in a situation of isolation.

[2]This content is available online at <http://cnx.org/content/m21503/1.1/>.

The following was suggested to achieve and extend regional and international co-operation against this background, and in accordance with RDP objectives for a strong, dynamic and balanced economy:

a) Elimination of poverty, low wages and the extreme inequalities in wages and prosperity that resulted from the policies of the previous government;

b) Easing of economic imbalances and unequal development opportunities within and among the different South African regions;

c) Development of a progressive and balanced regional policy based on the principles of equity and mutual benefit; and

d) Integration into the international economy in such a way that viable and effective local manufacturing capacity and increased potential for exportation of manufactured goods would be sustained.

Sustainable growth and development are only possible if the above principles are incorporated in policy and budget structures. The democratic government will play a leading role in this and it is expected that a dynamic balance between government initiatives, the private sector and community development will be consistently pursued. Broadly representative institutions that will plan strategies for job creation and community development must be established to assist growth in local economies. Examples would include the raising of community development funds in the private sector, investment strategies, training, small business enterprises, agricultural development, etc. If necessary, the government could make subsidies available for job creation and development projects. The ultimate goal is that projects must eventually be individually sustainable.

Local development should aim towards a land reform plan that will attempt to transfer ineffective, debt-ridden, ecology-threatening farm ownership to those who want to earn an income from farming in a more sustainable manner. Improved access to affordable services and infrastructure is a prerequisite, especially in the former "homelands".

2.2.5.2 Activity 2: Land Reform

Discuss land reform and make suggestions about what can/should be done to effect land reform in South Africa in a manner that will allow "better" distribution of available land without running the risk of doing damage to production or economic development. (Refer to the present situation in Zimbabwe.)

- Provide a report of two pages, at most, for presentation to the class, and summarise the report.

It is accepted that sustainable reconstruction and development in South Africa presupposes sustainable reconstruction and development in Southern Africa as continued joblessness and under-employment in one region can result in migration to other regions, with detrimental results for those economies. That is why continuous negotiation with neighbouring states remains important for finding a common basis for co-operation, co-ordination and integration. In spite of the fact that present trade patterns between South Africa and the rest of Africa are relatively unbalanced (South African exports to the rest of Africa exceeds those of the rest of Africa to South Africa by five to one), fresh negotiations in this area should focus on achieving a better balance. There should be an attempt to improve possibilities for manufacturing in neighbouring states, so that the possibility of exportation can improve accordingly. The development of regional and industrial strategies for specific sub-sectors, e.g. mineral enrichment, motorcar parts and textiles can be mentioned as examples. The development of combined and mutually advantageous projects with regard, for instance, to water sources, electricity and power supply, transport and communication, and agriculture and food production for the region should also be encouraged.

2.2.5.3 Activity3: Regional Co-operation

Do research on the ways in which regional co-operation occurs with regard to the use of water sources in Southern Africa. Refer to existing projects and provide a brief description of each.

2.2.5.4 Activity4: States in Southern Africa

Provide (or draw) a map of Southern Africa to show the states that border on South Africa. Also show the products that South Africa exports to its neighbours and the products that are imported from them.

2.2.6 Assessering

Learning outcomes (Los)
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENT The learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
Assessment standards (ASs)
We know this when the learner:
2.1 discusses how the national budget, regional and international agreements can be used to facilitate sustainable growth and development;
2.2 investigates and debates the successes and shortcomings of the RDP;
2.3 explains the role of savings and investments in economic prosperity and growth;
2.4 discusses productivity and growth and its effects on economic prosperity, growth and global competition.

Table 2.2

2.2.7 Memorandum

ACTIVITY 1: HOMELANDS POLICY

Identify the former independent and self-governing states that existed under the previous dispensation.

Independent states:VENDA, BOPHUTHATSWANA, TRANSKEI EN CISKEI

Self-governing states:QwaQwa, KwaNDEBELE, KWAZULU, LEBOWA, GAZANKULU, KaNGWANE

ACTIVITY 2: LAND REFORM

The groups are to state their points of view with regard to land reform in South Africa, and should be encouraged to discuss the issue in regard to the present situation in Zimbabwe.

ACTIVITY 3: REGIONAL CO-OPERATION

The learners are required to do research on the Lesotho Highland Project and on the Cabora Bassa project and should be encouraged to point out the value of the projects as examples of regional co-operation.

ACTIVITY 4: STATES IN SOUTHERN AFRICA

Each learner has to design and present a map of South Africa on which imports and exports are indicated (the main products only).

2.3 Savings and investment[3]

2.3.1 ECONOMIC AND MANAGEMENT SCIENCES

2.3.2 Grade 9

2.3.3 SUSTAINABLE GROWTH AND DEVELOPMENT

2.3.4 Module 10

2.3.5 SAVINGS AND INVESTMENT

If the savings of individual people and of investors are made available for the expansion of the production capacity, the idea is to produce more goods and services. This also has the effect that people are employed, which, in turn, leads to improvement in the standard of living of the population. The savings are used for INVESTMENT in capital goods (like buildings, equipment and machinery for production).

When the volume of investments increases, the potential for further investment expands and this eventually increases the economy's capacity for growth in terms of an increase in goods and services. This can help to improve the standard of living, provide more job opportunities and greater prosperity, which is indicative of improved economic growth.

When the volume of investments DEcreases, the potential for further investment decreases and this means that fewer goods and services will be available for satisfying needs, which will result in the eventual shrinking of possibilities for economic growth. Communities in which this happens will eventually become poorer and the possibility of further savings might be eliminated, with catastrophic results for investment and any capacity for economic growth, increasing poverty, unemployment, etc.

The above makes it clear that economic growth is a process by which a country's capacity to provide goods and services increases in such a manner that there will be an increase in real compensation/remuneration. (Real compensation/remuneration signifies the compensation after changes in price rises have been calculated.) The increase signifies that the physical compensation or wealth of the population has improved, with an accompanying improvement in the standard of living and improved economic growth.

While ECONOMIC GROWTH has to do with an increase in the production capacity of the economy (i.e. the possibility to deliver more goods and services), ECONOMIC DEVELOPMENT signifies an increase in economic growth accompanying an improvement in the quality of life which relates to improved access to education, housing, and other basic infrastructure. Economic development therefore is a more comprehensive concept that includes economic growth.

2.3.5.1 Activity 1: Economic Growth and Development

Provide your own explanation of the following:

- SAVING is:
- INVESTMENT is:
- ECONOMIC GROWTH is achieved when:
- ECONOMIC DEVELOPMENT therefore has to do with:
- Assessment

Learning outcomes (Los)
continued on next page

[3]This content is available online at <http://cnx.org/content/m21504/1.1/>.

LO 2
SUSTAINABLE GROWTH AND DEVELOPMENT The learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
Assessment standards (ASs)
We know this when the learner:
2.1 discusses how the national budget, regional and international agreements can be used to facilitate sustainable growth and development;
2.2 investigates and debates the successes and shortcomings of the RDP;
2.3 explains the role of savings and investments in economic prosperity and growth;
2.4 discusses productivity and growth and its effects on economic prosperity, growth and global competition.

Table 2.3

2.3.6 Memorandum

ACTIVITY 1: ECONOMIC GROWTH AND DEVELOPMENT

The learner has to complete the following (in her or his own words):

SAVING is the postponement of satisfying personal needs.

INVESTMENT is capital that is invested to make production possible.

ECONOMIC GROWTH is achieved when the increase in the production of a country is larger than the increase in population, which means that the increase in the amount of available goods has created wealth.

ECONOMIC DEVELOPMENT therefore has to do with the fact that the greater prosperity made possible by economic growth has also improved the general quality of the lives of the population, which involves improved access to education, water, housing, etc.

2.4 Productivity[4]

2.4.1 ECONOMIC AND MANAGEMENT SCIENCES

2.4.2 Grade 9

2.4.3 SUSTAINABLE GROWTH AND DEVELOPMENT

2.4.4 Module 11

2.4.5 PRODUCTIVITY

Productivity can be described as *the amount of goods and services produced per worker per hour. This refers to the ratio between real production and the number of inputs that are needed to manufacture it*; the productivity of labour increases, for example, if the output (the number of units that are produced) increases by 10% while the input (number of working hours) remains the same.

There is an important relationship between productivity and economic growth in the sense that improved productivity always is a prerequisite for economic growth.

For the effect of productivity on economic growth to be understood, it is necessary to distinguish between the following concepts:

[4]This content is available online at <http://cnx.org/content/m21506/1.1/>.

1. EXTENSIVE ECONOMIC GROWTH refers to the extension of total production of goods and services irrespective of whether there is increased productivity per person. According to this, extensive economic growth is possible even though there may be no increase in production per person

2. INTENSIVE ECONOMIC GROWTH refers to the increase in production per person (or per capita). When intensive economic growth occurs, total production increases more rapidly than the population. Per capita growth (or income) therefore is an indicator of economic growth.

When a community's production of goods and services expands more rapidly than the population increases, real per capita income rises. This generally means that the economic prosperity of the population will increase, which reflects economic growth.

Therefore: growth in production that is larger than growth in population leads to:

- rise in real per capita income, which leads to
- increased economic growth and
- economic prosperity

Inversely, a decrease in real per capita income will occur if the population increase is greater than the increase in production. Economic decline, the opposite of intensive growth, will therefore occur.

Therefore: growth in production that is smaller than growth in population leads to

- decline in real per capita income, which leads to:
- economic decline and
- decline in economic prosperity (rising poverty)

With increased productivity, the products of a country become more competitive on international markets and this can lead to increased exports. The reason for this is that

increased productivity can absorb wage increases, which makes it possible for business enterprises to keep the prices of their products stable.

2.4.5.1 Activity 1: Productivity of Labour

Identify TEN factors that could lead to improvement in labour productivity. Provide a full explanation of each one.

- Also provide a report for presentation to the class.

2.4.5.2 Activity 2: Labour Productivity in South Africa [LO 2.4]

Do you think labour productivity in South Africa is of a standard that makes it possible to compete effectively on international markets? Motivate your answer so that points of view can be debated in the class.

2.4.5.3 Sources:

- Gwartney, James D ECONOMICS, Private and Public Choice, Sixth Edition
- Stroup, Richard L The Dryden Press, Harcourt Brace College Publishers, Orlando, 1992

2.4.6 Assessment

Learning outcomes (Los)
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENT The learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
Assessment standards (ASs)
We know this when the learner:
2.1 discusses how the national budget, regional and international agreements can be used to facilitate sustainable growth and development;
2.2 investigates and debates the successes and shortcomings of the RDP;
2.3 explains the role of savings and investments in economic prosperity and growth;
2.4 discusses productivity and growth and its effects on economic prosperity, growth and global competition.

Table 2.4

2.4.7 Memorandum

ACTIVITY 1: PRODUCTIVITY OF LABOUR

Factors that could lead to improvement in labour productivity (the concepts should be defined clearly and explained adequately).

1. Climate
2. Own culture
3. Renumeration of wages
4. Working hours
5. Working conditions
6. Health and strength
7. Intelligence
8. Training and education
9. Social attitude
10. Organisation of labour

ACTIVITY 2: LABOUR PRODUCTIVITY IN SOUTH AFRICA

Groups are to state their points of view regarding labour productivity in South Africa, taking note particularly of conditions or situations in their own environment where contractors do not operate effectively and workers do not provide maximum input to benefit their employers.

Chapter 3

Term 3

3.1 An idea for an enterprise[1]

3.1.1 ECONOMIC AND MANAGEMENT SCIENCES

3.1.2 Grade 9

3.1.3 ENTREPRENEURSHIP

3.1.4 Module 12

3.1.5 AN IDEA FOR AN ENTERPRISE

Activity 1:

To discuss the value of entrepreneurship for the community, and generate business ideas by means of a SWOT analysis

[LO 4.5, 4.1]

Read the following report from *Die Burger* of 5 July 2003 about the efforts of an entrepreneur in Cape Town:

A LONG WIRE FROM POVERTY TO A BETTER LIFE

Nellie Brand

Mr Unite Chimbadzo has come a far way from the streets of Johannesburg and Cape Town to the showroom in a building in Kloof Street where interesting wire art can be seen through dusty windowpanes.

On Tuesday evening his wire art took pride of place at the dazzling rugby dinner of the new Springbok team in the Cape Town international conference centre that was held to raise money for injured rugby players.

It is in the showroom and workshop in 8 Kloof Street where *Loxionwires*, the close corporation which was established by him and five other artists, is run. Previously their wire ornaments were made and displayed in the city streets.

He made 60 wire balls for the Springbok dinner, and this is the kind of order that the close corporation would like to get more of.

According to him they established *Loxionwires* so that they would be able to get larger projects. "We want to give our clients the confidence to place orders with us. If we keep on working in the streets we will never get big orders," he says.

He has an intense desire to train other unemployed people and to save them from the morass of poverty, crime and drugs – a commonplace phenomenon in Khayelitsha where he lives. He says that the decision to establish the close corporation was driven by this desire.

[1] This content is available online at <http://cnx.org/content/m21509/1.1/>.

The name of the concern is pronounced in the way that the ordinary township people say "location" – "the dwelling-place of those for whom we want to create work," he says.

At present *Loxionwires* employs 42 people.

He says unemployed people are trained to ensure that the day they get a big order, they will be able to produce high quality products which will satisfy their clients.

He expects that business will improve towards the end of the year when they will be making wire Christmas trees.

He talks about unemployed young people who turn to crime in order to survive.

"It isn't safe for me to be the only one in my township who goes home at night with money in my pocket," he says. "I know that I will encounter danger somewhere along the way."

He hopes that his example will convince such people that there are other ways of earning an income. "If I can do it, others can too. All I use is my hands and my brains to make an ornament that will sell and on which I won't make a loss," he says.

It has taken him 10 years since he came to South Africa from Zimbabwe in search of a better life to earn a reasonably fixed stream of income from his craft.

As a 19-year-old who had passed matric with five distinctions – amongst others in maths and science – but who was unable to get a fixed job since 1993, he saw how people in Johannesburg were able to survive on their earnings from wire art.

He has set his hopes on getting assistance from a financier who will help them to get their business in order so that they can open a training workshop.

Chimbadzo can be contacted at 083 752 9806.

(Source: *Die Burger*, 5 July 2003)

1. What are the qualities of an entrepreneur that you recognise in Mr Chimbadzo?
2. What contribution is Mr Chimbadzo making towards the upliftment of the community?

3.1.5.1 Research assignment

Undertake research of entrepreneurial activities in one or more poor communities and use the information to write a report of about 900 words (three to four A4 pages) on the following topic:

Entrepreneurs play an important role in the upliftment of the standard of living of a community.

See to it that through your research you become acquainted with SMMEs: (Small, Medium and Micro Enterprises). Select the best examples of successful initiatives about which you were able to get information and explain in each case why the initiative was successful and how it contributes (contributed) to the upliftment of the community. Add your report to your portfolio immediately after this page.

3.1.5.2 Class discussion 1: A SWOT-analysis of Chimbadzo's initiative.

- A SWOT analysis is a handy instrument with which to evaluate the viability of an initiative. It is an analysis of the strengths, weaknesses, opportunities and threats related to the initiative. This is where the word SWOT comes from. Read the report on Chimbadzo carefully again and then as a class do a SWOT analysis of his initiative. Write down the points on which the class agrees here:
- **Strengths**
- **Weaknesses**
- **Opportunities**
- **Threats**

3.1.5.3 Class discussion 2: SWOT-analysis of possible business ideas.

Have a class discussion on possible business ideas in your area. Identify possibilities in manufacturing, service provision and tourism. Pay specific attention to the positive impact that each initiative could have on the needs and upliftment of the community, e.g. in terms of creating job opportunities.

Make a list of the ideas:

Ideas with a focus on manufacturing (at least one with a focus on tourism)

Ideas with a focus on service provision (at least one with a focus on tourism)

As a class, do a SWOT analysis of each of the ideas and choose the three best ones in each of the two groups. Underline them in the list.

3.1.5.4 Activity 2:

3.1.5.5 To test the viability of an identified business idea

3.1.5.6 [LO 4.2, 4.3]

Choose one of the business ideas that were identified as the six best ones in Activity 1. It must be the one you like best and one you think you will make a success of.

Test the viability of the idea that you chose in the following way:

1. Read the following guidelines on how to develop a business idea:

Three basic elements of a business: The following can always be applied to a business and must be taken into account when a business idea is considered:

A specific product (or number of products) or service must be offered.

The manufacturing or sourcing of the product(s), or provision of the service, must be sustained.

There must be buyers who want the product(s) or service, and who can pay for it.

