Personal Assistance 4
Module 2: Apply basic business principles
Module 2: Apply basic business principles

• After completing this module, you will be able to:
  – Apply the profit motive to a going concern
  – Apply production theory in a selected workplace
  – Segment a market and undertake appropriate marketing measures
  – Operate within a company reporting structure
  – Align business unit goals with overall business strategy and objectives
When you have completed this subject outcome, you will be able to:

- discuss the profit of a going concern, with examples
- apply the profit motive to a selected organisation
- explain the advantages and limitations of a particular form of business ownership, with examples.
1.1 Discuss the profit of a going concern with examples
The income statement

Sales

*Less:* Cost of Sales

= Gross Profit

*Less:* expenses

= Net profit

Less Interest

Less Tax

= Net profit after interest and taxation

*Less:* Dividends

= Retained profit
Activity 1

• Do the calculations on page 31 to satisfy yourself that you understand how the result was arrived at.

• If there were two businesses: Mannie’s just doing fish and chips and Sipho’s doing hamburgers as well, with identical results to the example, which of those would you say is doing better?
1.2 Apply the profit motive to a selected organisation

• It is a reward to the owners of the business. They have taken risks with their money and time.

• Profits are an important source of investment funds.

• A business that does not make a profit will fail.
As a group, ask a local business to allow you to discuss their views about making a profit with you. When you have done this, discuss amongst yourselves how well the owners’ way of doing business reflects what you have learned about profit up to this point.

NB: When you go to the business, take along the questions to be asked in the next activity as well.
1.3 Forms of ownership

- Sole proprietor
- Partnership
- Close corporation
- Private company
- Public company
Activity 3

- Ask the owners of the businesses the following questions and see how they compare against the learning above:
  - How many people own it?
  - What are these people called?
  - How was it formed?
  - What are the owners’ and the business’ liabilities?
  - How could it cease to exist?
  - How may it be legally ended?
  - Who owns the business’ assets?
  - What are the accounting requirements?
  - What are its advantages and disadvantages?
  - What factors made the owners choose that type of business?
2. Apply production theory in a selected workplace

- When you have completed this subject outcome, you will be able to:
- apply the principles of demand and supply to decision making and to a pricing structure for a range of products and services
- determine break-even sales in Rand and unit terms for a range of products and services
- explain the theory of economy of scale in an essay on the topic
- present the role and cost of labour and equipment, as factors of supply or delivery of product and services, to a group of peers.
2.1 Apply the principles of demand and supply
Activity 4

• In Figure 4, the starting-off price is lower than the stabilisation price. Explain how the market adjusts itself to get to the stabilisation point.
2.2 Determine break-even sales
Figure 6

Revenue vs. Volume produced

Sales vs. Total costs

Break even point

Revenue/Costs vs. Volume produced
Activity 5

- The graphs below show the combined Revenue / Cost graphs for Mannie and Sipho. Which is which and why do you think that the break-even volumes are different?
Figure 7

- Sales
- Total costs

Different break even points

Revenue / Costs

Volume produced
Figure 8

- Revenue / Costs
- Sales
- Total costs
- Volume produced
- Different break even points
Figure 9

Revenue / Costs vs. Volume produced

- Sales
- Total costs

Different break even points
Figure 10

- Sales
- Total costs
- Different break even points

Revenue / Costs

Volume produced
• Answer the following multiple-choice questions:
  • Dropping the selling price will ________ the break-even point
  • An increase in the factory’s rent will ________ the fixed costs and ________ gross profit
  • Cutting direct labour costs will ________ net profit and ________ break-even point
  • The manager buying a more expensive computer will ________ direct variable costs and ________ break-even point
2.3 Explain the theory of economy of scale in an essay on the topic
Activity 7

Pretend there are two similar businesses in your area (say, two fast-food outlets). One has big premises and brand new vehicles whilst the other has very small premises and one old vehicle. Both, however, seem to be selling the same amount of goods at more or less the same prices. Write an essay in which you explain why the one is probably enjoying greater economies of scale compared with the other. Make use of graphs such as Figures 7 to 10 to explain your conclusions.
2.4 Present the role and cost of labour and equipment

• Labour is the factor of production that transforms other factors of production into goods or produces services that people are willing to buy rather than make or do themselves.
Factors of production

- Raw materials
- Labour
- Energy
- Manufactured goods
- Lands
- Entrepreneurial skills
- Technology
Activity 8

- In the picture above, there is a miner, a preacher and a lawyer. What product or service is each one providing (or contributing to provide)? Make a list of the factors of production each could be using, and what skills or knowledge each is using to transform these factors into the service that is being delivered.

