

Economic and Management Sciences

Grade 7

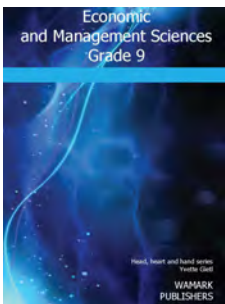
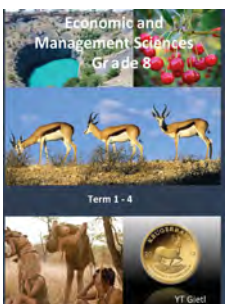
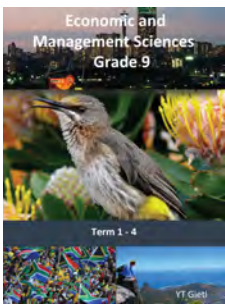


Term 1 - 4



ENRICHED VERSION VS CONDENSED VERSION

Alongside the enriched EMS 8 and 9 workbooks, we also have condensed versions. This table will explain the differences and benefits of each.

	ENRICHED EMS WORKBOOKS This version suits schools with 3 or more lessons allocated to EMS per cycle. The topics covered will prepare learners for grade 10. Include CAPS		CONDENSED EMS WORKBOOKS This version suits schools with very limited time i.e. have fewer than 3 lessons per cycle or have allocated more time to Accounting. CAPS only	
				
Revision Topics and Activities	*	*		
Enrichment Topics and Activities	*	*		
Tear - out Activities	22	23	11	13
Set out in SUBJECTS namely: Economics, Financial Literacy and Entrepreneurship	*	*		
Set out Term 1 – 4 in TOPICS as per CAPS			*	*
Price incl. VAT	R 160	R 160	R 120	R 120

ECONOMIC AND MANAGEMENT SCIENCES GRADE 7

TERM 1 - 4

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Watch the YouTube videos linked on page 36



1. Informal Businesses

1.1. Informal businesses are characterised by the following:

- No written contracts of employment
- No medical aid or pension fund
- No unemployment insurance UIF
- No tax contributions
- Labour laws (Rights and Responsibilities) are not relevant or enforceable



1.2. The growth of informal businesses are because of a number of reasons including:

- Increased urbanisation of blacks (Migration due to hardships and poverty)
- Slow pace of economic growth
- Incidence of jobless growth
- Decreased incidence of formal employment
- Costs and regulations involved in starting a formal business
- Limited education and training opportunities



Almost 70% of people who start an informal business do so because they are unemployed and have no alternative source of income.

These businesses are not VAT registered. Businesses only need to register for VAT if the business turnover exceeds R 1 000 000 turnover per annum. In 2013 more than 50% had a turnover of R1500 or less in the month and less than 10% of businesses made net profits of more than R6000.

According to Stats South Africa, in 2013 there were 1, 5 million people running an informal business, an increase from the 1, 1 million recorded in 2009.

Informal businesses are predominantly run by black Africans, persons aged 35 – 44 years, and those with lower levels of education.

1.3. Examples of the different types of informal businesses

- Personal services - hairdressing, bookkeeping
- Manufacturing - carpentry, sewing
- Building, arts and crafts - pottery, bricklaying, beadwork
- Entertainment and transport - musicians, taxi services



These are also examples of formal businesses.

1.4. Advantages of informal businesses

- Contributes to the South African economy.
- Reduces unemployment and poverty. Entrepreneurs are able to support themselves.
- Easy to start, with no overheads or rent to pay.
- The entrepreneurs learn skills that they can use in the formal sector later on.

1.5. Disadvantages of informal trading

- Pay no tax and the government loses out on revenue.
- No control. This can lead to illegal or unsafe activities.
- Suffer from a lack of financial support and access to markets, competition and consumer demands,
- skills shortages and
- not always sustainable
- Some businesses only grow to a point where they can afford to look after their families; they don't expand and create more jobs for others

1.6. Different informal businesses form associations to regulate the specific industry they are in. Some examples are:

- South African Black Taxi Association (SABTA)
- African Builders Association (ABA)
- National Stokvels Association of South Africa (NASASA)

2. Formal Businesses

The total number of people employed by formal businesses recorded for the period October 2015 - December 2015, was 8.989-million.

ACTIVITY 1

Give an example of a formal business in each of the industries.

- Wholesale and retail trade e.g. Makro and Spar
- Repair of motor vehicles/cycles e.g. _____
- Personal and household goods e.g. _____
- Hotels and restaurants industry e.g. _____
- Financial and Insurance e.g. _____
- Real estate and business services industry e.g. _____
- Transport, storage e.g. _____
- Communication industry e.g. _____
- Electricity and fuel e.g. _____
- Construction and mining e.g. _____

Job losses reported for the same period include construction (10,000 jobs), the mining industry (6,000 jobs) and the manufacturing industry 31 000 jobs.