Creative thinking is essential: An entrepreneur does not imitate, but does something new or improves on something that already exists.

The actions taken by an entrepreneur can be divided into different groups. The following is a broad division within which further subdivisions can be made:

Something that already exists and is readily available and plentiful could be used for something else (*new purpose*). For example: Someone decided to buy the pieces of broken brick that could not be used on a building site and used it for paving at a price which no other paving businesses could match. It was a great success.

Something that already exists can be altered by way of an improvement (*improvement*). The development of the microchip in computer technology is a good example. Another example is the reduction in size of huge computers that filled a whole room, to personal computers (desktops) and later to laptops. A totally different example is where a shop owner decides to diversify by expanding his range of products. He improves upon his existing service.

Something new can be developed that altogether replaces something that is available on the market (*substitution*). At present plastic lenses for spectacles are replacing the older type of glass lenses.

2. Research and describe the idea fully. Make rough notes first and then write down the final description here. Do this thoroughly, because you are going to use this idea for the rest of the module.

My business idea

- Product or service (indicate whether it is a new purpose, improvement or replacement)
- Manufacturing and/or sourcing
- The market (who is going to buy, why, and why they will be able to afford it)
- Marketing strategy

3. Now you must test the financial viability of the business idea. Up to now we have looked at the business idea in terms of product, manufacturing and sourcing, the market (buyers) and the way in which we are going to get the buyers to buy the product (marketing strategy). However, now we must make sure that the idea is actually *financially* viable. *A business is only a business if it shows a profit.* That means that we should not sell our product or service at a loss and that the breakeven point (the number of items or service contracts that we have to sell in order to break even) is realistically attainable.

To be capable of doing that, we need to look at the following:

- the selling price;
- the direct cost of providing the product or service;
- the costs involved in running the business (e.g. transport and marketing)

The selling price

The selling price is determined provisionally beforehand on the basis of market research. The research is used to determine which similar products or services exist and what they cost.

The cost of the product

A product cannot easily be created without any costs. For example, even if spring water is drawn and sold, the containers (bottles) still cost money.

Operating costs

Operating costs include anything that is needed to keep the business going, such as transport, salaries, marketing, postage, telephone costs, and so on. Let us do a calculation to determine the viability of a specific business idea. Let us assume that we are going to sell hot dogs at an athletics meeting. It will be only a small meeting and we think we'll be able to sell 100 hot dogs. After doing some research we decide that R6,00 is an acceptable price. The frankfurters cost R3,00 each and the rolls are R0,60 each. The various sauces that we'll need cost R25,00. We find out that we'll have to rent a stall at R50,00 and that we'll need 20 posters at R8,00 each to market the stall.

This is what our calculation will look like:

Sales: 100 hot dogs @ R6,00 each = R600,00

Cost of products: 100 hot dogs @ R2,75 each, and sauce @ R25,00 = R300,00

Gross profit as first indicator (sales less cost of product) = R300,00

Operating costs: Stall @ R50,00 and 20 posters @ R8,00 each = R210,00

Operational profit = R 90,00

It seems, therefore, that the enterprise will be profitable. The selling price, as provisionally determined by taking the market indicators into account, can thus remain unchanged. If the calculation did not show a profit, we could have considered adjusting the selling price upwards.

There are important tests that have to be done to ensure that the project is truly viable: we have to determine where the breakeven point is in case we are not able to reach the goal of selling 100 hot dogs.

3.1.5.7 ASSIGNMENT:

Determine the financial viability of your business idea by carrying out the above-mentioned steps, using your data.

3.1.6 Assessment

Learning Outcomes (LOs)
LO 4
Business, Consumer and Financial Knowledge and Skills The learner is able to apply, in a responsible manner, a range of business, consumer and financial skills.
Assessment Standards(ASs)
continued on next page

We know this if the learner:
4.1 generates, through SWOT analysis, possible business ideas to meet the need for manufactured goods or services;
4.2 develops a business plan (including a budget) for a manufacturing, service or tourism concern based on the best business opportunity from the ideas generated;
4.3 engages in the business activity planned and discusses the reasons for choosing a particular form of ownership;
4.4 conducts a marketing campaign to promote a product and discusses the self-selected advertising media;
4.5 researches the role of small, medium and micro enterprises in wealth and job processes.

Table 3.1

3.1.7

3.1.8 Memorandum

ACTIVITY 1

1. Seek and utilise new opportunities

Perseverance
Dedication
Takes chances (moved from Jhb to Cape Town)
Quality

1. Job creation

Improvement of quality of life
Training

- The aim of the research assignment is to make the learners realise that support opportunities do exist and that one does not necessarily have to fall back on one's own resources. Learners must also realise that the government regards successful small business initiatives as important, and supports such initiatives.

The purpose of the class discussions is to make the learners
realise that opportunities exist where one does not expect to find them or that there are opportunities one might not have thought of before;
become accustomed to lateral thinking;
understand that ideas should be tested properly right from the start; that one cannot embark on something, and spend time and money on an enterprise just to realise later that it isn't working.
A further aim is to generate work of a high quality in the classroom. Otherwise learners could easily keep themselves occupied with ideas that are not suitable for exercises later in the module.
ACTIVITY 2

- This activity has been set out in such a way that the learners can work through it on their own with some support from you. You do not need additional guidelines.
- A major part of the activity is the same as the work covered in Grade 8. However, it must be done again, seeing that it is the preamble to the following activity.
-
- The comments to the Grade 8 teacher are repeated here as they are very important:

- Testing the viability of the business idea allows the learner to deal with important concepts in the field of financial business management and you must make sure that they fully understand the concepts. The difference between product costs and operational costs and the meaning of gross profit must be fully understood. If the product cost is too high in relation to the selling price, the gross profit will be too low to be able to afford essential operational necessities such as salaries and marketing.
- The examples in the module can be used to check whether the learners' calculations are correct.

3.2 Develop a business plan[2]

3.2.1 ECONOMIC AND MANAGEMENT SCIENCES

3.2.2 Grade 9

3.2.3 ENTREPRENEURSHIP

3.2.4 Module 13

3.2.5 DEVELOP A BUSINESS PLAN AND BUDGET

3.2.5.1 Activity:

3.2.5.2 To turn a business idea into a business plan

3.2.5.3 [LO 4.4]

Once the business idea has passed the viability test it must be developed into a business plan.

A business plan is a core document in terms of which a business is managed.

Business plans can be set out in a variety of ways. The following framework was based on a business plan of a company that has been using it for the past few years. It has been tested in practice.

BUSINESS PLAN

1. **Vision of the enterprise**

The vision of an enterprise says in a few words how the enterprise would like to see itself now as well as in the medium to long term. It does not change much from one year to the next.

Example:

To be the leading supplier of garden services in the Ermelo urban area.

2. **Mission**

The mission briefly states how the enterprise will go about pursuing its vision. The mission is adapted according to the changes that take place both within and outside the enterprise, and can therefore change from one year to the next.

Example:

Gardens are kept weed-free and neat and the soil is cultivated to increase fertility.

3. **Organogram**

The organogram explains the structure of an organisation in terms of the functions and employees, and it indicates who reports to whom.

4. **The market**

4.1 Potential clients

It is important to give as much information as possible about potential clients. Market research is essential. It can be done by way of questionnaires, interviews and telephone calls, as well as by studying the newspapers and any documents that contain information about the community.

4.2 Competitors

[2]This content is available online at <http://cnx.org/content/m21515/1.1/>.

It is essential to have information about competitors. There should be an indication of who the competitors are and what their strengths are, but more importantly what their weaknesses are, what people say about them, exactly what they sell and what their marketing strategies are.

5. **Goals for the year in question (in this case 2004)**

A business always sets specific goals that it wants to achieve in a particular year.

Example:

5.1 To be contracted by 200 home owners for the care of their gardens

5.2 To reach sales of R980 000,00

- To achieve a profit equal to 20% of the sales

6. **Steps in pursuing the goals in the particular year**

For each of the goals there will be an indication of what is to be done to achieve the goal.

Example:

6.1 Goals 5.1 and 5.2 will be achieved by

tailoring the product or service to the needs of the clients,

pricing it right,

advertising in the newspaper,

making personal visits to all the homes in the area,

giving excellent service to existing clients so that they advertise the undertaking, and offering a 20% discount on the normal price.

6.2 Goal 5.3 will be achieved by

cutting out unnecessary expenses, etc.

A little more about marketing:

- Pursuing business goals without effective marketing is not possible and therefore marketing should get a great deal of attention in this part of the business plan. It is often said that it is easier to sell a poor product if the marketing is good, than to sell a good product if the marketing is poor.
- As far as the marketing of a business is concerned, two phases can be distinguished:

Phase 1 entails the market research that must be completed early in the planning process, to ensure that the *nature and price of the product or service* are determined correctly.

Phase 2 entails the planning and execution of a marketing campaign.

- *Place, time* and *promotion* are the three key words. Firstly, the marketing campaigns must take place at the right time at the right place. For instance, it is pointless to display the product at a venue when there are no people. Furthermore, the campaigns must catch the attention of the potential clients (promotion).
- Advertisements have a very important role to play in this phase. Advertisements must *draw attention, be interesting* and *compel the viewer to take action.*
- The choice of media is also important. The media that are probably used most frequently are posters, newspapers, radio and television.
-

7. **Budget for the year**

The budget is the most important part of the business plan. All the planning, mentioned above, can only be realised if the necessary finances are available. The budget that shows whether this is possible or not.

The income statement done in Activity 1.2 is an important part of the budget, but must be augmented by a balance sheet and cash flow statement. In this module we shall only look at the income statement.

8. **Projection for the following year (in this case 2005)**

A business always looks ahead of the present year and attempts to make an informed estimate of what should be attained in the next year or two.

The income statement format can be used for this purpose. All possible factors are taken into consideration and then it is decided whether the sales ought to increase, (e.g. by 10%), whether there will be new costs that will reduce the profit, (e.g. if it is expected that additional marketing needs to be done, etc.).

ASSIGNMENT:

Follow the example given in the preceding section and turn your business idea into a business plan. Use the captions on the next page to write a business plan.

My **B**usiness Plan

Period_____ to _____

1. Vision:
2. Mission:
3. Organogram:
4. The market:

4.1 Potential clients (based on research)

4.2 Competitors (based on research)

5. Goals (Remember: Specifically for the period indicated in the heading.)
6. Steps in pursuing the goals (Remember to set out your marketing strategy here.)
7. Budget (for the period indicated in the heading)

Data:

- Selling price
- Number of units that will be sold
- Product cost per unit
- Expected operational costs (Remember to make sufficient provision for the market)

Calculations:

- Sales
- **Cost of product**
- **Gross profit as first indicator** (sales less cost of product)

- Operational costs
- **Operational profit**

8. Projection (for the period following the period indicated in the heading)

- Sales
- Cost of product
- **Gross profit as first indicator**

(sales less cost of product)

- Operational costs
- **Operational profit**

3.2.6 Assessment

Learning Outcomes (LOs)
LO 4
Business, Consumer and Financial Knowledge and Skills The learner is able to apply, in a responsible manner, a range of business, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner:
4.1 generates, through SWOT analysis, possible business ideas to meet the need for manufactured goods or services;
4.2 develops a business plan (including a budget) for a manufacturing, service or tourism concern based on the best business opportunity from the ideas generated;
4.3 engages in the business activity planned and discusses the reasons for choosing a particular form of ownership;
4.4 conducts a marketing campaign to promote a product and discusses the self-selected advertising media;
4.5 researches the role of small, medium and micro enterprises in wealth and job processes.

Table 3.2

3.3 Ownership of a business[3]

3.3.1 ECONOMIC AND MANAGEMENT SCIENCES

3.3.2 Grade 9

3.3.3 ENTREPRENEURSHIP

3.3.4 Module 14

3.3.5 OWNERSHIP OF A BUSINESS

3.3.5.1 Activity:

3.3.5.2 To discuss the different kinds of ownership of a business

3.3.5.3 [LO 4.3]

When you plan to start a business you must decide to whom the business will belong.

There are mainly four options: you as individual could be the owner, you could establish a close corporation, you could create a company or you could take up a concession.

3.3.5.4 Option 1: You assume ownership as individual

You can own the business in your personal capacity. That means that you as person

- will be taxed on any profits of the business (maximum 40%), and
- will be held accountable for debts that are incurred by the business (which means that, should the business not be in a position to pay the debts, you could lose your possessions and means of livelihood).

You could also invite other people to become co-owners, but that is dangerous, because there is always the possibility of misunderstandings and tension in the management of the business.

[3]This content is available online at <http://cnx.org/content/m21516/1.1/>.

3.3.5.5 Option 2: You establish a close corporation

In this case you become a member of the corporation and your personal assets are protected. Your accountability for any debts of the corporation does not exceed the amount of capital that you contributed. Furthermore the income tax is fixed at 30%, which is substantially less than in the case of an individual. You can also allow other people to become members, which means that you obtain additional financial support and do not stand altogether alone. As a close corporation functions in terms of a specific law, the interests of all the members are protected. The books of a CC must be done by a chartered accountant. There can be $1 - 10$ members.

The name of a close corporation always ends in CC, for example *Laser Services* CC.

3.3.5.6 Option 3: You create a private company

A company is managed in terms of a specific act and a number of requirements must be met that are not applicable to a close corporation. There must be a board of directors and the names of the board members must be made available to the *Public Registrar of Companies*. Fully audited annual statements must be submitted annually. Annual general meetings must be

held according to prescribed guidelines. All these requirements make the process of establishing a private company quite expensive.

The name of a private company ends in (Pty) Ltd.

3.3.5.7 Option 4: You take up a franchise

A franchise has many advantages for an individual, becomes a business owner, but has the support of the group and shares in advantages such as purchasing stock at lower prices, having access to tried and tested recipes (e.g. in the case of a restaurant), etc. Well-known names such as *SPAR* and *7-Eleven* are examples of franchises.

Assessment

Learning Outcomes (LOs)
LO 4
Business, Consumer and Financial Knowledge and Skills The learner is able to apply, in a responsible manner, a range of business, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner:
4.1 generates, through SWOT analysis, possible business ideas to meet the need for manufactured goods or services;
4.2 develops a business plan (including a budget) for a manufacturing, service or tourism concern based on the best business opportunity from the ideas generated;
4.3 engages in the business activity planned and discusses the reasons for choosing a particular form of ownership;
continued on next page

4.4 conducts a marketing campaign to promote a product and discusses the self-selected advertising media;
4.5 researches the role of small, medium and micro enterprises in wealth and job processes.

Table 3.3

In Conclusion:

How would you feel if your name were to appear like this in the newspapers some day?

SOURCE

BLOEMFONTEIN BOASTS TWO IT MILLIONAIRES

Gert Coetzee

Once again an inhabitant of Bloemfontein has made a great hit in the field of information technology. This time it is Mr Brian Lackey (54), a jovial businessman who sold a computer program for tens of millions of rands to a foreign company.

Lackey's success follows hot on the heels of that of Mr Igmé Hatting (27), a computer programmer who also hails from Bloemfontein. He sold his program for access control and equipment operation in stadiums to a foreign company for "somewhere between R106 million and R700 million".

Lackey has confirmed that his *4D group* has sold the right of use for a combined program for the micro-loaning industry and credit life insurance to the Australian division of an international company which has its headquarters in the United States of America.

This company may use the program in every country in the world except in South Africa. Lackey has retained the South African rights because he has many local clients and the business prospects in this country are "unlimited".

Owing to the sensitivity of the transaction he cannot reveal the name of the foreign buyer or the purchase price.

According to a reliable source the purchase price is "round about R400 million". According to Lackey the transaction has been finalised pending a condition that the program be made "web friendly".

A team of workers has already been working on this for 12 to 15 hours per day for the past months. Payment will be done in US dollars once the program has been adapted.

Lackey, who was born in Walvis Bay, was the provincial manager of a catering business in the Free State until the '80s, when he started his own business.

In 1993 he started a micro-lending business. He asked a friend to write a program for the administration of loans so that he could manage the data of his 900 clients.

This program was hired out to other micro-lenders, some of them even in Cape Town. "Before we knew where we were, we were being inundated with calls. It was an easy decision to bid farewell to the micro-lending business in favour of the new venture of developing software."

The *4D group*, with companies such as *Proloan Marketing* and *4D Insurance Solutions* in its stable, and with 30 employees in offices in Bloemfontein, Centurion and Cape Town, was established then.

Lackey does not write the programs himself, but conceives them. His employees do the rest.

Initially Lackey kept the good news to himself and did not tell his employees. Once it leaked out, he informed them about the new developments "so that they would not read about everything in the newspapers". Every employee will receive a bonus.