Labour can take many forms
## The role of equipment

<table>
<thead>
<tr>
<th>ENGINEER ...</th>
<th>CONTRACTOR...</th>
</tr>
</thead>
<tbody>
<tr>
<td>... deciding on best route.</td>
<td>... digging the trench</td>
</tr>
<tr>
<td>One way ...</td>
<td>One way ...</td>
</tr>
<tr>
<td>... and another</td>
<td>... and another</td>
</tr>
<tr>
<td>Land survey</td>
<td>Labour-intensive</td>
</tr>
<tr>
<td>Aerial survey</td>
<td>Machine-intensive</td>
</tr>
</tbody>
</table>

*Personal Assistance – Level 4*
The cost of labour and equipments

Labour intensive

Capital intensive
3. Segment a market and undertake appropriate marketing measures

• When you have completed this subject outcome, you will be able to:
  – Conduct market research, collate data and evaluate and present it to a mentor
  – Segment a buying market for a range of products
  – Compose advertising for a target market and select appropriate media for placement
The 4 Ps of marketing

Marketing

Product

Place

Price

Promotion
Functions of the marketing department

- Tracking the customer
- Communication
- Product development
- Distribution
- Pricing
Conduct market research, collate data and evaluate and present it to a mentor

- Define marketing problems and opportunities
- Set objectives, budget and timelines
- Select research types, methods and techniques
- Design research instruments
- Collect data
- Organise and analyse the data
- Present and use market research findings
Imagine you work for a business that produces gardening equipment. Someone has come up with the idea of making a “kit” that comprises different implements that can be fitted onto a common handle by selecting and interchanging them depending on the task the gardener wants to perform. This will cut manufacturing costs and save space in the owner’s garden shed.

Make use of the seven steps in Table 1 to design a market research programme to find out if such a product would sell, and how much people would be willing to pay for something like this.
3.2 Segment a buying market for a range of products

<table>
<thead>
<tr>
<th>Need to fulfill</th>
<th>Students</th>
<th>Homemakers</th>
<th>Rock stars</th>
<th>Building contractors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Just transportation</td>
<td><img src="image1.png" alt="Image" /></td>
<td><img src="image2.png" alt="Image" /></td>
<td><img src="image3.png" alt="Image" /></td>
<td><img src="image4.png" alt="Image" /></td>
</tr>
<tr>
<td>Status</td>
<td><img src="image5.png" alt="Image" /></td>
<td><img src="image6.png" alt="Image" /></td>
<td><img src="image7.png" alt="Image" /></td>
<td><img src="image8.png" alt="Image" /></td>
</tr>
</tbody>
</table>
Activity 10

- In the pictures above, why do you think the author has shown the building contractor satisfying his need for “Just transportation” with exactly the same vehicle as for “Status”?
3.3 Compose advertising for a target market and select appropriate media for placement

• Decide on the message you want to give
• Know and understand your market
• Choose your medium
Activity 11

• Go back Activity 9 and design an advertising programme that you think will convince people to buy your gardening tools. This programme should include the message you want to give, reasons for choosing the particular market, reasons for choosing particular media, as well as appropriate wording and layout for the advertisement.
4. Operate within a company reporting structure

• When you have completed this subject outcome, you will be able to:
  – construct an organisational chart for a particular company
  – clarify staff and line functions, and identify reporting lines within a selected company’s hierarchical structure
  – describe the mission, vision and values of a company, relating them to function
  – define and present supervisory and managerial roles, using examples.
4.1 Construct and organisational chart