ACTIVITY 2

List 5 advantages and disadvantages of owning a formal business.

ADVANTAGES	DISADVANTAGES
<i>Access to finances due to Financial records</i>	<i>Higher overheads</i>
<i>Budgets for marketing</i>	<i>Taxes on profits</i>
<i>Access to markets and better prices when buying bulk</i>	<i>Greater risks</i>
<i>Access to contracts and taken more seriously</i>	<i>Business has to support more people/ families</i>
<i>Greater profits</i>	<i>Have to retrench people when the economy is slow</i>

ACTIVITY 3

List goods/ services that are consumed by the following examples of formal and informal businesses.

FORMAL BUSINESS		INFORMAL BUSINESS	
	Produce Security Products		Bicycle Repair
CONSUME	PRODUCE	CONSUME	PRODUCE
<i>Internet</i> <i>Vehicles</i> <i>Labour</i> <i>Stationery</i> <i>Computers</i> <i>Office Furniture</i> <i>Head phones</i> <i>Telephones</i> <i>Electricity</i> <i>Insurance etc</i>	<i>Security Gaurds</i> <i>Cameras</i> <i>Fencing</i> <i>Gaurd Dogs</i> <i>Armed Response</i> <i>Body Gaurds</i> <i>Mace and Batons</i> <i>Beams</i> <i>Cash in Transit</i>	<i>Tyres</i> <i>Patch Kits</i> <i>Glue, oil</i> <i>Seats</i> <i>Padding and Leather</i> <i>Springs</i> <i>Handels bars</i> <i>Pump</i> <i>Chains etc.</i>	<i>Puncture repairs</i> <i>Seat Repairs</i> <i>Spray paint</i> <i>New tyres</i> <i>Replace peddles</i> <i>Gear repairs</i> <i>Straighten Frame</i> <i>Replace spokes etc.</i>

- 1.1 The **formal trader** registers his business with the relevant authorities (depending on the form of ownership) as well as with the SARS (South African Receiver of Revenue) to whom he pays taxes on each transaction and on his profit. The expenses of a formal trader are higher than an informal trader e.g. rent, telephone and water and electricity. SPAR is an example of a formal trader as they have buyers that scout for the best products at the best prices from manufacturers and wholesalers (**assembling**). The goods are then stored (**storage**) in large warehouses until SPAR outlets request stock. The process of getting the goods from the manufacturer to the wholesaler to the trader and finally to the consumer, is called **distribution**.
- 1.2 An **informal trader** will buy goods in bulk from the market (**assembling**), repackage the goods into smaller quantities and sell the goods at a taxi rank (**distribution**). If the trader does not sell all his goods he will have to find a place to store the goods till the next day. (**Storage**). An informal trader does not need a lot of money to start his business and he does not register the business either. The informal trader does not include or charge VAT so the SARS does not benefit from the businesses transactions or profit. He does however have to comply with the laws of the city e.g. not allowed to trade on pavements in front of shops. This law protects the rights of the shop owners who are paying rent from unfair competition. The sidewalks are not congested and the amount of litter is reduced.

4.1. Tabulate 5 advantages and disadvantages of the informal business

Advantages of Trading Informally	Disadvantages of Trading Informally
<i>Lower overheads - lower prices so more competitive</i>	<i>Informal stands are subject to weather conditions</i>
<i>No taxes, all profit belongs to the owner</i>	
<i>See pages 32 for more examples</i>	

4.2. Tabulate 5 advantages and disadvantages of formal business

Advantages of Trading Formally	Disadvantages of Trading Formally
<i>Formal building, more secure, can work from home</i>	
<i>See page 33 for more examples</i>	



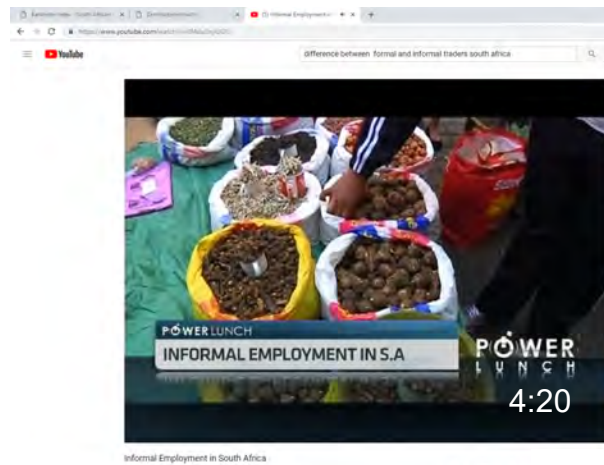
ACTIVITY 5

In order for businesses to produce goods and services, they have to make use of, or consume essential goods and services from other businesses e.g. A trader renting a property will hire the services of an Estate Agency. The business will make use of an internet service and telephone provider. The owner will buy shelving for display and storage purposes.