(Source: *Die Burger*, 31 July 2003)

Chapter 4

Term 4

4.1 Difference between an income statement and a balance sheet[1]

4.1.1 ECONOMIC- AND MANAGEMENT SCIENCES

4.1.2 Grade 9

4.1.3 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.1.4 Module 15

4.1.5 DIFFERENCE BETWEEN THE INCOME STATEMENT AND BALANCE SHEET

ACTIVITY 1:

To be able to distinguish between an income statement and a balance sheet

[LO 3.1]

Financial statements are documents which give information about finances of a business. The balance sheet and the income statements are two of these. They give a summary of the financial state of a business. It is important that financial statements are easy to set out and understand.

The information in financial statements makes it possible to plan and make good decisions for a business. All financial statements have to be drawn up according to the rules of Generally Accepted Accounting Practice.

The main purpose of the income statement is to show the profit or loss made over a particular period.

The main purpose of the balance sheet is to show the financial position of a business on a particular date. *The balance sheet is divided into the following sections:*

1. **Assets** - Non-current Assets and Current Assets.
2. **Equity and Liabilities** - Ownership Interest, Non-current Liabilities and Current Liabilities.

- In your own words, describe the difference between an income statement and a balance sheet.

ACTIVITY 2:

To draw up income statements for a service enterprise and a commercial enterprise

[LO 3.1]

- The following examples are Income Statements of a service enterprise and a commercial enterprise:

[1] This content is available online at <http://cnx.org/content/m31771/1.1/>.

Z. ZulekiTrading as XYZ Plumbers *Income Statement* **for the year ended 31 December 2003**

Current Income	55 000
Operating Expenditure	(38 274)
Telephone	3 420
Water and Electricity	5 620
Rental	12 000
Fuel	3 730
Stationery	3 680
Wages	9 824
Net Income for the year	16 726

Table 4.1

S. SolaniTrading as Solani Dealers *Income Statement* **for the year ended 31 December 2003**

Sales	324 000
Selling costs	(200 000)
Gross Profit	124 000
Other current income	14 400
Rental income	12 000
Interest income	2 400
Gross Current Income	138 400
Operating expenditure	(32 800)
Salaries and Wages	23 000
Stationery	800
Insurance	2 400
Telephone	500
Advertising costs	600
Interest on bond	2 500
Rates and taxes	3 000
Net Profit for the year	105 600

Table 4.2

ASSIGNMENT 1: Income Statement of a Service Enterprise

- The accounting period of Fixit Plumbers (owner F. Fix) ends on 30 June every year. The trial balance below appears in their books on 30 June 2003. Use the information to draw up the Income Statement for the year ended 30 June 2003. (Paper will be provided.)

TRIAL BALANCE OF FIXIT PLUMBERS

		Dt.	Cr.
Balance Sheet section			
Capital	B1		138 629
Withdrawals	B2	15 800	
Land and Buildings	B3	100 000	
Vehicles	B4	28 000	
Equipment	B5	12 740	
Bank	B6	3 963	
Nominal Accounts section			
Cost of materials	N1	6 084	
Insurance	N2	531	
Advertisements	N3	389	
Salaries	N4	12 500	
Wages	N5	4 715	
Current Income	N6		52 871
Fuel	N7	3 186	
Repairs	N8	917	
Telephone	N9	1 008	
Stationery	N10	492	
Water and Electricity	N11	1 175	
		191 500	191 500

Table 4.3

ASSIGNMENT 2: Income Statement of a Commercial Enterprise

- Use the information below to complete the Income Statement of Hendrikse Dealers (Owner: H. Hendrikse) for the year ended 30 June 2003. (Paper will be provided.)

TRIAL BALANCE OF HENDRIKSE DEALERS AS AT 30 JUNE 2003

		Dt.	Cr.
Balance Sheet section			
Capital	B1		166 047
Withdrawals	B2	6 320	
Land and Buildings	B3	140 000	
Equipment	B4	18 600	
Trading inventory	B5	8 860	
Debtors control	B6	11 224	
Bank	B7	7 621	
Change	B8	150	
Petty cash	B9	110	
Creditors control	B10		9 216
Nominal Accounts section			
Sales	N1		83 706
Selling costs	N2	55 804	
Rental income	N3		3 200
Telephone	N4	640	
Water and Electricity	N5	760	
Salaries	N6	8 900	
Wages	N7	1 100	
Postage	N8	120	
Stationery	N9	680	
Packaging material	N10	1 280	
		262 169	262 169

Table 4.4

ACITVITY 3:
To draw up Balance Sheets for a service enterprise and a commercial enterprise respectively
[LO 3.1]

- The following examples are Balance Sheets of a service enterprise and a commercial enterprise:

M. MuvaloTrading as Muvalo Hairdressing Salon *Balance Sheet* **as at 28 February 2003**

Assets	
Non-current Assets	
Fixed Assets 1	49 700
Current Assets	2 840
Total Assets	52 540
Equity and Liabilities	
Ownership Interest 2	52 540
Current Liabilities	–
Total Equity and Liabilities	52 540

Table 4.5

M. MuvaloTrading as Muvalo Hairdressing Salon *Notes* **to the financial statements for the year ended 28 February 2003**

1. Fixed Assets	
Vehicles	35 000
Equipment	14 700
	49 700
2. Ownership Interest	
Balance as at 28 February 2002/last day of previous year	45 000
Net Profit for the year	18 140
Additional capital contributed	–
Withdrawals	(10 600)
Balance as at 28 February 2003/ last day of current year	52 540

Table 4.6

F. Foxie Trading as Fox and Co. *Balance Sheet* **as at 31 December 2003**

Assets	
Non-current Assets	
Fixed Assets 1	158 600
Current Assets	27 965
Trading inventory	8 860
Debtors	11 224
Cash 2	7 881
Total Assets	186 565
Equities and Liabilities	
Ownership Interest 3	177 349
Current Liabilities	9 216
Creditors	9 216
Total Equity and Liabilities	186 565

Table 4.7

F. Foxie Trading as Fox and Co. *Notes* **to the financial statements for the year ended 31 December 2003**

1. Fixed Assets	
Land and Buildings	140 000
Equipment	18 600
	158 600
2. Cash	
Bank	7 621
Change	150
Petty cash	110
	7 881
3. Ownership Interest	
Balance as at 31 December 2002	166 047
Net Profit for the year	17 622
Withdrawals	(6 320)
Balance as at 31 December 2003	177 349

Table 4.8

ASSIGNMENT 1: Balance Sheet of a Service Enterprise

- Use the information of Activity 1.2 and draw up the Balance Sheet of Fixit Plumbers. *(Paper will be provided.)*

ASSIGNMENT 2: Income Statement of a commercial enterprise

- The financial year of Orange Dealers (Owner: O. Sitro) ends on the last day of February every year.
- The Trial Balance below appeared on their books on 28 February 2003.

- Draw up the Income Statement for the business for the relevant accounting period. *(Paper will be provided.)*

ASSIGNMENT 3: Balance Sheet of a Commercial Enterprise

- Draw up the Balance Sheet as at 28 February 2003. *(Paper will be provided.)*

TRIAL BALANCE OF ORANGE DEALERS AS AT 28 FEBRUARY 2003

		Dt.	Cr.
Balance Sheet section			
Capital	B1		200 000
Withdrawals	B2	4 700	
Land and Buildings	B3	150 800	
Vehicles	B4	36 200	
Equipment	B5	29 000	
Trading inventory	B6	16 700	
Debtors control	B7	3 980	
Bank	B8	2 550	
Change	B9	660	
Petty cash	B10	110	
Creditors Control	B11		16 000
Nominal Accounts section			
Sales	N1		192 557
Selling costs	N2	115 440	
Rental Income	N3		8 400
Rates and Taxes	N4	2 720	
Wages	N5	9 600	
Salaries	N6	30 000	
Repairs	N7	2 416	
Advertisements	N8	819	
Insurance	N9	2 690	
Water and Electricity	N10	3 670	
Telephone	N11	4 902	
		416 957	416 957

Table 4.9

4.1.6 Assessment

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.10

4.1.7 Memorandum

ACTIVITY 1

Difference between an income statement and a balance sheet. Accept the learners' wording. The time aspect is important: over a period (income statement) and on a specific date (balance sheet).

ACTIVITY 2

ASSIGNMENT 1

F. Fox
Trading as Fixit Plumbers
Income statement for the year ended 30 June 2003

Current income	52 871
Operating expenditure	(30 997)
Cost of materials	6 084
Insurance	531
Advertisements	389
Salaries	12 500
Wages	4 715
Fuel	3 186
Repairs	917
Telephone	1 008
Stationery	492
Water and Electricity	1 175
Net Income for the year	21 874

Figure 4.1

ASSIGNMENT 2

H. Hendriks
Trading as Hendrikse Dealers
Income statement for the year ended 30 June 2003

Sales	83 706
Selling costs	(55 804)
Gross Profit	27 902
Other Operating Income	3 200
Rental income	3 200
Operating expenditure	(13 480)
Gross Operating Income	31 102
Telephone	640
Water and Electricity	760
Salaries	8 900
Wages	1 100
Postage	120
Stationery	680
Packaging material	1 280
Net Profit for the year	17 622

Figure 4.2

ACTIVITY 2
ASSIGNMENT 1

F. Fox
Trading as Fixit Plumbers
Income statement for the year ended 30 June 2003

Current income	52 871
Operating expenditure	(30 997)
Cost of materials	6 084
Insurance	531
Advertisements	389
Salaries	12 500
Wages	4 715
Fuel	3 186
Repairs	917
Telephone	1 008
Stationery	492
Water and Electricity	1 175
Net Income for the year	21 874

Figure 4.3

ASSIGNMENT 2

H. Hendriks
Trading as Hendrikse Dealers
Income statement for the year ended 30 June 2003

Sales	83 706
Selling costs	(55 804)
Gross Profit	27 902
Other Operating Income	3 200
Rental income	3 200
Operating expenditure	(13 480)
Gross Operating Income	31 102
Telephone	640
Water and Electricity	760
Salaries	8 900
Wages	1 100
Postage	120
Stationery	680
Packaging material	1 280
Net Profit for the year	17 622

Figure 4.4

ACTIVITY 3
ASSIGNMENT 1
F. Fix Trading as Fixit PlumbersBalance sheet as at 30 June 2003

Assets	
Non-current assets	
Fixed assets 1	140 740
Current assets	3 963
Cash	3 963
Total Assets	144 703
Equity and Liabilities	
Ownership interest 2	144 703
Total Equity and Liabilities	144 703

Table 4.11

F. Fix Trading as Fixit PlumbersNotes to the financial statements for the year ended 30 June 2003

1 **Fixed Assets**:	
Land and Buildings	100 000
Vehicles	28 000
Equipment	12 740
	140 740
2 **Ownership interest**	
Balance as at 30 June 2002	138 629
Net Income for the year	21 874
Withdrawals	(15 800)
Balance as at 30 June 2003	144 703

Table 4.12

ASSIGNMENT 2

O. Sitro
Trading as Orange Dealers
Income statement for the year ended 28 February 2003

Sales	192 557
Selling costs	(115 440)
Gross Profit	77 117
Other Operating Income	8 400
Rental income	8 400
Operating Expenditure	(56 817)
Gross Operating Income	85 517
Rates and Taxes	2 720
Wages	9 600
Salaries	30 000
Repairs	2 416
Advertisements	819
Insurance	2 690
Water and Electricity	3 670
Telephone	4 902
Net Profit for the year	28 700

Figure 4.5

ASSIGNMENT 3

O. Sitro
Trading as Orange Dealers
Balance sheet as at 28 February 2003

Assets		
Non-current Assets		
Fixed Assets	1	216 000
Current Assets		24 000
Stock		16 700
Debtors		3 980
Cash	2	3 320
Total Assets		240 000
Equity and Liabilities		
Ownership interest	3	224 000
Current Liabilities		16 000
Creditors		16 000
Total Equity and Liabilities		240 000

Figure 4.6

O. SitroTrading as Orange DealersNotes to the financial statements for the year ended 28 February 2003

1 Fixed Assets	
Land and Buildings	150 800
Vehicles	36 200
Equipment	29 000
	216 000
2 Cash	
Bank	2 550
Petty cash	110
Change	660
	3 320
3 Ownership interest	
Balance as at 28 February 2003	200 000
Net Profit for the year	28 700
Withdrawals	(4 700)
Balance as at 28 February 2003	224 000

Table 4.13

4.2 Social and environmental responsibilities of businesses[2]

4.2.1 ECONOMIC- AND MANAGEMENT SCIENCES

4.2.2 Grade 9

4.2.3 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.2.4 Module 16

4.2.5 SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES OF BUSINESSES

ACTIVITY 1:

To discuss the social and environmental responsibilities of businesses

[LO 3.2]

When businesses focus on maximising profit, they often forget their responsibilities towards society and the environment. No business should make money at the expense of nature and the well-being of the community.

Manufacturing businesses should take care that the waste products, that are the result of their production processes, do not pollute the environment especially water sources. Natural resources are irreplaceable and misuse or overutilisation could deplete them so much that development in the future becomes impossible.

[2]This content is available online at <http://cnx.org/content/m31769/1.1/>.

Commercial enterprises should ensure that the products they sell are not harmful to the youth. Alcohol, cigarettes, undesirable books and magazines, are harmful to young people. The owners of bookshops and music shops should be aware of the content of the books, magazines and music they sell.

Any dealer has a social and moral obligation towards society.

Businesses can make a positive contribution to society by putting part of their profits back into the community by aiding the development of sport and training for disadvantaged groups or providing housing for the poor.

Group Assignment

- Split into groups of three and identify problems in your area that are the result of businesses not honouring their obligations. Approach the businesses if possible and try to find practical solutions to the problems.
- Make sure that you do not choose the same problems as the other groups. Use a sheet of cardboard and pictures or drawings to illustrate your report. Make a presentation to the rest of the class.

4.2.6 Assignment

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.14

4.2.7 Memorandum

GROUP ASSIGNMENT

- Possible problems that could be investigated:

- Environmental problems such as air, water and environmental pollution can be given attention.
- Attempts by the government and businesses to limit the use of plastic bags, as well as the involvement of businesses in the recycling of waste material, must be mentioned.

- Sale of cigarettes and alcohol to minors. Undesirable material with regard to videos, magazines, etc.
- Exploitation of the consumer by exorbitant prices, especially with regard to daily necessities.

4.3 Recording cash transactions of service and commercial enterprises[3]

ECONOMIC- AND MANAGEMENT SCIENCES

4.3.1 Grade 9

4.3.2 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.3.3 Module 17

4.3.3.1 RECORDING CASH TRANSACTIONS OF SERVICE AND COMMERCIAL ENTERPRISES

Section 1: Auxiliary Journals
ACTIVITY 1:
To record cash transactions of service and commercial enterprises
[LO 3.3]
The following cash transactions regularly occur in service and commercial enterprises:
CRJ

- Capital contribution, capital increase or capital reduction by the owner
- Receipt of cash for services provided
- Sale of goods for cash

CPJ

- Purchase of goods and other items for cash
- Payment of operating expenditure

These transactions, where cash is received or paid, are recorded in the CRJ or the CPJ.
ASSIGNMENT 1:

- **Complete a CRJ and CPJ for the service enterprise, Mzondi Plumbers.** Use CRJ 3.1.1 and CPJ 3.1.1 on the pages that follow.

- Service enterprises are businesses that get an income from providing services and their income is recorded in the CRJ in a column headed: Current Income.

- Z. Mzondi started a business called Mzondi Plumbers. The transactions below occurred during September. Record them in the CRJ and the CPJ and close the journals on 30 September 2003.

[3] This content is available online at <http://cnx.org/content/m31768/1.1/>.

September 1 Z. Mzondi starts the business by depositing his capital contribution of R50 000 in the current bank account

September 3 Rents a building from Denvon Properties and pays the rent of R525 by cheque 001

September 6 Purchases service materials to the value of R1 009 from Puma Stores and pays by cheque 002

September 8 Issues cheque 003 for R4 500 to Lundi Stores for equipment purchased

September 11 Receives stationery from Bundu Dealers and pays R487 by cheque 004

September 12 Receives R2 073 cash as per cash-register roll for services provided

September 14 Pays the municpality R390 by cheque 005 for water and electricity

September 15 Cashes cheque 006 for R190 for wages

September 21 Receives R1 795 cash as per cash-register roll for services provided

September 25 Pays Telkom R106 by cheque 007 for telephone

September 27 Cheque 008 for R477 is issued to Mpula Insurers for insurance

September 29 Wages of R210 are paid by cheque 009

September 30 Purchases a vehicle for R28 000 from Mdantsane Motors and pays by cheque 010

Cash-register roll shows R2 418 received for services provided

ASSIGNMENT 2:

- Complete a CRJ and CPJ for the commercial enterprise, Levubu Dealers.