- The responsibilities of all individuals are clearly explained
- The work environment is coordinated and controlled
Clarify staff and line functions

- Line authority

Figure 12
Clarify staff and line functions

- Functional authority

Figure 14
Matrix structures

Figure 15

General manager

Projects department
- Project Manager A
- Project Manager B
- Project Manager C

Engineering department
- Design group
- Manufacturing group

Administration department
- Purchasing group

Operations department
- Financial group

Line authority

Project authority
Activity 12

Draw up an organisational chart for the institution that you are currently studying at. In doing so, show the authority lines reaching down from the Rector to the facilitator who is presenting this subject.

Pretend that your class facilitator wants the organisation to buy a minibus so that you can be taken on tours. Find out by asking questions and show on the organigram who has authority to approve such a purchase and who has the authority to give permission for the payment to the supplier, if the purchase is given the go-ahead.

What type of authority does the person who gives permission for the supplier to be paid have?

Sample answer

Drawing up the organigram should be fairly simple because most educational institutions have a strong hierarchical structure.

The person giving authority for the payment would be the financial manager – in terms of his or her functional authority.
4.3 Describe the mission, vision and values of a company relating them to function.
Activity 13

• Buy some newspapers (or go to your local library) and look for articles that give examples of vision statements that might be set out by various enterprises.

• Ask your educational institution for a copy of its vision and mission statements, as well as any written policies and procedures they might have. Form groups to examine these and then give a presentation to your fellow learners in which you try to relate these to the steps in the Vision Pyramid.
4.4 Define and present supervisory and managerial roles using examples

Managerial functions

- Planning
- Organising
- Leading
- Controlling
Management roles

Informational
- Monitor
- Disseminator
- Spokesperson

Interpersonal
- Figurehead
- Leader
- Liaison

Decision-making
- Entrepreneur
- Disturbance handler
- Resource allocator
- Negotiator
Supervisory roles

- Coach
- Mentor
- Advocate for organisation
- Advocate for employee
5. Align business unit goals with overall business strategy and objectives

• When you have completed this subject outcome, you will be able to:
  – interpret organisational objectives and analyse a business plan for a particular company
  – implement efficient action plans to meet organisational objectives
  – report unworkable objectives and construct contingency plans to ensure that business goals remain achievable.
5.1 Interpret organisational objectives

- The business and its products and services
- SWOT analysis
- Key success factors
- Locality
- Financial planning
- Grants and assistance
- Production planning
- Marketing planning
- License or regulation requirements
- Personnel Planning
Activity 14

• Choose any three items for the “Contents of the business plan” above.
• Write a short paragraph on how each of the three could relate to, affect or be affected by the other two
• Write a business objective for each of the items chosen.
5.2 Implement efficient action plans to meet organisational objective

- Key guidelines
  - Be patient
  - Be flexible
  - Be quick to find the cause of problems
  - Continue to talk
  - Keep the big picture in mind
5 Steps to implement an action plan

1. Create a communication plan
2. Raise awareness
3. Build capacity
4. Motivate
5. Track and monitor
Imagine your educational institution has decided that all learners must get fit enough to take part in your local SPCA’s 15 km fund-raising fun run. You have been tasked with getting your fellow learners on board.

Design an action plan, using the 5 steps on page 67 that will ensure your success.
5.3 Report unworkable objectives and construct contingency plans

- Specific
- Measurable
- Achievable
- Relevant
- Time related
Contingency plans

• Have a system to ensure that things happen as they should.
• Have a list of people or firms you can call up in case of an emergency.
• Have a good data back-up system so that you can retrieve all data you might lose due to some emergency.
• Ensure that employees also know what to do when something goes wrong.
• Involve outside experts to help you draw up your contingency plans. Take the advice of financial experts, legal advisors, etc. to provide for every possible event.
Activity 16

• Go back to the activity where you had to prepare a plan to get fellow students fit.
• Write down as many things as possible that you think could go wrong and prepare contingency plans for at least three of them.