1. Complete the following table and give your own examples formal and informal traders. Specify the goods or services they produce and the goods and services they consume.

FORMAL / INFORMAL BUSINESS	PRODUCER of Goods and Services	CONSUMER of Goods and Services
1. Formal Trader e.g. SPAR _____	<i>Trade perishable and non perishable food (Goods)</i>	<i>Telephone service, Internet service, Cash Registers, Shelving, Vehicle, Estate Agent Service, Banking, Insurance, Security</i>
2. Formal Service Provider e. g _____		
3. Formal Manufacturer e.g. _____		
4. Informal Trader e.g _____		
5. Informal Service Provider e.g. _____		
6. Informal Manufacturer e.g. _____		

Topic: Informal traders



<https://www.youtube.com/watch?v=8MduDxyUI2U>



<https://www.youtube.com/watch?v=XFK36SgHlpU>

The Effect of Natural Disasters and Health epidemics on formal and informal businesses ASSIGNMENT	NAME: _____ GRADE: _____ DATE: _____
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ACTUAL MARK	
%	
LEVEL	

ASSESSMENT : 4

TOTAL: 50 (40% of your term mark)

DUE DATE: _____



1. Identify one example of a formal business and an example of an informal business
2. Discuss 3 negative effects a health epidemic e.g. HIV and AIDS can have on both the businesses.
Explore possible solutions/ preparations/ preventative measures for each effect.
3. Discuss 5 negative effects a natural disaster e.g. drought or floods, can have on both the businesses.
Explore possible solutions/ preparations/ preventative measures for each effect.
4. Present your assignment on an A3 poster board. Include pictures where possible.

0	1 - 6	7 - 10
The learner could not identify an example of a formal or informal business _____	The learner correctly identified examples of one of the two businesses _____	The learner correctly identified examples of both an informal and formal business _____
The learner did not discuss any effects of a health epidemic on either business _____	The learner discussed 1 - 2 effects of a health epidemic on both businesses _____	All requirements of the Assignment were met _____
The learner did not explore possible solutions/ preparations/ preventative measures of a health epidemic on either business _____	The learner explored 1 - 2 Possible solutions/ preparations/ Preventative measures on both businesses _____	All requirements of the Assignment were met _____
The learner did not discuss the effects of a natural disaster on either business _____	The learner discussed 1 – 2 possible effects of a natural disaster on both businesses _____	All requirements of the Assignment were met _____
The learner did not explore possible solutions/ preparations/ preventative measures of a natural disaster _____	The learner explored 1 - 2 Possible solutions/ preparations/ Preventative measures _____	All requirements of the Assignment were met _____

Topic: Impact of Aids on the workforce and productivity



or



<https://www.youtube.com/watch?v=RfOMxLSqfr4>

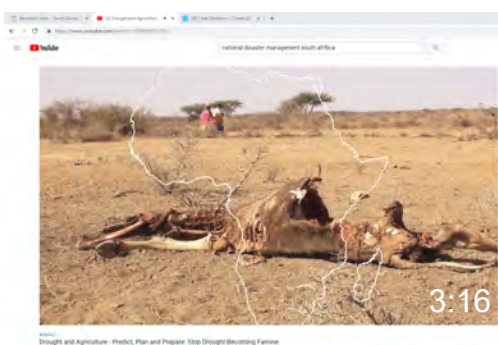
Topic: Natural Disasters



or



<https://www.youtube.com/watch?v=Q3shTaz1TTs>



or



<https://www.youtube.com/watch?v=J5WMYD9-CHs>



or



<https://www.youtube.com/watch?v=9QXDNaXPnh4>



or



Website

<http://www.ndmc.gov.za/Pages/Home-Page.aspx>

ASSETS



Assets are items of **economic value**. Assets are **owned** by an **individual** or **business**.

Assets can be divided into three groups:

- Possessions (These are **not consumables** which get “**used up**” and need replacing)
- Cash
- Debtors

1. ASSETS - POSSESSIONS

In financial terms, **possessions are assets**. When you **possess** something it means you **own** it. Assets have value and are used for a long period of time. In order for an item to be classified as an asset, one has to answer “yes” to all three of the following questions.

Is the item tangible – can I touch it? 	Does the item have monetary value? 	Is the item usually in use for a period of no less than a year? (Not consumable) 
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ACTIVITY 1

Analyse the following items to determine whether they **are** assets **or not**. Highlight the item that is **not** an asset.

Item	Is the item tangible – can I touch it?	Does the item have monetary value?	Is the item usually in use for a period of no less than a year?
e.g. Cell phone 	✓	✓	✓
 Live Stock	✓	✓	✓
 Stationery	✓	X	X
Broom (Equipment) 	✓	✓	✓
 Gold Coin	✓	✓	✓
 Pot (Equipment)	✓	✓	✓

2. ASSETS - CASH

2.1. Cash is money i.e. coins and notes. When deciding on a place to keep/store money, the following criteria must be taken into account:

- **Safety** – Can it be lost, destroyed or stolen?
- **Record keeping** – is there evidence/proof (documents) that the money exists and how it is being saved or spent?
- **Interest** – does the money earn interest (Grow)?