- In the case of a commercial enterprise, goods are purchased and sold to make a profit. Goods are purchased at a certain price (cost price) and sold at a higher price (selling price) in order to make a profit.
- Both the cost price and the selling price are recorded in the CRJ so that the profit can be calculated at the end of the period. In the CRJ columns provision must be made for sales and the cost price of sales instead of current income, as in the case of a service enterprise.

- Use the information provided and show the entries in the Cash Receipts Journal and the Cash Payments Journal of Levubu Dealers (CRJ 3.1.2 and CPJ 3.1.2 on the pages that follow).

- On 1 July 2003 G. Levu started the business with a capital contribution of R130 000 deposited in the current bank account.
- According to the cheque counterfoils the following cheques were issued in July:

Date 2003	Cheque No.	Payee	For	Amount
July 2	001	Levubu Builders	Rent	R 1 400
July 6	002	Wilger Suppliers	Equipment	R 6 000
July 8	003	Municipality	Trade licence	R 150
July 12	004	A Z Dealers	Goods	R 7 800
July 15	005	Levubu Motors	Delivery vehicle	R23 300
July 18	006	Telkom	Telephone	R 125
July 20	007	Northern Suppliers	Goods	R 6 700
July 24	008	Waldo Dealers	Stationery	R 220
July 26	009	A Jansen	Salary	R 2 650
July 28	010	Levubu Motors	Fuel	R 78
July 30	011	Municipality	Water and Electricity	R 56
July 31	012	Cash	Wages	R 1 330

Table 4.15

- Cash sales of goods

July 17 R1 600 (cost price R1 280)

July 24 R3 900 (cost price R3 120)

July 31 R5 400 (cost price R4 320) In the case of sales at a commercial enterprise, the cost price sometimes needs to be determined. Every business works on a fixed profit percentage. This means that the profit percentage is added to the cost price to determine the selling price. The cost price of sales is regarded as an expenditure and therefore reduces the ownership interest. If the selling price and the % profit on the cost price are known, the following formula is used to calculate the cost price:

sp = cp + profit

(a) If the item is sold at R750 and a profit percentage of 25% is applied, the cost price will be calculated as follows:

sp = cp + profit

750 = cp + 25% × cp

cp + $\frac{25}{100}$cp = 750

1,25 cp = 750

cp = 600

(b) At a profit of 331/3% and a selling price of R400 the cost price will be calculated as follows:

sp = cp + profit

cp + 33,3% cp = 400

1,333 cp = 400

cp = 300

OPDRAG 3:

- **Complete the CRJ and calculate the cost price for Lubbe Dealers using the information below.** (Use CRJ 3.1.3 on the next page.)

- Goods are sold at cost price plus 331/3%. Close the journals by calculating the column totals.

- Transactions for May 2003

1 The owner, H. Lubbe, deposits R80 000 in the current bank account as his capital contribution

13 Cash sales of goods R 760

24 Cash sales of goods R 960

28 Cash sales of goods R1 240

CASH RECEIPTS JOURNAL OF MZONDI PLUMBERS – SEPTEMBER 2003 CRJ 3.1.1

Doc.	Day	Details	Fol.	Analysis	Bank	Current income			Sundries accounts		
									Amount	Fol.	Details
continued on next page											

Table 4.16

CASH PAYMENTS JOURNAL OF MZONDI PLUMBERS – SEPTEMBER 2003 CPJ 3.1.1

Doc.	Day	Name of beneficiary	Fol.	Bank		Cost of materials		Stationery		Equipment		Wages		Sundries accounts		
														Amount	Fol.	Details

Table 4.17

CASH RECEIPTS JOURNAL OF LEVUBU DEALERS - JULY 2003 CRJ 3.1.2

Doc.	Day	Details	Fol.	Analysis	Bank	Sales	Selling costs		Sundries accounts		
									Amount	Fol.	Details

continued on next page

Table 4.18

CASH PAYMENTS JOURNAL OF LEVUBU DEALERS - JULY 2003 CPJ 3.1.2

Doc.	Day	Name of beneficiary	Fol.	Bank		Cost of materials		Stationery						Sundries accounts			
														Amount	Fol.	Details	

Table 4.19

ASSIGNMENT 4:

- **Complete the CRJ and the CPJ of the combined commercial and service enterprise, Donovan Motors**. (Use CRJ 3.1.4 and CPJ 3.1.3)

- Mr D. Daniels opened a business called Donovan Motors on 1 December 2003. He deals in fuel, oil and tyres. He provides services in the form of repairs and panel-beating of vehicles.

- The business maintains a profit margin of 25% on the cost price.

- Cash transactions concluded in December 2003:

1 D. Daniels deposits his capital contribution of R80 000 in the current bank account opened in the name of the business

Draws a cheque for R300 to pay the trade licence

Pays R540 by cheque to Enlen as rental for the premises

Pays the insurance premium of R175 by cheque to Petru Insurance Brokers

2 Purchases materials for R5 625 and goods to the value of R7 350 from Nissau Car Sales and pays by cheque 025

Draws a cheque for change, R350

3 Purchases equipment from Motoquip Co. for R10 500 and pays by cheque 026

Purchases stationery from Scribble Ltd. and pays by cheque

7 Draws a cheque of R1 280 for the week's wages

8 Sells goods for R3 000 cash

13 Purchases additional equipment from Motoquip Co. for R1 125 and pays by cheque

14 Purchases a delivery vehicle for R30 445 from Mobile Motors and pays by cheque

Draws a cheque of R1 745 for wages

16 Receives additional stationery from Scribble Ltd. and pays R85 by cheque

17 Receives cash of R5 262 for services provided

Sells goods for R6 500 cash

20 Purchases materials from Alfa Car Suppliers and pays R1 721 by cheque

Purchases goods to the value of R585 from Nissau Car Sales and pays by cheque

21 Draws a cheque of R1 250 for the week's wages

22 D. Daniels (owner) cashes a cheque of R250 for his own use

23 Receives R3 558 in cash for services provided

Sells goods for R3 855 cash

24 Purchases materials for R1 500 and goods for R3 500 from Tika Suppliers and pays by cheque

28 Draws a cheque of R2 335 for the week's wages

30 Draws a cheque of R2 950 in favour of the manager, H. Hedwig, for his salary

Draws a cheque of R335 in favour of Telkom for the owner's personal telephone account

CASH RECEIPTS JOURNAL OF LUBBE DEALERS - MAY 2003 CRJ 3.1.3

Doc.	Day	Details	Fol.	Analysis		Bank		Sales		Selling costs				Sundries accounts			
														Amount	Fol.	Details	

Table 4.20

CASH RECEIPTS JOURNAL OF DONOVAN MOTORS - DECEMBER 2003 CRJ 3.1.4

Doc.	Day	Details	Fol.	Analysis		Bank		Current income		Sales		Selling costs		Sundries accounts			
														Amount	Fol.	Details	

Table 4.21

CASH PAYMENTS JOURNAL OF DONOVAN MOTORS - DECEMBER 2003 CPJ 3.1.3

Doc.	Day	Name of beneficiary	Fol.	Bank		Trading inventory		Stationery		Cost of materials		Wages		Sundries accounts			
														Amount	Fol.	Details	

Table 4.22

4.3.4 Assessment

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.23

4.3.5 Memorandum

ACTIVITY 1
ASSIGNMENT 1
CASH RECEIPTS JOURNAL OF MZONDI PLUMBERS - SEPTEMBER 2003 CRJ 3.1.1

Doc	Day	Details	Fol	Analysis		Bank		Current income						Sundries account			
														Amount	Fol		Details
101	1	Z. Mzondi				50 000	-							50 000	-	B1	Capital
CR	12	Services provided		2 073	-	2 073	-	2 073	-								
CR	21	Services provided		1 795	-	1 795	-	1 795	-								

continued on next page

CR	30	Services provided	2 418	-	2 418	-	2 418	-									
					56 286	-	6 286	-					50 000	-		
					B2		N1										

Table 4.24

ACTIVITY 1
ASSIGNMENT 1
CASH PAYMENTS JOURNAL OF MZONDI PLUMBERS - SEPTEMBER 2003 CPJ 3.1.1

Doc	Day	Name of payee	Fol	Bank		Cost of materials		Stationery		Equipment		Wages		Sundries account			
														Amount	Fol		Details
001	3	Denvon Properties		525	-									525	-		Rental expenditure
002	6	Puma Stores		1 009	-	1 009	-										
003	8	Lundi Stores		4 500	-					4 500	-						
004	11	Bundu Dealers		487	-			487	-								
005	14	Municipality		390	-									390	-		Water and Electricity
006	15	Cash		190	-							190	-				
007	25	Telkom		106	-									106			Telephone
008	27	Mpula Insurers		477	-									477	-		Insurance

continued on next page

009	29	Cash		210	-							210					
010	30	Mdantsane Motors		28 000	-									28 000	-		Vehicles
				35 894	-	1 009	-	487	-	4 500	-	400	-	29 498	-		

Table 4.25

ACTIVITY 1
ASSIGNMENT 2
CASH RECEIPTS JOURNAL OF LEVUBU DEALERS - JULY 2003 CRJ 3.1.2

Doc	Day	Details	Fol	Analysis		Bank		Sales		Selling costs				Sundries account			
														Amount	Fol		Details
	1	G. Levu				130 000	-							130 000	-	B1	Capital
CR	17	Sales		1 600	-	1 600	-	1 600	-	1 280	-						
CR	24	Sales		3 900	-	3 900	-	3 900	-	3 120	-						
CR	31	Sales		5 400	-	5 400	-	5 400	-	4 320	-						
						140 900	-	10 900	-	8 720	-			130 000	-		
						B3		N1		B2/N2							

Table 4.26

ACTIVITY 1
ASSIGNMENT 2
CASH PAYMENTS JOURNAL OF LEVUBU DEALERS - JULY 2003 CPJ 3.1.2

Doc	Day	Name of payee	Fol	Bank	Trading inventory	Stationery			Sundries account		
									Amount	Fol	Details
continued on next page											

001	2	Levubu Builders	1 400	-									1 400	-	N2	Rental expenditure
002	6	Wilger Suppliers	6 000	-									6 000	-	B1	Equipment
003	8	Municipality	150	-									150	-	N3	Trade licence
004	12	AZ Dealers	7 800	-	7 800	-								-		
005	15	Levubu Motors	23 300	-									23 300	-	B2	Vehicles
006	18	Telkom	125	-									125	-	N4	Telephone
007	20	Northern Suppliers	6 700	-	6 700	-								-		
008	24	Waldo Dealers	220	-			220	-						-		
009	26	A Jansen	2 650	-									2 650	-	N5	Salary
010	28	Levubu Motors	78	-									78	-	N6	Fuel
011	30	Municipality	56	-									56	-	N7	Water and Electricity

continued on next page

012	31	Cash		1 330	-									1 330	-	N8	Wages
				49 809	-	14 500	-	220	-					35 089	-		
				B4		B3		N1									

Table 4.27

ACTIVITY 1
ASSIGNMENT 3
CASH RECEIPTS JOURNAL OF LUBBE DEALERS - MAY 2003 CRJ 3.1.3

Doc	Day	Details	Fol	Analysis		Bank		Sales		Selling costs				Sundries account			
														Amount	Fol		Details
	1	H. Lubbe				80 000	-							80 000	-	B1	Capital
CR	13	Sales		760	-	760	-	760	-	570	-						
CR	24	Sales		960	-	960	-	960	-	720	-						
CR	28	Sales		1 240	-	1 240	-	1 240	-	930	-						
						82 960	-	2 960	-	2 220	-			80 000	-		
						B3		N1		B2/N2							

Table 4.28

ACTIVITY 1
ASSIGNMENT 4
CASH RECEIPTS JOURNAL OF DONOVAN MOTORS - DECEMBER 2003 CRJ 3.1.4

Doc	Day	Details	Fol	Analysis		Bank		Current income		Sales		Selling costs		Sundries account			
														Amount	Fol		Details
	1	D. Daniels				80 000	-							80 000	-		Capital
CR	8	Sales		3 000	-	3 000	-			3 000	-	2 400	-				

continued on next page

CR	17	Services provided	5 262	-	5 262	-	5 262	-								
CR		Sales	6 500	-	6 500	-			6 500	-	5 200	-				
CR	23	Services provided	3 558	-	3 558	-	3 558	-								
CR		Sales	3 855	-	3 855	-			3 855	-	3 084	-				
					102 175	-	8 820	-	13 355	-	10 684	-	80 000	-		

Table 4.29

ACTIVITY 1
ASSIGNMENT 4
CASH PAYMENTS JOURNAL OF DONOVAN MOTORS - DECEMBER 2003 CPJ 3.1.3

Doc	Day	Name of payee	Fol	Bank		Cost of materials		Trading inventory		Wages		Stationery		Sundries account			
														Amount		Fol	Details
01	1	Municipality		300	-									300	-		Trade licence
02		Enlen		540	-									540	-		Rental expenditure
03		Petru Insurance Brokers		175	-									175	-		Insurance

continued on next page

04	2	Nissau Car Sales	12 975	-	5 625	-	7 350									
05		Cash	350	-									350	-		Change
06	3	Motoquip Co.	10 500	-									10 500	-		Equipment
07		Scribble Ltd.	352	-							352	-				
08	7	Cash	1 280	-					1 280	-						
09	13	Motoquip Co.	1 125	-									1 125	-		Equipment
10	14	Mobile Motors	30 445	-									30 445	-		Vehicle
11		Cash	1 745	-					1 745	-						
12	16	Scribble Ltd.	85	-							85	-				
13	20	Alfa Car Suppliers	1 721	-	1 721	-										
14		Nissau Car Sales	585	-			585	-								
15	21	Cash	1 250	-					1 250	-						
16	22	D. Daniels	250	-									250	-		Withdrawals
17	24	Tika Suppliers	5 000	-	1 500	-	3 500	-								
18	28	Cash	2 335	-					2 335	-						
19	30	H Hedwig	2 950	-									2 950	-		Salary
20		Telkom	335	-									335	-		Withdrawals
			74 298	-	8 846	-	11 435	-	6 610	-	437	-	46 970	-		

Table 4.30

4.4 Recording credit transactions of commercial and service enterprises[4]

4.4.1

4.4.2 ECONOMIC AND MANAGEMENT SCIENCES

4.4.3 Grade 9

4.4.4 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.4.5 Module 18

4.4.6 RECORDING CREDIT TRANSACTIONS OF COMMERCIAL ANS SERVICE ENTERPRISES

4.4.6.1 ACTIVITY 1:

4.4.6.2 To record credit transactions of commercial and service enterprises

4.4.6.3 [LO 3.3]

Not all transactions done by businesses are cash transactions. Sometimes transactions are on credit, in other words payment is only made at a later date.

When credit transactions are done, they must be recorded in order to have a record and to ensure that the amounts owing are paid on the due date and are received. The entries are usually made from the credit invoices.

The business can sell goods on credit to clients. The persons who owe money to the business are called debtors and are a current liability to the business.

These transactions are entered in the **Debtors Journal**. It is important that the cost price of sales be taken into account to be able to calculate the correct profit.

The entry is made as follows in the Debtors Journal:

Invoice	Day	Debtors	Fol.	Sales	Selling costs
101	1	S. Swanepoel		140	100

Table 4.31

The effect of such transactions on the accounting equation is as follows:

(a) Asset + (debtor's debt decreases)Ownership interest + (income increases)

(b) Ownership interest – (expenditure increases)Asset - (trading inventory decreases)

The purchase of goods or other items on credit means that the business owes money to another business or person, called a creditor. A creditor is regarded as a current liability to the business. These entries are based on credit invoices and are made in the Creditors Journal as follows:

In-voice	Day	Creditor	Creditors control	Trading inven-tory	Statio-nery	Sundries accounts		
						Amount	Fol.	Details

continued on next page

[4]This content is available online at <http://cnx.org/content/m31766/1.1/>.

001	1	Werda Suppliers	R520	R520					

Table 4.32

The effect of such transactions on the accounting equation is as follows:

(a) If an asset is purchased on credit: Asset + (trading inventory increases) Liability + (creditors increase)

(b) If credit expenditure is incurred: Ownership interest – (expenditure increases) Liability + (creditors increase)

ASSIGNMENT 1:

Record the transactions below in the Debtors Journal of Gesina Dealers and close the journal by adding up the column totals. (Use DJ 3.2.1 on the next page.)

The information for April 2003 is as follows:

Goods are sold at a profit of 331/3%.

Invoice	Date	To whom	Selling price
713	April 3	C. Simpson	R210
714	April 10	C. Simpson	R346
715	April 11	N. Nguni	R920
716	April 16	C. Simpson	R400
717	April 18	L. Naidoo	R312

Table 4.33

ASSIGNMENT 2:

Record the transactions in the Creditors Journal of Toledo Dealers and close the journal by adding up the column totals. (Use CJ 3.2.1 on the following pages.)

The information for May 2003 is as follows:

Original invoices received from suppliers have been renumbered as follows:

2003

May **1** No. 225 from Transo Dealers for equipment, R380

5 No. 226 from Trixo Suppliers for goods, R1 328

8 No. 227 from S & S Distributors for goods purchased, R625, and stationery, R185

12 No. 228 from Computec for repairs to the computer, R500

15 No. 229 from Trixo Suppliers for goods, R300, and packaging material, R260

22 No. 230 from S & S Distributors for goods, R530

25 No. 231 from Zee Signs for advertising poster, R285

31 No. 232 from Trixo Suppliers for stationery, R220, and packaging material, R345

4.4.7 Assessment

Learning Outcomes(LOs)
continued on next page

LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.34

4.4.8 Memorandum

ACTIVITY1
ASSIGNMENT 1

4.4.8.1 Debtors journal of gesina dealers - April 2003DJ 3.2.1

Invoice	Day	Debtors	Fol	Sales	Selling costs
713	3	C. Simpson		210	157.50
714	10	C. Simpson		346	259.50
715	11	N. Nguni		920	690-
716	16	C. Simpson		400	300-
717	18	L. Naidoo		312	234-
				2 188	1 641
				B2/N1	B1/N2

Table 4.35

ACTIVITY1
ASSIGNMENT 2

4.4.8.2 CREDITORS JOURNAL OF TOLEDO DEALERS - MAY 2003CJ 3.2.1

Invoice	Day	Creditors	Fol	Creditors control		Trading inventory		Stationery		Packaging material				Sundries account			
														Amount		Fol	Details
225	1	Transo Dealers		380	-									380	-	B1	Equipment
226	5	Trixo Suppliers		1 328	-	1 328	-										
227	8	S & S Distributors		810	-	625	-	185	-								
228	12	Computec		500	-									500	-	N3	Repairs
229	15	Trixo Suppliers		560	-	300	-			260	-						
230	22	S & S Distributors		530	-	530	-										

continued on next page

231	25	Zee Signs		285	-									285	-	N4	Advertising
232	31	Trixo Sup-pli-ers		565	-			220	-	345	-						
				4 958	-	2 783	-	405	-	605	-			1 165	-		
				B3		B2		N1		N2							

Table 4.36

4.5 Recording payments received from debtors[5]

4.5.1 ECONOMIC AND MANAGEMENT SCIENCES

4.5.2 Grade 9

4.5.3 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.5.4 Module 19

4.5.5 RECORDING PAYMENTS RECEIVED FROM DEBTORS

ACTIVITY1:

To record payments received from debtors

[LO 3.3]

When debtors pay their debt, the cash received is recorded in the CRJ. The CRJ makes provision for an additional column headed Debtors Control.

A receipt is issued to the debtor as proof that the money was received. This is called the source document for the entry.

The effect of the transaction on the accounting equation is as follows:

- Assets + (Cash in bank increases)
- Assets – (Debtors' debt decreases)

ASSIGNMENT 1:

- Using the information below, complete the Cash Receipts Journal (CRJ) and Debtors Journal (DJ) of Highway Dealers.

- Highway Dealers sells goods on credit and for cash.

- The following transactions must be recorded in DJ 3.3.1 for May and DJ 3.3.2 for June 2003, and in CRJ 3.3.1 for June 2003.

[5]This content is available online at <http://cnx.org/content/m31772/1.1/>.

May 2003

3 Sells goods for R320 on credit to S. Westonand issues invoice no. 141 (cp. R256)
8 Issues invoice 142 to A. Niemand for goods sold on credit for R240 (cp. R192)
10 Sells goods for R160 on credit to H. Olwage and issues invoice no. 143 (cp. R128)
12 Sells goods on credit to:
S. Selby for R280, invoice no. 144 (cp. R224)
W. Willow for R120, invoice no. 145 (cp. R96)
June 2003
3 Receives a cheque from S. Weston for R320, issues receipt no. 61
Cash sales of goods, R4 000 (cp. R3 200)
5 Receives R160 cash from H. Olwage and issues receipt no. 62 to him
Cash sales of goods, R1 600 (cp. R1 280)
6 Receives a cheque for R280 from S. Selby and issues receipt no. 63
Cash sales of goods, R1 200 (cp. R960)
14 Sells goods on credit to:
W. Willow for R80, invoice no. 146 (cp. R64)
A. Niemand for R40, invoice no. 147 (cp. R32)
24 Supplies goods on credit to:
S. Selby together with invoice no. 148 for R120 (cp. R96)
30 Cash sales of goods, R4 800 (cp. R3 840)

4.5.5.1 DEBTORS JOURNAL OF HIGHWAY DEALERS – MAY 2003DJ 3.3.1

In-voice	Day	Debtors	Fol.	Sales	Selling costs

Table 4.37

4.5.5.2 DEBTORS JOURNAL OF HIGHWAY DEALERS – JUNE 2003DJ 3.3.2

In-voice	Day	Debtors	Fol.	Sales	Selling costs

Table 4.38

4.5.5.3 CASH RECEIPTS JOURNAL OF HIGHWAY DEALERS - JUNE 2003CRJ 3.3.1

Doc.	Day	Details	Fol.	Analysis		Bank		Sales		Selling costs		Debtors control		Sundries accounts			
Amount		Fol.	Details														

Table 4.39

4.5.6 Assessment

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.40

4.5.7 Memorandum

ACTIVITY 1

4.5.7.1 Debtors journal of Highway dealers - May 2003DJ 3.3.1

Invoice	Day	Debtors	Fol	Sales	Selling costs
141	3	S. Weston		320	256
142	8	A. Niemand		240	192
143	10	H. Olwage		160	128
144	12	S. Selby		280	224
145		W. Willow		120	96
				1 120	896
				B2/N1	B1/N2

Table 4.41

4.5.7.2 Debtors journal of Highway dealers - June 2003DJ 3.3.2

Invoice	Day	Debtors	Fol	Sales	Selling costs
146	14	W. Willow		80	64
147		A. Niemand		40	32
148	24	S. Selby		120	96
				240	192
				B2/N1	B1/N2

Table 4.42

ACTIVITY 1

4.5.7.3 CASH RECEIPTS JOURNAL OF HIGHWAY DEALERS - JUNE 2003CRJ 3.3.1

Doc	Day	Details	Fol	Analysis		Bank		Sales		Selling costs		Debtors control		Sundries account			
Amount		Fol	Details														
61	3	S. Weston		320	-							320	-				
CR		Sales		4 000	-	4 320	-	4 000	-	3 200	-						
62	5	H. Olwage		160	-							160	-				
CR		Sales		1 600	-	1 760	-	1 600	-	1 280	-						
63	6	S. Selby		280	-							280	-				
CR		Sales		1 200	-	1 480	-	1 200	-	960	-						
CR	30	Sales		4 800	-	4 800		4 800	-	3 840	-						
						12 360	-	11 600	-	9 280	-	760	-				

continued on next page

						B3		N1		B1/N2		B2					

Table 4.43

4.6 Recording payments to creditors[6]

4.6.1 ECONOMIC AND MANAGEMENT SCIENCES

4.6.2 Grade 9

4.6.3 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.6.4 Module 20

4.6.5 RECORDING PAYMENTS TO CREDITORS

ACTIVITY1:

To record payments to creditors

[LO 3.3]

When the amounts owed to creditors are paid, a cheque (that serves as source document) is issued. The entry is made in the CPJ in an additional column headed Creditors Control.

The effect of the transaction on the accounting equation is as follows:

- Assets - (Bank decreases)
- Liabilities - (Creditors decrease)

ASSIGNMENT 1: Creditors Journal and Cash Payments Journal

- Record the following information for Marais Dealers in CJ 3.4.1 for March and CJ 3.4.2 for April 2003, and in CPJ 3.4.1 for April 2003. The original invoices received from suppliers have been renumbered.

2003

March **3** No. 316 from Bengo Wholesalers for goods, R1 560
4 No. 317 from Situ and Co. for packaging material, R625
5 No. 318 from Banda Ltd. for repairs to vehicle, R380
6 No. 319 from Pento and Son for stationery, R345
10 No. 320 from Pento and Son for advertising poster, R258
20 No. 321 from Bengo Wholesalers for goods, R780
2003
April **4** No. 322 from Situ and Co. for goods, R560
8 No. 323 from Bergtuin Motors for delivery vehicle, R7 500
12 No. 324 from Banda Ltd. for repairs to delivery vehicle, R330
16 No. 325 from Pento and Son for stationery, R280
20 No. 326 from Bengo Wholesalers for goods, R757

- Cheque counterfoils

[6]This content is available online at <http://cnx.org/content/m31773/1.1/>.

2003

April **2** No. 642 to Bengo Wholesalers in settlement of account, R2 340
3 No. 643 to Pento and Son in settlement of their account, R603
6 No. 644 to the municipality for water and electricity, R110
8 No. 645 to Situ and Co. in settlement of their account, R625
10 No. 646 to Boland Wholesalers for goods, R950
14 No. 647 cash for wages, R210
15 No. 648 cash for personal use of the owner, R500
18 No. 649 to Maxi Suppliers for the following:
Goods, R600
Cash register, R400
20 No. 650 to Prompt Printers for advertising posters, R235
30 No. 651 to the manager, M. Meintjies, for salary, R1 250
CASH PAYMENTS JOURNAL OF MARAIS DEALERS - APRIL 2003 CPJ 3.4.1

Doc.	Day	Name of beneficiary	Fol.	Bank		Creditors control		Trading inventory		Stationery		Wages		Sundries accounts			
														Amount	Fol.	Details	

Table 4.44

CREDITORS JOURNAL OF MARAIS DEALERS – MARCH 2003 CJ 3.4.1

Invoice	Day	Creditors	Fol.	Creditors control		Trading inventory		Stationery		Vechicle costs		Packaging material		Sundries accounts			
														Amount	Fol.		Details

Table 4.45

CREDITORS JOURNAL OF MARAIS DEALERS – APRIL 2003 CJ 3.4.2

Invoice	Day	Creditors	Fol.	Creditors control		Trading inventory		Stationery		Vehicle costs		Sundries accounts			
												Amount	Fol.		Details

Table 4.46

ASSIGNMENT 2:

- **Enter the transactions below in the correct auxiliary journals. Close by calculating the column totals.** (Use CRJ 3.4.1, CPJ 3.4.2, DJ 3.4.1 and CJ 3.4.3.)

November

1 A. Enslin, the owner, deposits a capital contribution of R20 000 – Receipt no. 001 is issued to him

Purchases equipment to the value of R2 630 from Pronto Ltd and receives credit invoice number 100 (renumber) together with the equipment

2 Cash sales of goods for R500 (cp. R400)

Cheque 001 to the value of R7 800 is issued to Highway Motors for the purchase of a vehicle

4 Cash sales of R625 are recorded (cp. R500)

5 Cheque 002 is paid to ZA Ltd

This is for cash purchases of trading stock, R490, and stationery, R200

6 Stationery to the value of R312 is purchased on credit from Malan and Co

Credit sales of R360 (cp. R280) to R. du Toit
8 Quick Suppliers provides goods of R2 890 on credit
9 Credit sales of R660 (cp. R420) to W. Bennett
10 Cash sales, R750 (cp. R600)
Travalia Office Suppliers delivers equipment purchased on credit for R1 310
The owner hands a cheque in the amount of R10 000 to the business to increase his capital contribution
11 Packaging material to the value of R880 is purchased on credit from Malan and Co
12 The business draws a cash cheque of R150 for wages
Credit invoice no. 119 is issued for goods sold to G. Wilmans, R890 (cp. R720)
14 Credit sales to W. Bennett, R520 (cp. R360)
15 A cheque to the value of R135 is issued to the Postmaster as payment for the telephone account
16 Credit invoice 104 is received from Quick Suppliers for goods, R3 060, and packaging material, R860
20 Cash sales to the value of R875 (cp. R700)
Cheque no. 006 in the amount of R870 is issued to ZA Ltd – R140 is for stationery and R730 for goods
21 A cash cheque to the value of R250 is drawn – R150 is for wages and R100 for fuel for the owner's private vehicle
Goods to the value of R320 (cp. R180) are sold on credit to R. du Toit
22 A computer belonging to the business is repaired on credit, R621
30 Cheque no. 008 is issued to AN Manufacturers for goods, R500, and equipment, R700
Cash sales of R1 000 (cp. R800)
DEBTORS JOURNAL OF ENSLIN DEALERS – NOVEMBER 2003 DJ 3.4.1

In-voice	Day	Debtors	Fol.	Sales	Selling costs

Table 4.47

CASH RECEIPTS JOURNAL OF ENSLIN DEALERS - NOVEMBER 2003 CRJ 3.4.1

Doc.	Day	Details	Fol.	Analysis		Bank		Sales		Selling costs				Sundries accounts			
														Amount	Fol.	Details	

Table 4.48

CREDITORS JOURNAL OF ENSLIN DEALERS – NOVEMBER 2003 CJ 3.4.3

Invoice	Day	Creditors	Fol.	Creditors control		Trading inventory		Stationery		Vechile expenditure		Packaging material		Sundries accounts			
														Amount	Fol.	Details	

Table 4.49

CASH PAYMENTS JOURNAL OF ENSLIN DEALERS - NOVEMBER 2003 CPJ 3.4.2

Doc.	Day	Name of beneficiary	Fol.	Bank	Trading inventory	Stationery	Wages		Sundries accounts		
									Amount	Fol.	Details

continued on next page

Table 4.50

Assessement

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.51

4.6.6 Memorandum

ACTIVITY1
ASSIGNMENT 1
CASH PAYMENTS JOURNAL OF MARAIS DEALERS - APRIL 2003 CPJ 3.4.1

Doc	Day	Payee	Fol	Bank		Creditors control		Wages		Trading inventory				Sundries account			
														Amount		Fol	Details
642	2	Bengo Wholesalers		2 340	-	2 340	-										
643	3	Pento and Son		603	-	603	-										
644	6	Municipality		110	-									110	-	N7	Water and Electricity
645	8	Situ and Co.		625	-	625	-										
646	10	Boland Wholesalers		950	-					950	-						
647	14	Cash		210	-			210	-								
648	15	Cash		500	-									500	-	B1	Withdrawals
649	18	Max Suppliers		1 000	-					600	-			400	-	B2	Equipment
650	20	Flink Printers		235	-									235	-	N2	Advertisement

continued on next page

651	30	M. Meintjies		1 250	-									1 250	-	N3	Salary
				7 823	-	3 568	-	210		1 550	-			2 495	-		
				B5		B6		N1		B4							

Table 4.52

ACTIVITY 1
ASSIGNMENT 1
CREDITORS JOURNAL OF MARAIS DEALERS - MARCH 2003 CJ 3.4.1

Invoice	Day	Creditors	Fol	Creditors control		Trading inventory		Stationery		Vehicle costs		Packaging material		Sundries account			
														Amount	Fol		Details
316	3	Bengo Wholesalers		1 560	-	1 560	-										
317	4	Situ and Co.		625	-							625	-				
318	5	Banda Ltd		380	-					380	-						
319	6	Pento and Son		345	-			345	-								
320	10	Pento and Son		258	-									258	-	N2	Advertisements
321	20	Bengo Wholesalers		780	-	780	-										
				3 948	-	2 340	-	345	-	380	-	625	-	258	-		
				B6		B4		N4		N5		N6					

continued on next page

Table 4.53

CREDITORS JOURNAL OF MARAIS DEALERS - APRIL 2003 CJ 3.4.2

Invoice	Day	Creditors	Fol	Creditors control		Trading inventory		Stationery		Vehicle costs		Packaging material		Sundries account			
														Amount		Fol	Details
322	4	Situ and Co.		560	-	560											
323	8	Bergtuin Motors		7 500	-									7 500	-	B3	Vehicles
324	12	Banda Ltd		330	-					330	-						
425	16	Pento and Son		280	-			280	-								
326	20	Bengo Wholesalers		757	-	757	-										
				9 427	-	1 317	-	280	-	330	-			7 500	-		
				B6		B4		N4		N5							