ACTIVITY 2

(Highlight the most beneficial place to keep/store money) Indicate 😊 , 😞 or 😞 for each place where the cash is stored.



Place	Safety	Record keeping	Interest bearing
e.g.  Shoe box	😞	😞	😞
 Tumble dryer	😞	😞	😞
 Fridge	😞	😞	😞
 Savings Account	😊	😊	😊
 Home Safe	😊	😞	😞
 Clothing	😞	😞	😞
 Wallet	😞	😞	😞
 Under mattress	😞	😞	😞
 Bottle	😞	😞	😞

2.2 ASSETS - CASH IN THE BUSINESS

2.2.1 **ASSET - BANK:** The owner/s of an enterprise lend money to the business. This money is used to start a business and is called **capital**. The capital is deposited into the **business BANK account**. Money is **deposited** and **withdrawn** from the business **BANK** account on a **daily basis**.

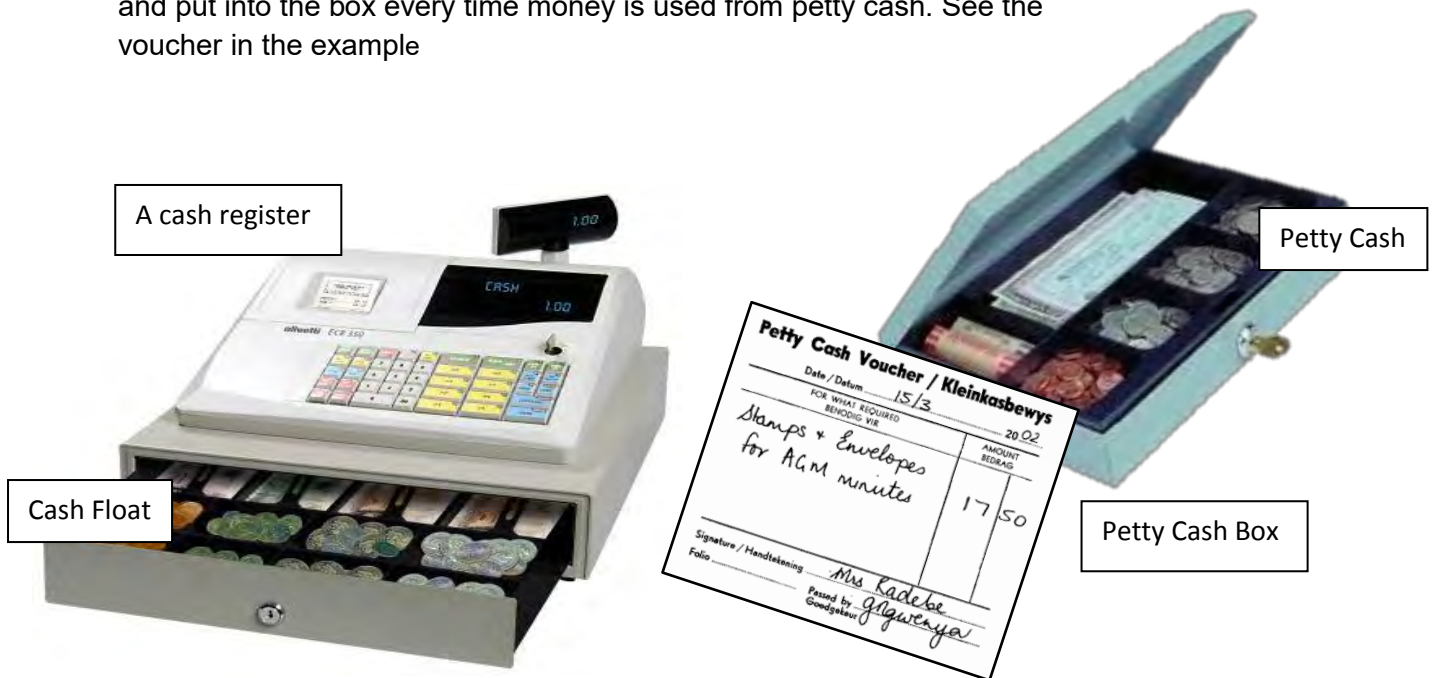


Please note! Capital is not classified as an income for the business.

Assets that are **purchased** with the **capital amount** are called **capital goods** e.g. Furniture, land and buildings, equipment, machinery, shelving and trucks.