Table 4.54

ACTIVITY 1
ASSIGNMENT 2
CREDITORS JOURNAL OF ENSLIN DEALERS - NOVEMBER 2003 CJ 3.4.3

Invoice	Day	Creditors	Fol	Creditors control		Trading inventory		Packaging material				Sundries account			
												Amount	Fol		Details
100	1	Pronto Ltd.		2 630	-							2 630	-	B4	Equipment
101	6	Malan and Co.		312	-							312	-	N4	Stationery
102	8	Quick Suppliers		2 890	-	2 890	-								
103	11	Malan and Co.		880	-			880	-						
104	16	Quick Suppliers		3 920	-	3 060	-	860	-						
105	22	Pronto Ltd.		621	-							621	-	N7	Repairs
				11 253	-	5 950	-	1 740	-			3 563	-		
				B8		B5		N6							

Table 4.55

ACTIVITY 3.4 ASSIGNMENT 2
CASH RECEIPTS JOURNAL OF ENSLIN DEALERS -NOVEMBER 2003 CRJ 3.4.1

Doc	Day	Details	Fol	Analysis		Bank		Sales		Cost price of sales				Sundries account			
														Amount	Fol		Details
100	1	A. Enslin		20 000	-	20 000	-							20 000	-	B1	Capital
CS1	2	Sales		500	-	500	-	500	-	400	-						
CS3	4	Sales		625	-	625	-	625	-	500	-						

continued on next page

1CS	10	Sales		750	-			750		600	-						
101		A. Enslin		10 000	-	10 750	-							10 000	-	B1	Capital
CS4	20	Sales		875	-	875	-	875	-	700	-						
CS5	30	Sales		1 000	-	1 000	-	1 000	-	800							
						33 750	-	3 750	-	3 000	-			30 000	-		
						B7		N1		B5/N2							

Table 4.56

ACTIVITY 1
ASSIGNMENT 2
CASH PAYMENTS JOURNAL OF ENSLIN DEALERS - NOVEMBER 2003 CPJ 3.4.2

Doc	Day	Name of payee	Fol	Bank		Wages		Stationery		Trading inventory				Sundries account			
														Amount	Fol	Details	
001	2	Highway Motors		7 800	-									7 800	-	B3	Vehicles
002	5	ZA Ltd.		690	-			200	-	490	-						
003	10	Travalia Office Suppliers		1 310	-									1 310	-	B4	Equipment
004	12	Cash		150	-	150	-										
005	15	Postmaster		135	-									135	-	N5	Telephone
006	20	ZA Ltd.		870	-			140	-	730	-						

continued on next page

007	21	Cash		250	-	150	-							100	-	B2	Withdrawals
008	30	AN Manufacturers		1 200	-					500	-			700	-	B4	Equipment
				12 405	-	300	-	340	-	1 720	-			10 045	-		
				B7		N3		N4		B5							

Table 4.57

ACTIVITY 1
ASSIGNMENT 2
Debtors journal of Enslin dealers - November 2003 DJ 3.4.1

Doc	Day	Debtors	Fol	Sales	Selling costs
117	6	R. du Toit	D1	360-	280-
118	9	W. Bennett	D2	660-	420-
119	12	G. Wilmans	D3	890-	720-
120	14	W. Bennett	D2	520-	360-
121	21	R. du Toit	D1	320	180-
				2 750	1 960
				B6/N1	B5/N2

Table 4.58

4.7 Ledger entries[7]

4.7.1 ECONOMIC AND MANAGEMENT SCIENCES

4.7.2 Grade 9

4.7.3 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.7.4 Module 21

4.7.5 LEDGER ENTRIES

section 2: ledger accounts
ACTIVITY1:
To do ledger entries
[LO 3.3]
An account is a separate record in which all transactions for a particular item are entered.
An account takes the form of a T and comprises three sections, namely:

[7] This content is available online at <http://cnx.org/content/m31774/1.1/>.

- the name of the item, for example, bank account;
- the left-hand side, called the debit side, and
- the right-hand side, called the credit side.

- For example:

Bank Account	
Dt.	Cr.

Figure 4.7

Debiting an account means to do an entry on the debit side. Crediting an account means to do an entry on the credit side.

Every transaction affects at least two accounts. The one account is debited and the other account is credited. This is known as the *double-entry system*. In the details column of the ledger account the name of the other account involved in the transaction appears, for example:

Sales	
	Jul. 2 Bank R1 000

Figure 4.8

This means that cash sales to the value of R1 000 were made. The two accounts are therefore bank and sales. The double entry will be as follows:

Bank	
Jul. 2 Sales R1 000	

Figure 4.9

The following rules must be taken into account in the case of entries in ledger accounts:

- When an asset is increased, the bank account is debited
- When an asset is reduced, the bank account is credited
- When a liability is increased, the liabilities account is credited
- When a liability is reduced, the liabilities account is debited
- When capital is increased, the capital account is credited
- When capital is reduced, the capital account is debited
- When income is increased, the income account is credited
- When income is reduced, the income account is debited
- When expenditure is increased, the expenditure account is debited
- The opening balance of accounts that increase on the credit side, appears on the credit side
- The opening balance of accounts that increase on the debit side, appears on the debit side

ASSIGNMENT 1:

- **Determine the effect of Ledger Accounts on A = O + L** by analysing the transactions in the table.

1. Owner deposits some of his personal funds as capital in the bank account of the business.
2. Equipment is purchased and paid by cheque.
3. A vehicle is purchased on credit.
4. Cash is received for services provided.
5. Salaries are paid by cheque.
6. The amounts owed to creditors are paid.
7. Money is received from debtors.

Table for assignment 1

GENERAL LEDGER					
NO.	ACCOUNT DEBITED	ACCOUNT CREDITED	A	O	L

Table 4.59

ASSIGNMENT 2:

- Answer the following questions according to the columns in the table:

Current income	Consumer goods	Fuel
Withdrawals	Change	Salaries
Water and Electricity	Land and Buildings	Debitors control
Rental income	Advertisements	Equipment
Telephone	Selling costs	Cost of materials
Trading inventory	Trade licence	Stationery
Packaging material	Wages	Repairs
Sales	Bank	Rental expenditure
Vehicles	Creditors control	Capital

Table 4.60

(a) Arrange the accounts in the columns in the table.

(b) Indicate by means of +, - or 0 next to the account whether an increase in it will increase or reduce the ownership interest or leave it unchanged.

(c) Indicate by means of dt. or cr. next to the account whether the account will have a debit or credit opening balance.

table for assignment 2

(b) +/-/0	Assets (a)	(c) dt/cr	(b) +/-/0	Liabilities (a)	(c) dt/cr	(b) +/-/0	Accounts that affect ownership interest (a)	(c) dt/cr

Figure 4.10

ASSIGNMENT 3:

- **Do the following debit and credit entries on the ledger sheet** (below):

1 The owner invests R12 000 as capital in the business
2 A vehicle is purchased on credit from TP Motors
3 Fuel is purchased and paid by cheque
4 Cash for service provided is received
5 Salaries are paid by cheque
6 Goods on credit to J. van Schalkwyk are supllied
7 Rent by cheque to A and B Lessors is paid
8 The owner takes cash for his personal use
9 Materials are purchased on credit from AB Suppliers
10 Equipment from Model Suppliers and pays by cheque is purchased
11 Receives the amount owing from J. van Schalkwyk
12 Part of the debt to TP Motors is paid
13 Goods are sold for cash
Table for assignment 3

GENERAL LEDGER					
NO.	ACCOUNT DEBITED	ACCOUNT CREDITED	A	O	L
1					
2					
3					
4					
5					
6a					
6b					
7					
8					
9					
10					
11					
12					
13a					
13b					

Table 4.61

4.7.6 Assessment

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
continued on next page

3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.62

4.7.7

4.7.8 Memorandum

ACTIVITY1
ASSIGNMENT 1

GENERAL LEDGER					
NO.	ACCOUNT DEBITED	ACCOUNT CREDITED	A	O	L
1	Bank account	Capital	+		+
2	Equipment	Bank	±		
3	Vehicle	Creditors control	+		+
4	Bank	Current income	+	+	
5	Salaries	Bank	-		-
6	Creditors control	Bank	-		-
7	Bank	Debtors control	±		

Figure 4.11

ACTIVITY 1
ASSIGNMENT 2

I

(b) +/-/0	Assets	(c) dt/cr	(b) +/-/0	Liabilities	(c) dt/cr	(b) +/-/0	Accounts that influence Ownership Interest	(c) dt/cr
0	Trading inventory	dt	0	Creditors control	kt	+	Capital	cr
0	Change	dt				+	Current income	cr
0	Land and Buildings	dt				-	Withdrawals	dt
0	Bank	dt				-	W + E	dt
0	Vehicles	dt				+	Rental income	cr
0	Debtors control	dt				-	Telephone	dt
0	Equipment	dt				-	Packaging material	dt
						+	Sales	cr
						-	Consumer goods	dt
						-	Advertisements	dt
						-	Selling costs	dt
						-	Trade licence	dt
						-	Wages	dt
						-	Fuel	dt
						-	Salaries	dt
						-	Cost of materials	dt
						-	Stationery	dt
						-	Repairs	dt
						-	Rental expenditure	dt

Figure 4.12

ACTIVITY1
ASSIGNMENT 3

GENERAL LEDGER					
NO.	ACCOUNT DEBITED	ACCOUNT CREDITED	A	O	L
1	Bank	Capital	+	+	
2	Vehicle	Creditors account	+		+
3	Fuel	Bank	-	-	
4	Bank	Current income	+	+	
5	Salaries	Bank	-	-	
6a	Debtors control	Sales	+	+	
6b	Cost price of sales	Trading inventory	-	-	
7	Rental expenditure	Bank	-	-	
8	Withdrawals	Bank	-	-	
9	Cost of materials	Creditors control		-	+
10	Equipment	Bank	±		
11	Bank	Debtors control	±		
12	Creditors control	Bank	-		-
13a	Bank	Sales	+	+	
13b	Cost price of sales	Trading inventory	-	-	

Figure 4.13

4.8 Transferring the auxiliary journals to the ledger[8]

4.8.1 ECONOMIC AND MANAGEMENT SCIENCES

4.8.2 Grade 9

4.8.3 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.8.4 Module 22

4.8.5 TRANSFERRING THE AUXILLIARY JOURNALS TO THE LEDGER

ACTIVITY 1:

To transfer the auxiliary journals to the ledger

[LO 3.3]

Once the entries in the auxiliary journals have been completed, all the information is transferred to the ledger.

The column totals of the CRJ are transferred on the last day of the month and the entries in the sundries column are transferred individually on the date of the entry.

Cash received by a service enterprise is transferred as follows to the CRJ:

1. Bank account – debit with the total cash received (Asset increases on the debit side).
2. Current Income account – credit with the total for the month (Ownership interest increases on the credit side).

[8] This content is available online at <http://cnx.org/content/m31775/1.1/>.

3. Capital account – credit with the capital amount deposited (Ownership interest increases on the credit side).

The names of the other accounts involved appear in the "details" column of the ledger.

In the case of the bank account - capital and current income (total receipts)In the case of the capital account - bankIn the case of the current income account - bank

ASSIGNMENT 1: Transfer of the CRJ in a Service Enterprise

- **Use the completed CRJ of Mzondi Plumbers (Activity 3.1 Assignment 1) and transfer the CRJ to the ledger.** *(Supply your own ledger paper to complete the activity.)*

ASSIGNMENT 2: Transfer of the CRJ in a Commercial Enterprise

- Use the completed CRJ of Levubu Dealers (Activity 3.1 Assignment 2) and transfer the CRJ. *(Supply your own ledger paper to complete the activity.)*

- The same principles apply. The transfer is done as follows:

1. Bank account – debit with the total receipts for the month (Asset increases on the debit side.)
2. Capital account – credit with all capital deposited during the month(Ownership interest increases on the credit side.)
3. Sales account – credit with the sales for the month(Ownership interest increases on the credit side.)
4. Selling costs – debit with the amount for the month(Ownership interest decreases on the debit side.)
5. Trading inventory – credit with cost price of the sales amount(Asset decreases on the credit side.)

Bank account – Double entry is total receipts

Capital – Double entry is bank accountSales – Double entry is bank account

Selling costs – Double entry is trading inventory

ASSIGNMENT 3: transfer of the CPJ

- Use the completed journals of Levubu Dealers (Activity 3.1 Assignment 2) and transfer the CPJ. *(Supply your own ledger paper.)*

- The total of the bank column and all the other columns is transferred on the last day of the month. The entries in the sundries column are transferred as individual amounts to the specific account on the date of the entry.

- The transfer is done as follows:

1. Bank account – credit with the total payments for the month(Asset decreases on the credit side.)
2. Assets purchased for cash – debit every asset separately with the relevant amount(Assets increase on the debit side.)
3. Expenditure paid by cheque – debit each expenditure separately with the relevant amount(Ownership interest decreases on the debit side.)

Bank account – Double entry is total payments

Assets – Double entry is bank accountExpenditure – Double entry is bank account

ASSIGNMENT 4: transfer of CRJ with cost price of sales

- Use the completed CRJ of Lubbe Dealers (Activity 3.1 Assignment 3) and transfer. (*Supply own ledger paper.)*

ASSIGNMENT 5: transfer of the debtors journal

- Use the complete DJ of Gesina Dealers (Activity 3.2 Assignment 1) and transfer it to the ledger.

- The total of the sales column, as well as the total of the selling costs column, is transferred to two accounts as follows:

sales column

1. Debtors control account – debit with the total of credits sales for the month(Asset increases on the debit side.)

2. Sales account – credit with the total of the credit sales for the month(Ownership interest increases on the credit side.)

The double entry for sales is debtors control and the double entry for debtors control is sales.

selling costs column

1. Selling costs account – debit with the total selling costs for the month (Ownership interest decreases on the debit side.)

2. Trading inventory account – credit with the total of the credit sales for the month(Asset decreases on the credit side.)

Double entry for selling costs is trading inventory and double entry for trading inventory is selling costs.

ASSIGNMENT 6: transfer of the creditors journal

- Use the completed CJ of Toledo Dealers (Activity 3.2 Assignment 2) and transfer it to the ledger.
- Column totals are transferred on the last day of the month. Entries in the sundries column are individually transferred to the specific account on the date of the entry.
- The transfer is done as follows:

1. Creditors control – credit with all the credit purchases for the month(Liability increases on the credit side.)

2. All assets purchased are debited separately with the amount of purchases(Asset increases on the debit side.)

3 All expenditure incurred on credit is debited with the specific amount(Ownership interest decreases on the debit side.)

The double entry for creditors control is sundry purchases. The double entry for every asset purchased or expenditure incurred on credit, is creditors control.

ASSIGNMENT 7: receipts from debtors: transfer of the DJ and CRJ

- Use the completed DJ and CRJ of Highway Dealers (Activity 3.3) and complete the transfer.
- When a debtor pays his account, it is recorded in the CRJ and then transferred to the ledger as follows:

1. Bank – debit with the cash received(Asset increases on the debit side.)

2. Debtors control – credit with the amount paid by debtors(Asset decreases on the credit side.)

The double entry in the case of bank is debtors control, and in the case of debtors control it is bank.

ASSIGNMENT 8: payments to creditors: transfer of the CJ and CPJ

- Use the completed CJ and CPJ of Marais Dealers (Activity 3.4 Assignment 1) and complete the transfer.
- When payments are made to creditors, they are recorded in the CPJ and then transferred to the ledger.
- This is done as follows:

1. Creditors control – debit with all payments to creditors for the month(Liability that decreases is debited.)

1. Bank – credit with cash payments(Asset that decreases is credited.)

ASSIGNMENT 9: Transfer of all the auxiliary journals - CRJ, CPJ, DJ and CJ

- Use the completed journals of Enslin Dealers (ctivity 3.4 Assignment 2) and transfer them.