2.2.2 **ASSET - CASH FLOAT:** Everyday the **cash register** is started with a certain amount of money so that the teller can issue change if a customer needs it. This is called **cash float**

2.2.3 **ASSET - PETTY CASH:** The **Petty Cash** box is where money is kept for small (petty) expenses of a business e.g. stamps and envelopes. A petty cash voucher has to be filled in and put into the box every time money is used from petty cash. See the voucher in the example



3. ASSETS - DEBTORS

If someone owes you money, he/she is your **debtor**. Your debtor is classified as an asset. **This money is owed to you and will be paid back on agreed terms and conditions.**

**DEBTOR
ASSETS (OWN)**

3.1 Does anyone owe you money? _____
Who and how much? _____
Are you charging him/her interest and how much? _____
What is the total owed to you R _____



3.2 Similarly, when a business **sells** goods e.g. clothing or a service e.g. garden service but does **not get payment** immediately, **the business is owed money** i.e. there is a delay in payment. Whoever **owes the business money is a Debtor**. **The debtor is an asset**

LIABILITIES

1. LIABILITIES - CREDITORS

The dictionary meaning for the word “**liable**” is **legally responsible**. Financially speaking, if you owe anyone money, you are legally responsible to pay the person back. The money you owe is a liability. The person we owe money to is a Creditor.

1.1 Do you owe anyone money? How much are you liable for? _____ Who is your creditor? _____ Do you have to pay interest and how much? _____ Total owed by you R _____

1.2 Similarly, when a business **buys** goods e.g. stock to trade with or makes use of a service e.g. telkom but does **not make payment immediately**, the **business owes money** because there is a delay in payment. **Whoever the business owes money to is called a Creditor.**
The creditor is a liability.

**CREDITOR
LIABILITY (OWE)**



SUMMARY (Complete the grid)

	a) A business <u>sells</u> on credit.	The business is owed money	by the <u>debtor</u>	who is now an <u>asset</u> (OWN)
	b) A business <u>buys</u> on credit.	The business owes money	to the <u>Creditor</u>	who is now a <u>Liability</u> (OWE)

Activity 2

Describe three ways in which you can acquire liabilities?



- 1) Secure a loan
- 2) Use a credit card
- 3) Buy furniture on credit

ACTIVITY 3

(Analyse the advertisement and complete the following grid)

FurnitureCity
The way you want to live

82cm TEK LCD
R3999
R211 x 36 months Credit price R8 316*

Zeus 3 Piece Lounge Suite
Consists of 2 Couches and a Camden Coffee Table
R6999
R344 x 36 months Credit price R12 348*

DEFY
Defy 5Kg Tumble Drier
R1999
R133 x 36 months Credit price R4 788*

Supra Plus King
R4999
R268 x 36 months Credit price R9 648*

*Credit price includes interest and finance charges

ITEM	CASH PRICE	TERMS: R _____ YEARS _____	CREDIT PRICE *	SAVINGS IF BOUGHT CASH
TV and stand	R 3 999, 00	R 211 3 years	R 7 596, 00	R 3 597, 00
Lounge suite	R 6 999, 00	R 344 3 years	R 12 384, 00	R 5 385, 00
Tumble dryer	R 1 999, 00	R 133 3 years	R 4 788, 00	R 2 789, 00
Bed	R 4 999, 00	R 268 3 years	R 9 648, 00	R 4 649, 00

3.1 What do you conclude/understand by your findings?

It costs more to buy goods on credit

3.2 If you bought any of the items on credit, who would your creditor be? _____

3.3 How can you otherwise purchase the above assets without having to pay all the interest?
Save and buy cash

PERSONAL INCOME AND EXPENSES



1.1 PERSONAL INCOME – MONEY COMING IN (PERSONAL BANK ACCOUNT)

As the term suggests, income is money coming in. Money coming into your household is used to pay for all your needs and wants. There are many sources of income. Examples include salaries (paid monthly), wages (paid weekly), gifts, winnings, maintenance, social grants, pension, stokvel pay out, shares on investments, UIF etc.



A Loan is not an income but a liability



A Stokvel (See page 107 for website and YouTube links explaining Stokvels)



Stokvels or savings clubs are a good way for people to help motivate each other to save. Regular stokvel meetings have become a social highlight in many communities and members help and support one another.

A basic stokvel is simple to undertake.

- There are usually twelve or more members (One for each month of the year), and each member contributes a certain amount of cash each month. This can be anything from R50 to R1, 000, depending on everyone's income.
- Each month, it is a different member's turn to receive the money. So, if you belong to a stokvel with twelve members who each contribute R500 a month, then once a year you will receive a R 6 000 payout. (Income)
- You are motivated to save because the other members will know if you haven't paid your contribution, and also because the regular meetings are a reminder of what you will gain when it is your turn.

EMPLOYEE'S COPY			
EMPLOYER'S NAME <u>MRS ANDERSON</u>			
EMPLOYER'S ADDRESS <u>107 CRESCENT ST,</u> <u>BENONI, 1501</u> TEL. <u>011 427 3140</u>			
EMPLOYEE'S NAME <u>SARAH SKHOSANA</u>			
EMPLOYEE'S I.D. No <u>6808100119083</u>			
DUTIES:			
HOUSE CLEANING	☒	DRIVING OF HOUSEHOLD	☐
CHILDMINDING, CARE OF SICK, ELDERLY, DISABLED	☒		
GARDENING	☐	OTHER:	
PAYMENT PERIOD FROM: <u>04-07-2011</u> TO: <u>08-07-2011</u>			
BASIC PAY	No. of hours	RATE	AMOUNT
<u>WAGES</u>	<u>48</u>	<u>16</u>	<u>R 768</u>
Additional			
Overtime	<u>7</u>	<u>R 32</u>	<u>R 224</u>
Sundays		R	R
Public Holidays		R	R
Standby Shift		R	R
Bonus			R
Other		R	R
TOTAL GROSS PAY			<u>R 982</u>
Deductions:			
U.I.F.		R	
Pension		R	
P.A.Y.E.		R	
Other:		R	
Other:		R	
Sub Total		R	
TOTAL NETT PAY			<u>R 982</u>
Employee Signature <u>S Skhosana</u>			
Employer Signature <u>[Signature]</u>			
Date: <u>08-07-2011</u>			

ACTIVITY 4 (Payslip)

1.1 What form of income is this?
Wages

1.2 How do you know?
Indicated on the pay slip

1.3 What does the employee do?
House cleaning and taking care of sick, elderly, disabled or child-minding

1.4 What is the total number of hours
Sarah worked?
 $48 + 7 = 55$

1.5 What percentage more was she paid for overtime?
100%

1.6 If her UIF (Unemployment Insurance Fund) contribution at 1% is calculated once a month, what will her contribution be if she works the same amount of hours and overtime for four weeks?

Show your calculation
 $R\ 982 \times 4\ weeks = R\ 3\ 928$
 $1\% \text{ of } R\ 3\ 928 = R39,28$

1.2 PERSONAL EXPENSES – MONEY GOING OUT (PERSONAL BANK ACCOUNT)

These include the household bills (expenses) we have to pay in order to live from day to day and from month to month e.g. groceries, telephone, water and electricity, fuel, entertainment, education, insurance, TV licence, medical etc.



Payments made on/for assets and liabilities are not classified as expenses

ACTIVITY 5

Make a list of possible sources of income (3) and expenses (10) of households A and B

A		B
<u>INCOME</u>  - State Pension - Social Grant - Wages - Stokvel - Family etc.		<u>EXPENSES</u>  - Electricity - Rent - Food - Cell phone - Clothes - School fees - Transport etc.
<u>INCOME</u>  - Salaries - Profits - Investments - Commission - Pension etc.		<u>EXPENSES</u>  - Fuel - Cell phones - Internet - Entertainment - School fees - Clothing - Pet grooming - Medical aid - Insurance - Repairs - Domestic Wages/salaries - Water and Electricity etc.

2.1 Which household has more **disposable income** and how do you know?

B - More avenues for income/ Higher income

PERSONAL INCOME AND EXPENDITURE - SURPLUS AND DEFICIT



A hot air balloon works on a very simple scientific principle. – Hot air rises. So in order to keep the hot air balloon in the air, heat is needed to warm up the air inside the balloon. If the heat supply is cut off, the warm air cools down and the balloon would fall.

Similarly, that is the effect that income (hot air) and expenses (cold air) have on our finances.



Income increases our financial standing, whilst expenses decrease it. The aim is to balance the two so we at least keep our balloon from crashing! In other words, our income must always be more or at least equal to our expenses.

Formula for calculating personal surplus/deficit:

$$\text{INCOME} - \text{EXPENSES} = \text{SURPLUS/DEFICIT}$$

Higher income than expenses = **surplus** 😊 (Rands and cents) - financially stable.

Higher expenses than income = **deficit** 😞 (Rands and cents) - financially unstable.

ACTIVITY 6

Calculate the surplus/deficit. Show a deficit amount by placing it within brackets e.g. (R 100)

TOTAL INCOME	TOTAL EXPENSES	SURPLUS/DEFICIT
a. .e.g. R 12 000	R 13 400	(R 1 400)
b. R 120 000	R111 000	R 9 000
c. R 2 400	R 800	R 1 600
d. R 65 000	R 67 344	(R 2 344)
e. R 753 000	R 1000 000	(R 247 000)
f. R 345 345	R 238 000	R 107 345
g. R 61 001	R 24 034	R 36 967
h. R 899 000	R 455 000	R 444 000
i. R 45 500	R 21 800	R 23 700
j. R 78 003	R108 010	(R 30 007)



Payments made for assets (including savings) and liabilities are not classified as expenses

ACTIVITY 7

Tabulate the following income and expenses of the Sibande household and calculate whether they have a **surplus** or **deficit** at the end of the month of August 2018

Salary Mrs Sibande R 2 500, Salary Mr Sibande R 6 500, rent R 1200, cell phones R 300, school fees R 450, water and electricity R 250, transport (Taxi) R 1 200, groceries R1 500, household insurance R 200, clothing R 300, entertainment R 300.