4.8.6 Assessment

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.63

4.8.7 Memorandum

ACTIVITY 1
ASSIGNMENT 1
General Ledger of Mzondi Plumbers

		Balance Sheet Section									
Date		Details	Fol	Amount		Date		Details	Fol	Amount	
		Capital							B1		
						Sept.	1	Bank	CRJ3.1.1	50 000	-
		Bank							B2		
Sept.	30	Total receipts	CRJ3.1.1	56 286							
		Nominal Accounts Section									
		Current Income							N1		
						Sept.	30	Bank	CRJ3.1.1	6 286	-

Table 4.64

ACTIVITY 1
ASSIGNMENT 2
General Ledger of Levubu Dealers

		Balance Sheet Section									
Date		Details	Fol	Amount		Date		Details	Fol	Amount	
		Capital							B1		
						Jul.	1	Bank	CRJ3.1.	2130 000	-
		Trading Inventory							B2		
						Jul.	31	Cost price of sales	CRJ3.1.	28 720	-
		Bank							B3		
Jul.	31	Total receipts	CRJ3.1.	2140 900	-						
		Nominal Accounts Section									
		Sales							N1		
						Jul.	31	Bank	CRJ3.1.	210 900	-
		Selling Costs							N2		
Jul.	31	Trading Inventory	CRJ3.1.	28 720	-						

Table 4.65

ACTIVITY 1
ASSIGNMENTS 3
General Ledger of Levubu Dealers

		Balance Sheet Section									
Date		Details	Fol	Amount		Date		Details	Fol	Amount	
		Equipment							B1		
Jul.	6	Bank	CPJ3.1.2	6 000	-						
		Vehicle							B2		
Jul.	15	Bank	CPJ3.1.2	23 300	-						
		Trading Inventory							B3		
Jul.	31	Bank	CPJ3.1.2	14 500	-						
		Bank							B4		
						Jul.	31	Total Payments	CPJ3.1.2	49 809	-
		Nominal Accounts Section									
		Stationery							N1		
Jul.	31	Bank	CPJ3.1.2	220	-						
		Rental Expenditure							N2		
Jul.	2	Bank	CPJ3.1.2	1 400	-						
		Trade Licence							N3		
Jul.	8	Bank	CPJ3.1.2	150	-						
		Telephone							N4		
Jul.	18	Bank	CPJ3.1.2	125	-						
		Salary							N5		
Jul.	26	Bank	CPJ3.1.2	2 650	-						
		Fuel							N6		
Jul.	28	Bank	CPJ3.1.2	78	-						
		Water and Electricity							N7		
Jul.	30	Bank	CPJ3.1.2	56	-						
		Wages							N8		
Jul.	31	Bank	CPJ3.1.2	1 330	-						

Table 4.66

ACTIVITY 1
ASSIGNMENT 4
General Ledger of Lubbe Dealers

		Balance Sheet Section			

continued on next page

Date		Details	Fol	Amount		Date		Details	Fol	Amount	
		Capital							B1		
						May	1	Bank	CRJ3.1.	380 000	-
		Trading Inventory							B2		
						May	31	Selling costs	CRJ3.1.	32 220	-
		Bank							B3		
May	31	Total Receipts	CRJ3.1.	382 960	-						
		Nominal Accounts Section									
		Verkope							N1		
						May	31	Bank	CRJ3.1.	32 960	-
		Selling Costs							N2		
May	31	Trading Inventory	CRJ3.1.	32 220	-						

Table 4.67

ACTIVITY 1
ASSIGNMENT 5
General Ledger of Gesina Dealers

		Balance Sheet Section									
Date		Details	Fol	Amount		Date		Details	Fol	Amount	
		Trading Inventory							B1		
						Apr.	30	Selling costs	DJ3.2.1	1 641	-
		Debtors Control							B2		
Apr.	30	Sales	DJ3.2.1	2 188	-						
		Nominal Accounts Section									
		Sales							N1		

continued on next page

						Apr.	30	Debtors control	DJ3.2.1	2 188	-
		Cost Price of Sales							N2		
Apr.	30	Trading Inventory	DJ3.2.1	1 641	-						

Table 4.68

ACTIVITY 1
ASSIGNMENT 6
General Ledger of Toledo Dealers

		Balance Sheet Section									
Date		Details	Fol	Amount		Date		Details	Fol	Amount	
		Equipment							B1		
May	1	Creditors Control	CJ3.2.1	380	-						
		Trading Inventory							B2		
May	31	Creditors Control	CJ3.2.1	2 783	-						
		Creditors Control							B3		
						May	31	Sundry Purchases	CJ3.2.1	4 958	-
		Nominal Accounts Section									
		Stationery							N1		
May	31	Creditors Control	CJ3.2.1	405	-						

continued on next page

		Packaging Material							N2		
May	31	Creditors Control	CJ3.2.1	605	-						
		Repairs							N3		
May	12	Creditors Control	CJ3.2.1	500							
		Advertisement							N4		
May	25	Creditors Control	CJ3.2.1	285	-						

Table 4.69

ACTIVITY 1
ASSIGNMENT 7
General Ledger of Highway Dealers

		Balance Sheet Section									
Date		Details	Fol	Amount		Date		Details	Fol	Amount	
		Trading Inventory							B1		
						May	31	Selling costs	DJ3.3.1	896	-
						Jun	30	Selling costs	DJ3.3.2	192	-
						Jun	30	Selling costs	CRJ3.3.19	280	-
		Debtors Control							B2		
May	31	Sales	DJ3.3.1	1 120	-	Jun.	30	Bank	CRJ13	760	-
Jun.	30	Sales	DJ3.3.2	240	-						
		Bank							B3		
Jun.	30	Total receipts	CRJ3.3.1	112 360	-						

continued on next page

		Nominal Accounts Section									
		Sales							N1		
						May	31	Debtors control	DJ3.3.1	1 120	-
						Jun.	30	Debtors control	DJ3.3.2	240	-
						Jun.	30	Bank	CRJ3.3.	111 600	-
		Selling Costs							N2		
May	31	Trading Inventory	DJ3.3.1	896	-						
Jun.	30	Trading Inventory	DJ3.3.2	192	-						
	30	Trading Inventory	CRJ3.3.	19 280	-						

Table 4.70

ACTIVITY 1
ASSIGNMENT 8
General Ledger of Marais Dealers

		Balance Sheet Section								
Date		Details	Fol	Amount		Date	Details	Fol	Amount	
		Withdrawals						B1		
Apr.	15	Bank	CPJ3.4.	1500	-					
		Furniture and Equipment						B2		
Apr.	18	Bank	CPJ3.4.	1400	-					
		Vehicles						B3		

continued on next page

Apr.	8	Creditors control	CJ3.4.2	7 500	-						
		Trading Inventory							B4		
March	31	Creditors control	CJ3.4.1	2 340	-						
Apr.	30	Creditors control	CJ3.4.2	1 317	-						
Apr.	30	Bank	CPJ3.4.	11 550	-						
		Bank							B5		
						Apr.	30	Total Payments	CPJ3.4.	17 823	-
		Creditors Control							B6		
Apr.	30	Bank	CPJ14	3 568	-	March	31	Sundry purchases	CJ3.4.1	3 948	-
						Apr.	30	Sundry purchases	CJ3.4.2	9 427	-
		Nominal Accounts Section									
		Wages							N1		
Apr.	30	Bank	CPJ3.4.	1210		-					
		Advertisements							N2		
March	10	Creditors control	CJ3.4.1	258	-						
Apr.	20	Bank	CPJ3.4.	1235	-						
		Salary							N3		
Apr.	30	Bank	CPJ3.4.	11 250	-						
		Stationery							N4		

continued on next page

March	31	Creditors control	CJ3.4.1	345	-						
Apr.	30	Creditors control	CJ3.4.2	280	-						
		Vehicle Expenses							N5		
March	31	Creditors control	CJ3.4.1	380	-						
Apr.	30	Creditors control	CJ3.4.2	330	-						
		Packaging Material							N6		
March	31	Creditors control	CJ3.4.1	625	-						
		Water and Electricity							N7		
Apr.	6	Bank	CPJ3.4.	1110	-						

Table 4.71

ACTIVITY 1
ASSIGNMENT 9
General Ledger of Enslin Dealers

		Balance Sheet Section									
Date		Details	Fol	Amount		Date		Details	Fol	Amount	
		Capital							B1		
						Nov.	1	Bank	CRJ3.4.	120 000	-
							10	Bank	CRJ3.4.	110 000	-
										30 000	-
		Withdrawals							B2		
Nov.	21	Bank	CPJ3.4.	2100	-						

continued on next page

		Vehicles							B3		
Nov.	2	Bank	CPJ3.4.	27 800	-						
		Equipment							B4		
Nov.	1	Creditors con-trol	CJ3.4.3	2 630	-						
	10	Bank	CPJ3.4.	21 310	-						
	30	Bank	CPJ3.4.	2700	-						
				4 640	-						
		Trading Inventory							B5		
Nov.	30	Bank	CPJ3.4.	21 720	-	Nov.	30	Selling costs	DJ3.4.1	1 960	-
	30	Creditors con-trol	CJ3.4.3	5 950	-		30	Selling costs	CRJ3.4.	13 000	-
							30	Balance	b/f	2 710	-
				7 670	-					7 670	-
Dec.	1	Balance	c/f	2 710	-						
		Debtors Control							B6		
Nov.	30	Sales	DJ3.4.1	2 750	-						
		Bank							B7		
Nov.	30	Total Re-ceipts	CRJ3.4.	133 750	-	Nov.	30	Total Pay-ments	CPJ3.4.	212 405	-
							30	Balance	b/f	21 345	-
				33 750	-					33 750	
Dec.	1	Balance	c/f	21 345	-						-
		Creditors Control							B8		
						Nov.	30	Sundry Pur-chases	CJ3.4.3	11 253	-

continued on next page

		Nominal Accounts Section									
		Sales							N1		
						Nov.	30	Bank	CRJ3.4.	13 750	-
							30	Debtors control	DJ3.4.1	2 750	-
										6 500	
		Cost Price of Sales							N2		
Nov.	30	Trading inventory	CRJ3.4.	13 000	-						
	30	Trading inventory	DJ3.4.1	1 960	-						
				4 960	-						
		Wages							N3		
Nov.	30	Bank	CPJ3.4.	2300	-						

Table 4.72

		Stationery							N4		
Nov.	30	Bank	CPJ3.4.2	340	-						
	6	Creditors control	CJ3.4.3	312	-						
				652	-						
		Telephone							N5		
Nov.	15	Bank	CPJ3.4.2	135	-						
		Packaging Material							N6		
Nov.	30	Creditors control	CJ3.4.3	1 740	-						
		Repairs							N7		
Nov.	22	Creditors control	CJ3.4.3	621	-						

Table 4.73

4.9 Drawing up a trial balance[9]

4.9.1 ECONOMIC AND MANAGEMENT SCIENCES

4.9.2 Grade 9

4.9.3 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.9.4 Module 23

4.9.5 DRAWING UP A TRIAL BALANCE

Section 3: Trial balance

ACTIVITY1:

To draw up a trial balance

[LO 3.3]

Once the ledger accounts have been completed, the accounts are closed and transferred to a Trial Balance.

Accounts that have entries only on the debit or credit side, are simply added up to obtain a total.

In the case of accounts that have entries on the debit as well as the credit side, the balance is calculated. This means a balance that is the difference between the two sides is calculated. For example:

Bank Account											
2003						2003					
Nov.	30	Total received	CRJ	20 698	00	Nov.	30	Total payments	CPJ	15 633	00
							30	Balance	b/f	5 065	00
				20 698	00					20 698	00
Des.	1	Balance	c/f	5 065	00						

Table 4.74

The balances carried forward and the totals are transferred to the Trial Balance.

- A Trial Balance is a list of balances and totals compiled to determine whether the debit side and credit side are equal and by so doing to check whether the double-entry principle was applied to every transaction.

Although the Trial Balance indicates that a credit entry was done for every debit entry, certain errors will not be shown up by the Trial Balance. Thererfore a Trial Balance that balances cannot always be accepted as proof of correctness.

- Below is an example of a Trial Balance.
-

TRIAL BALANCE OF RANDOM STORES AS AT 30 JUNE 2003

[9] This content is available online at <http://cnx.org/content/m31776/1.1/>.

		Dt.	Cr.
Balance sheet section			
Capital	B1		199 322
Withdrawals	B2	15 000	
Land and Buildings	B3	105 000	
Vehicles	B4	28 000	
Equipment	B5	32 125	
Trading inventory	B6	45 310	
Debtors control	B7	12 180	
Bank	B8	11 754	
Change	B9	600	
Petty cash	B10	250	
Creditors control	B11		15 994
Nominal Account section			
Sales	N1		350 000
Selling costs	N2	250 000	
Rates and Taxes	N3	4 210	
Insurance	N4	3 850	
Water and Electricity	N5	4 952	
Telephone	N6	4 810	
Stationery	N7	2 750	
Repairs	N8	5 325	
Wages	N9	18 000	
Salaries	N10	26 000	
Rental income	N11		4 800
Totals		570 116	570 116

Table 4.75

ASSIGNMENT 1: Trial Balance

- Use the completed ledger accounts of Enslin Dealers (Activity 3.6 Assignment 9).
- Calculate the balances on the accounts, calculate totals and draw up a Trial Balance.

ASSIGNMENT 2: Auxiliary Journals, Ledger and Trial Balance

- P. Hatting starts his own business, Hatting Dealers, on 1 April 2003 with a capital contribution of R105 000.

1. Record the transactions for April in the following auxiliary journals: CRJ 3.7.1, CPJ 3.7.1, DJ 3.7.1 and CJ 3.7.1
2. Close the journals at the end of the month
3. Transfer to the ledger accounts and indicate folio numbers
4. Calculate the balances, or totals where necessary
5. Draw up a trial balance at the end of April

- **Transactions**: *April 2003*

- Duplicates of receipts issued

DATE	TO WHOM ISSUED, FOR	AMOUNT
2003		
April **1**	P. Hatting, *for capital contribution*	R105 000
7	V. Jansen, *to pay his debt*	R 660
	Blommie Bloemiste, *for rental income*	R 500
14	D. Coetzee, *payment on account*	R 300
21	G. Ferreira, *payment on account*	R 200
28	V. Jansen, *to pay the amount of the invoice issued on 17 April*	R 246

Table 4.76

- Cash sales of goods as per cash-register roll

DATE	SALES	SELLING COSTS
2003		
April **7**	R5 800	R4 600
17	R3 820	R2 440
21	R7 620	R5 740
28	R1 944	R1 406

Table 4.77

- Cash received for services provided

DATE	AMOUNT
2003	
April **5**	R2 160
17	R3 220
25	R1 736

Table 4.78

- Duplicates of bank deposit slips

DATE	AMOUNT
2003	
April **1**	R105 000
5	R 2 160
7	R 6 960
14	R 300
17	R 7 040
21	R 7 820
25	R 1 736
28	R 2 190

Table 4.79

- Cheque counterfoils

DATE	PAYEE	REASON FOR PAYMENT	AMOUNT
2003			
April **2**	Perfectum Builders	Building purchased	R80 000
3	Stylish Equipment	Equipment purchased	R 4 500
4	Cash	For change	R 180
	Caro Ltd.	For materials purchased	R 2 675
7	Cash	For wages	R 560
10	Trust Brokers	For insurance premium	R 600
14	Cash	For wages	R 560
	Zy Wholesalers	Goods purchased for cash	R 5 950
		Stationery purchased for cash	R 180
16	Larnie Furnishers	Paid amount owing	R 3 760
17	Caro Ltd.	Materials purchased	R 2 896
	Cash	For wages	R 560
	Wesco Distributors	For goods purchased	R 3 875
28	Cash	For wages	R 560
30	J Henning	Manager's salary	R 2 110
	Bengo Wholesalers	Amount owing to date	

Table 4.80

- Original invoices received from providers

DATE	PURCHASED FROM	ITEMS/SERVICES	AMOUNT
2003			
April **3**	Larnie Furnishers	Equipment	R 3 760
5	Bengo Wholesalers	Goods	R 8 844
6	Willow Suppliers	Materials	R 2 500
7	Pen and Paper	Stationery	R 228
9	Bengo Wholesalers	Goods	R 4 750
15	Toledo Motors	Delivery vehicle	R28 660
17	Willow Suppliers	Materials	R 420
		Goods	R 3 000
19	Pen and Paper	Stationery	R 106
26	Bengo Wholesalers	Trading stock	R 1 400

Table 4.81

- Duplicates of invoices issued for goods sold on credit

DATE	SOLD TO	AMOUNT	COST PRICE
2003			
April **4**	V Jansen	R660	R495
10	D Coetzee	R890	R712
13	G Ferreira	R260	R128
16	D Coetzee	R106	R 84
17	V Jansen	R246	R184
26	G Ferreira	R340	R272

Table 4.82

DEBTORS JOURNAL OF HATTING DEALERS – APRIL 2003 DJ 3.7.1

In-voice	Day	Debtors	Fol.	Sales	Selling costs

Table 4.83

CASH RECEIPTS JOURNAL OF HATTING DEALERS - APRIL 2003 CRJ 3.7.1

Doc.	Day	Details	Fol.	Analysis		Bank		Sales		Selling costs		Current income		Debtors Control		Sundries accounts			
																Amount	Fol.		Details

Table 4.84

CREDITORS JOURNAL OF HATTING DEALERS – APRIL 2003 CJ 3.7.1

Invoice	Day	Creditors	Creditors control		Trading inventory		Stationery		Cost of materials				Sundries accounts			
													Amount	Fol.		Details
continued on next page																

Table 4.85

CASH PAYMENTS JOURNAL OF HATTING DEALERS - APRIL 2003 CPJ 3.7.1

Doc.	Day	Name of beneficiary	Fol.	Bank		Trading inventory		Cost of materials		Wages		Creditors control		Sundries accounts			
														Amount	Fol.	Details	

Table 4.86

4.9.6 Asessment

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.87

4.9.7 Memorandum

ACTIVITY 1
ASSIGNMENT 1
TRIAL BALANCE OF ENSLIN DEALERS AS AT 30 NOVEMBER 2003

		Dt.	Cr.
Balance Sheet section			
Capital	B1		30 000
Withdrawals	B2	100	
Vehicles	B3	7 800	
Equipment	B4	4 640	
Trading inventory	B5	2 710	
Debtors control	B6	2 750	
Bank	B7	21 345	
Creditors control	B8		11 253
Nominal Accounts section			
Sales	N1		6 500
Cost price of sales	N2	4 960	
Wages	N3	300	
Stationery	N4	652	
Telephone	N5	135	
Packaging material	N6	1 740	
Repairs	N7	621	
Totals		47 753	47 753

Table 4.88

ACTIVITY1
ASSIGNMENT 2
CASH PAYMENTS JOURNAL OF HATTING DEALERS - APRIL 2003 CPJ 3.7.1

Doc	Day	Name of payee	Fol	Bank	Trading inventory	Cost of materials	Wages	Creditors control	Sundries Account		
									Amount	Fol	Details

continued on next page

200	2	Perfectum Builders	80 000	-									80 000	-	B2	Land and Buildings
201	3	Stylish Equipment	4 500	-									4 500	-	B3	Equipment
202	4	Cash	180	-									180	-	B8	Change
203		Caro Ltd.	2 675	-			2 675	-								
204	7	Cash	560	-					560	-						
205	10	Trust Brokers	600	-									600	-	N5	Insurance
206	14	Cash	560	-					560	-						
207		ZY Wholesalers	6 130	-	5 950	-							180	-	N6	Stationery
208	16	Larnie Furnishers	3 760	-							3 760	-				
209	17	Caro Ltd.	2 896	-			2 896	-								
210		Cash	560	-					560	-						
211		Wesco Distributors	3 875	-	3 875	-										
212	28	Cash	560	-					560	-						
213	30	J Henning	2 110	-									2 110	-	N7	Salary

continued on next page

214		Bengo Wholesalers		14 994	-							14 994	-				
				123 960	-	9 825	-	5 571	-	2 240	-	18 754	-	87 570	-		
				B7		B5		N8		N9		B9					

Table 4.89

ACTIVITY1
ASSIGNMENT 2
CASH RECEIPTS JOURNAL OF HATTING DEALERS - APRIL 2003 CRJ 3.7.1

Doc	Day	Details	Fol	Analysis		Bank		Sales		Selling costs		Current income		Debtors control		Sundries Account			
																Amoun	Fol		Details
01	1	P. Hatting		105 000	-	105 000	-									105 000	-	B1	Capital
KR	5	Services provided		2 160	-	2 160	-					2 160	-						
02	7	V. Jansen		660	-									660	-				
		Blommie Florists		500	-											500	-	N4	Rental income
KP	7	Sales		5 800	-	6 960	-	5 800	-	4 600	-								
03	14	D. Coetzee		300	-	300	-							300	-				
KR	17	Sales		3 820	-			3 820	-	2 440	-								
KR		Services provided		3 220	-	7 040	-					3 220	-						

continued on next page

04	21	G. Ferreira	200	-									200	-				
KR		Sales	7 620	-	7 820	-	7 620	-	5 740	-								
KR	25	Services provided	1 736	-	1 736	-					1 736	-						
05	28	V. Jansen	246	-									246	-				
KR		Sales	1 944	-	2 190	-	1 944	-	1 406	-								
					133 206	-	19 184	-	14 186	-	7 116	-	1 406	-	105 500	-		
					B7		N1		N3/B5		N2		B6					

Table 4.90

ACTIVITY1
ASSIGNMENT 2
CREDITORS JOURNAL OF HATTING DEALERS FOR APRIL 2003 CJ 3.7.1

Invoice	Day	Creditors	Fol	Creditors control		Trading inventory		Cost of materials		Stationery		Sundries Account			
												Amount	Fol		Details
100	3	Larnie Furnishers		3 760	-							3 760	-	B3	Equipment
101	5	Bengo Wholesalers		8 844	-	8 844	-								
102	6	Willow Suppliers		2 500	-			2 500	-						

continued on next page

103	7	Pen and Paper		228	-					228	-				
104	9	Bengo Wholesalers		4 750	-	4 750	-								
105	15	Toledo Motors		28 660	-							28 660	-	B4	Vehicles
106	17	Willow Suppliers		3 420	-	3 000	-	420	-						
107	19	Pen and Paper		106	-					106	-				
108	26	Bengo Wholesalers		1 400	-	1 400	-								
				53 668	-	17 994	-	2 920	-	334	-	32 420	-		
				B8		B5		N8		N6					

Table 4.91

ACTIVITY 1
ASSIGNMENT 2
Debtors Journal of Hatting Dealers DJ 3.7.1

Inv.	Day	Debtors	Fol	Sales	Selling costs
	4	V Jansen		660	495
	10	D Coetzee		890	712
	13	G Ferreira		260	128
	16	D Coetzee		106	84
	17	V Jansen		246	184
	26	G Ferreira		340	272
				2 502	1 875
				B6/N1	B5/N3

Table 4.92

ACTIVITY
ASSIGNMENT 2
General Ledger of Hatting Dealers

		Balance Sheet Section									
Date		Details	Fol	Amount		Date		Details	Fol	Amount	
		Capital 2003							B1		
						Apr.	1	Bank	CRJ3.7.1	1105 000	-
		Land and Buildings							B2		
Apr.	2	Bank	CPJ3.7.1	180 000							
		Equipment							B3		
Apr.	3	Bank	CPJ3.7.1	14 500							
	3	Creditors control	CJ3.7.1	3 760							
				8 260							
		Vehicles							B4		
Apr.	15	Creditors control	CJ3.7.1	28 660							
		Trading Inventory							B5		
Apr.	30	Bank	CPJ3.7.1	19 825		Apr.	30	Trading Inventory	CRJ3.7.1	114 186	
	30	Creditors control	CJ3.7.1	17 994			30	Trading Inventory	DJ3.7.1	1 875	
								Balance	b/f	11 758	
				27 819						27 819	
Mei	1	Balance	a/b	11 758							

continued on next page

		Debtors Control							B6		
Apr.	30	Sales	DJ3.7.1	2 502		Apr.	30	Bank	CRJ3.7.1	1 406	
								Balance b/f		1 096	
				2 502						2 502	
Mei	1	Balance c/f		1 096							

Table 4.93

		Bank							B7		
Apr.	30	Total Receipts	CRJ3.7.1	133 206		Apr.	30	Total Payments	CPJ3.7.1	123 960	
								Balance b/f		9 246	
				133 206						133 206	
May	1	Balance c/f		9 246							
		Change							B8		
Apr.	4	Bank	CPJ3.7.1	180							
		Creditors Control							B9		
Apr.	30	Bank	CPJ3.7.1	118 754		Apr.	30	Sundry purchases	CJ3.7.1	53 668	
		Balance c/f		34 914							
				53 668						53 668	
						May	1	Balance b/f		34 914	
		Nominal Accounts Section									
		Sales							N1		
						Apr.	30	Bank	CRJ3.7.1	119 184	

continued on next page

							30	Debtors control	DJ3.7.1	2 502	
										21 686	
		Current Income							N2		
						Apr.	30	Bank	CRJ3.7.1	7 116	-
		Selling Costs							N3		
Apr.	30	Trading inventory	CRJ3.7.1	114 186							
		Trading inventory	DJ3.7.1	1 875							
				16 061							
		Rental Income							N4		
						Apr.	7	Bank	CRJ3.7.1	500	
		Insurance							N5		
Apr.	10	Bank	CPJ3.7.1	600							
		Stationery							N6		
Apr.	14	Bank	CPJ3.7.1	180							
	30	Creditors control	CJ3.7.1	334							
				514							
		Salary							N7		
Apr.	30	Bank	CPJ3.7.1	2 110							
		Cost of Materials							N8		
Apr.	30	Bank	CPJ3.7.1	5 571							
	30	Creditors control	CJ3.7.1	2 920							

continued on next page

				8 491							
		Wages							N9		
Apr.	30	Bank	CPJ3.7	12 240							

Table 4.94

ACTIVITY 1
ASSIGNMENT 2
TRIAL BALANCE OF HATTING DEALERS AS AT 30 APRIL 2003

		Dt.	Cr.
Balance Sheet section			
Capital	B1		105 000
Land and Buildings	B2	80 000	
Equipment	B3	8 260	
Vehicles	B4	28 660	
Trading inventory	B5	11 758	
Debtors control	B6	1 096	
Bank	B7	9 246	
Change	B8	180	
Creditors control	B9		34 914
Nominal Accounts section			
Sales	N1		21 686
Current income	N2		7 116
Cost price of sales	N3	16 061	
Rental income	N4		500
Insurance	N5	600	
Stationery	N6	514	
Salary	N7	2 110	
Cost of materials	N8	8 491	
Wages	N9	2 240	
		169 216	169 216

Table 4.95

4.10 Analysing financial statements[10]

4.10.1 ECONOMIC AND MANAGEMENT SCIENCES

4.10.2 Grade 9

4.10.3 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.10.4 Module 24

4.10.5 ANALYSING FINANCIAL STATEMENTS

Financial Statements: Analysis and Use for Decision Making

ACTIVITY 1:

To analyse financial statement[LO 3.5]

Financial statements are used as a way of discovering the financial position and financial results of a business.

Financial figures, contained in the financial statements, usually do not tell outsiders very much. In order for the figure to be of any value, they must be compared with the results of previous years or with the results of other businesses in the same industry.

Financial statements are also used to determine ratios and trends.

The following ratios can be used in decision making:

1. Liquidity:

This is the ability of the business to honour its obligations (pay its bills) and is expressed in the ratio current assets to current liabilities.

Current assets : Current liabilities

40 000 : 16 000

2,5 : 1

This indicates good liquidity, as the norm for businesses is 2:1.

2. Profitability:

This indicates the profitability of the funds invested in the business and is calculated as follows:

$\frac{\text{Net profit}}{\text{Capital}} \times \frac{100}{1} \frac{20000}{200000} \times \frac{100}{1} = 10\%$

If the percentage is significantly higher than the current bank rate of ±15%, the profitability is good.

3. Solvency:

This indicates by how much the total assets of the business exceed the total liabilities. It is calculated as follows:

Total Assets : Total Liabilities

50 000 : 20 000

2,5 : 1

The solvency is good as the norm is 2:1.

ASSIGNMENT:

- Use the information below to determine the following:

(a) Profitability

(b) Solvency

(c) Liquidity

Comment on the answer to each and give reasons why it is good or bad.

- The net profit of the company is R35 000
- The capital is R100 000

[10] This content is available online at <http://cnx.org/content/m31777/1.1/>.

- Fixed assets are R90 000
- Current assets are R30 000
- Current liabilities are R10 000

4.10.6 Assessment

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.96

4.10.7 Memorandum

ACTIVITY 1

(a) Profitability:

$\frac{\text{NV}}{\text{Capital}} \times \frac{100}{1}$

$\frac{35000}{100000} \times \frac{100}{1}$

$= 35\%$

Very good profitability measured against a bank rate of 15%.

(b) Solvability:

Total Assets : Total Liabilities

120 000 : 10 000

12 : 1

A good solvability ratio, as the liabilities are covered 12 times by the assets.

(c) Liquidity:

Current assets : Current liabilities

30 000 : 10 000

3 : 1

A good liquidity ratio measured against the norm of 2:1.

4.11 Forms of credit purchases and methods of payment[11]

4.11.1 ECONOMIC AND MANAGEMENT SCIENCES

4.11.2 Grade 9

4.11.3 BUSINESS, CONSUMER AND FINANCIAL KNOWLEDGE AND SKILLS

4.11.4 Module 25

4.11.5 FORMS OF CREDIT PURCHASE AND METHODS OF PAYMENT

ACTIVITY 1:

To investigate forms of credit purchases and methods of payment and to be able to make recommendations [LO 3.6]

As the consumer does not always have sufficient cash to make purchases, various forms of credit business have been developed. This means that purchases are made now, but payment is only made at a later stage. Credit purchases can be made in a number of ways - a very common way is to buy on account.

The consumer opens an account at a particular shop and makes his purchases. At the end of the month he receives an account and pays a monthly amount.

Hire-purchase transactions are another form of credit used for buying expensive items such as a car, for example. A fixed instalment is paid every month until the entire purchase price, plus interest, has been paid.

Today, credit cards are a very popular method of credit. Various purchases can be made during the month and a copy of all the client's purchases is sent to his bank. At the end of the month the amount owing is deducted from the client's bank account.

A consumer may pay for his purchases in a number of ways. The most common way of making payments is by means of cash, but it is not safe to carry large amounts of cash. For this reason increasing use is being made of electronic modes of payment where money is not handled physically at all.

A popular way of paying is by cheque. The holder of a cheque account instructs his bank, by means of the cheque, to pay a specific amount of money to a certain person. The instruction is carried out when the cheque is presented for payment at a bank.

Payments may also be made through the Post Office by means of postal orders. These payments can safely be sent to any place in the country. The amount of money you want to pay, plus commission, is paid in at a post office and the postal order is sent to the person concerned. On receipt of the postal order, it can be exchanged for cash at the post office.

Debit cards may also be used for payments. The money is deducted electronically from ones bank account. This is a safe method of payment, as one need not carry cash with one. One can also not spend more money than one had in ones bank account. The bank balance can be checked at any time at an automatic teller machine.

Traveller's cheques are useful when travelling abroad. The money is paid in at a bank and in exchange for it one receives traveller's cheques that one can use to make payments in other countries. Traveller's cheques are provided in American, Canadian or Australian dollar, Euro, British pound, Swiss franc, Japanese yen and Saudi rial.

Although an increasing number of people are buying on credit, it is still better to pay cash for ones purchases.

Cash purchases can be made at any shop. Some businesses are prepared to give a discount for cash.

Credit is expensive, because interest and administrative costs have to be added.

Paying cash means that one will not purchase more than one can afford. Easy credit can result in ones spending money that one does not actually have. When the money has to be repaid, financial problems can occur.

[11] This content is available online at <http://cnx.org/content/m31778/1.1/>.

In a world of credit and electronic payments there is still a place for cash payments.
RESEARCH ASSIGNMENT:

- Collect information from financial institutions and shops about different methods of payment.

- Determine which methods will be the best for the following people and give reasons for your answers:

(a) a professional person
(b) a student
(c) a farmer
(d) a pensioner

4.11.6 Assessment

Learning Outcomes(LOs)
LO 3
MANAGERIAL, Consumer and Financial Knowledge and SkillsThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this if the learner :
3.1 completes a basic income statement and balance sheet for a service and retail business;
3.2 investigates the public relations, social responsibility and environmental responsibility strategies and actions of different businesses and organisations;
3.3 completes cash and credit transactions in the books of service and retail businesses;
3.4 uses keyboard skills and function keys in developing, storing, retrieving and editing business documentation;
3.5 analyses financial statements for decision-making at a basic level;
3.6 differentiates between the forms of credit purchases.

Table 4.97

4.11.7 Memorandum

ACTIVITY 1

(a) A professional person – By virtue of his professional status such a person can enjoy certain benefits at banks, such as a special cheque account and other facilities. As professional people do not have much time to spend on their personal financial affairs, a cheque account and credit cards as well as electronic modes of payment are useful. Traveller's cheques are handy on overseas trips.

(b) Student – As students do not earn a full-time income they often have special needs for which most banks cater by means of special packages. Credit cards are handy if self-discipline is exercised so that not too much is purchased on credit. Debit cards are handy because the student cannot spend more money than he has in his account.

(c) Farmer – As farmers annually have the proceeds of crops and must make payments regularly, a cheque account with overdraft facilities are suitable. A monthly bank statement and copies of cheques, or cheque

counterfoils assist in checking payments and in planning. Distance is usually a limiting factor and in this case cheque payments and electronic payments are advantageous.

(d) Pensioner – It is dangerous for older people to carry cash. They should rather make use of credit cards or debit cards to make their payments.

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