INCOME AND EXPENDITURE OF _____ FOR AUGUST 2018

INCOME		EXPENSES	
DETAILS	AMOUNT	DETAILS	AMOUNT
e.g. Salary – Mrs Sibande	2 500, 00	Rent	R 1200, 00
Mr Sibande	7 500, 00	Cellphones	R 300, 00
		School Fees	R 450, 00
		Water and Electricity	R 250, 00
		Transport	R 1 200, 00
		Groceries	R 1 500, 00
		Insurance	R 200, 00
		Clothing	R 300, 00
		Entertainment	R 300, 00
	R 9 000		R 5 700

Surplus/deficit R 3 300, 00 surplus

ACTIVITY 8

Tabulate the following income and expenses of the Meyer household and calculate whether they have a **surplus** or **deficit** at the end of the month of November 2018

Salary Mrs Meyer R 2 500, Salary Mr Meyer R 7 500, cell phones R 700, school fees R 1 450, water and electricity R 750, Fuel R 2 000, groceries R 2 500, clothing R 500, entertainment R800, DSTV R 475, security R 350, car insurance R 400, household insurance R 300

INCOME AND EXPENDITURE OF _____ FOR AUGUST 2018

INCOME		EXPENSES	
DETAILS	AMOUNT	DETAILS	AMOUNT
Salary - Mr Meyer	7 500, 00	Cell phones	700, 00
Salary - Mrs Meyer	2 500, 00	School Fees	1 450, 00
		Water and Electricity	750, 00
		Fuel	2 000, 00
		Groceries	2 500, 00
		Clothing	500, 00
		Entertainment	800, 00
		DSTV	475, 00
		Security	350,00
		Vehicle Insurance	400, 00
		Household Insurance	350, 00
	R10 000		R10 225, 00

Surplus/deficit R 225, 00 Deficit

BUSINESS INCOME AND EXPENSES – PROFIT AND LOSS



The aim of owning a business is to make a profit. The difference between the businesses income and expenses will determine whether the business has made a profit or a loss.

1.1 BUSINESS INCOME – MONEY COMING IN (BUSINESS BANK ACCOUNT)

Businesses generate an income in the following ways:

- **Sales** (Buying and selling of goods – Trading e.g. Pick N Pay)
- **Current Income** (Selling a service – Services rendered e.g. Hair dresser)
- **Rent income** (a business may rent out a part of the building) etc.

ACTIVITY 9

Analyse the advertisements and complete the table showing the income of the businesses:

1

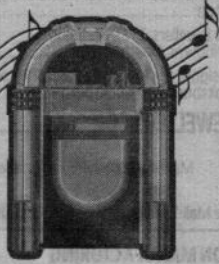
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7

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8

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www.sunmoonstar.co.za

BUSINESS INCOME

Business Name	Trades or Renders a service	Specific Product or Service	Type of income - Sales or Current Income
1. <i>Absolute Fun Jumping Castle Hire</i>	<i>Renders a service and trades</i>	<i>Jumping castle hire Sell Party Packs and cakes</i>	<i>Sales and Current Income</i>
2. <i>Jukebox Hire</i>	<i>Renders Service</i>	<i>Jukebox</i>	<i>Current Income</i>
3. <i>Delta Forklift Tyres</i>	<i>Trades</i>	<i>Forklift Tyres</i>	<i>Sales</i>
4. <i>Supreme</i>	<i>Renders Service</i>	<i>Dry cleaning</i>	<i>Current Income</i>
5. <i>SC Supercare</i>	<i>Renders Service</i>	<i>Outsource Labour</i>	<i>Current Income</i>
6. <i>Pets Paradise</i>	<i>Renders Service</i>	<i>Pet Grooming</i>	<i>Current Income</i>
7. <i>Dynamic Label Co.</i>	<i>Trades</i>	<i>Labels</i>	<i>Sales</i>
8. <i>Sun Moon Star</i>	<i>Trade</i>	<i>Corporate Clothing</i>	<i>Sales</i>

1.2 **BUSINESS EXPENSES- MONEY GOING OUT (BUSINESS BANK ACCOUNT)**

To make money a business has to spend money. The day to day running of a business costs money. These **costs are called expenses** e.g. Telephone, fuel, **salaries** (Paid monthly), **wages** (paid weekly), stationery, insurance, water and electricity.

If the income is higher than the expenses it will show a **profit** 😊 but if the expenses are higher than the income then the business has run at a **loss** 😞 Formula for working out profit/Loss:

$$\text{INCOME} - \text{EXPENSES} = \text{PROFIT/LOSS}$$

ACTIVITY 10

Complete the following table. (A loss will be indicated by the amount being placed within brackets).

TOTAL INCOME	TOTAL EXPENSES	PROFIT/LOSS
a. R 12 000	R 7 500	R 4 500
b. R 160 500	R 135 000	R 25 500
c. R 995 000	R 1 011 555,00	(R 16 555)
d. R 235 700	R 370 750, 00	(R 135 050)
e. R 6 800, 00	R 24 000	(R 17 200)
f. R 675 870	R 450 400	R 225 470, 00
g. R 45 678	R 53 095	(R 7 417, 00)
h. R 6 650	R 3 868, 00	R 2 782
i. R 1 230, 00	R 865 000	R 365 000
j. R 78 000	R 90 000, 00	(R 12 000)

ACTIVITY 11

Tabulate the following income and expenses and calculate whether “Claire’s Cards” has made a profit or a loss for June 2018.

Water and electricity R 200, wages R 500, rent expense R 700, Telephone R 300, fuel R 300, rent income R 1 500, salaries R 2 000, insurance R 300, sales R 12 000, stationery R 250, materials R 140, packaging R25



INCOME AND EXPENDITURE OF CLAIRE'S CARDS FOR JUNE 2011

INCOME		EXPENSES	
DETAILS	AMOUNT	DETAILS	AMOUNT
<i>Sales</i>	<i>12 000, 00</i>	e.g. salaries	2 000, 00
<i>Rent Income</i>	<i>1 500, 00</i>	<i>Water and Lights</i>	<i>200, 00</i>
		<i>Wages</i>	<i>500, 00</i>
		<i>Rent Expense</i>	<i>700, 00</i>
		<i>Telephone</i>	<i>300, 00</i>
		<i>Fuel</i>	<i>300, 00</i>
		<i>Insurance</i>	<i>300, 00</i>
		<i>Stationery</i>	<i>250, 00</i>
		<i>Materials</i>	<i>140, 00</i>
		<i>Packaging</i>	<i>25, 00</i>
	<i>R13 500, 00</i>		<i>R 4 715, 00</i>

The business made a profit/loss of R 8 785, 00 profit

ACTIVITY 12

Tabulate the following income and expenses and calculate whether “DJ Wade” has made a profit or a loss for December 2018

Internet R 350, wages R 700, telephone R 200, fuel R 270, salaries R 2 050, insurance R 399, services rendered R 22 000, stationery R 350, repairs and maintenance R 355, advertising R 325, DJ licence R 240, 00



INCOME AND EXPENDITURE OF _____ FOR DECEMBER 2018

INCOME		EXPENSES	
DETAILS	AMOUNT	DETAILS	AMOUNT
<i>Current Income</i>	<i>22 000, 00</i>	<i>Internet</i>	<i>350, 00</i>
		<i>Wages</i>	<i>700, 00</i>
		<i>Telephone</i>	<i>200, 00</i>
		<i>Fuel</i>	<i>270, 00</i>
		<i>Salaries</i>	<i>2 050, 00</i>
		<i>Insurance</i>	<i>399, 00</i>
		<i>Stationery</i>	<i>350, 00</i>
		<i>Repairs and Maintenance</i>	<i>335, 00</i>
		<i>Advertising</i>	<i>325, 00</i>
		<i>Licence</i>	<i>240, 00</i>
	<i>R 22, 000</i>		<i>R 5 239, 00</i>

The business made a profit/loss of R 16 761, 00 Profit

ACTIVITY 13

1. Categorise the following accounts of a **BUSINESS**. Show with an X

ACCOUNT	ASSET	INCOME	EXPENSES	LIABILITIES
e.g. Land and Buildings	X			
Telephone bill			X	
Equipment	X			
Vehicles	X			
Salaries			X	
Loans				X
Advertising			X	
Petty Cash	X			
Rent expense			X	
Creditors				X
Bank	X			
Current income		X		
Rent Income		X		
Tyres to sell (Trading Inventory)	X			
Insurance			X	
Sales		X		
Debtors	X			
Licences			X	
Donations (paid)			X	
Electricity			X	
Fines			X	
Fuel			X	
Wages			X	
Stationery			X	
Repairs and maintenance			X	
Packaging			X	
Security			X	
Cash Float	X			

ACTIVITY 14

- 2.1 Refer to the flashcards on the next page.
- 2.2 Colour the assets, income, expenses and liabilities with the colours indicated
- 2.3 Cut out the flashcards and arrange them in the spaces provided

	COLOUR
ASSET	BLUE
INCOME	GREEN
EXPENSE	RED
LIABILITY	YELLOW