



**New Venture Level 2**

**Lecturer: Mr. Propane**

**Topic: Financial requirements of a new business venture.**

**Activity 2 and Activity 3 answers**

**Outcomes**

**Determine income expenditure of new venture**

**determine the financial and cash flow requirements of a new venture.**

**Implement pricing and costing principles**

**identify resources to obtain start-up capital.**

# New Venture : Financial Requirements of a new Business Venture.

## Calculations

**Gross Profit = Sales – Costs of Sale**

**Net Profit = Gross Profit – Fixed Costs**

**Gross Profit Percentage**

= Gross Profit/sales \* 100

= 5000/10000\* 100

=50%

## Activity 2 p68

### Activity 2 p70

Last Year  
10 Cakes Sold, R55  
Made Gross Profit = R200  
Fixed Costs (Rent) = R50

This Year 20 Cakes  
Variable Costs increase by R5  
R10 more  
Fixed Costs "Rent" = R50

①. Last Year  
Gross Profit = R200  
Number of Cakes = 10

$$R\ 200 \div 10 = \underline{R\ 20} \text{ (Gross Profit)}$$

②. Net Profit = Gross Profit - Fixed Cost "Rent"  
= R200 - R50  
= R150

③ Make-Up % =  $\frac{\text{Selling Price} - \text{Costs}}{\text{Costs}}$   
=  $\frac{R55 - R50}{R50}$   
= 10%

## Activity 2

④ Make-up for this Year.

$$\text{Total Cost} = \text{R50} + \text{R5} = \text{R55}$$

$$\text{Selling Price} = \text{R65}$$

$$\text{Make Up} = \frac{\text{Selling Price} - \text{Costs}}{\text{Costs}} \times 100$$

$$= \frac{\text{R65} - \text{R55}}{\text{R55}} \times 100$$

$$= \underline{18\%}$$

⑤. Net Profit = \_\_\_\_\_

$$\begin{aligned} \text{Net Profit} &= \frac{\text{Net Profit}}{\text{Sale}} \times 100 \\ &= \frac{\text{R150}}{\text{R550}} \times 100 \\ &= \underline{27\%} \end{aligned}$$

## Activity 2

$$\begin{aligned} \textcircled{6} \quad & 20 \times R10 = R200 \\ \text{Costs of Sale} &= R5 \times 20 \text{ cakes} = R100 \end{aligned}$$

$$\begin{aligned} \text{Gross Profit} &= \text{Sales} - \text{Costs of Sales} \\ &= R200 - R100 \\ &= R100. \end{aligned}$$

$$\begin{aligned} \text{Gross Profit \%} &= \frac{\text{Gross Profit}}{\text{Sales}} \times 100 \\ &= \frac{R100}{R200} \times 100 \\ &= 50\%. \end{aligned}$$

# Activity 3 p70

## Activity 3

p72.

Eggs Buys R8,00  
Selling Price = R13  
Capture at 25%  
Sale will drop to 50%. (Milk)

$$GP = (13 - 8) = 5$$

$$\begin{aligned} \textcircled{1} \text{ Gross Profit \%} &= \frac{\text{Gross Profit}}{\text{Sales}} \times 100 \\ &= \frac{5}{13} \times 100 \\ &= \underline{38,46\%} \end{aligned}$$

$$\begin{aligned} \textcircled{2} \text{ Milk} &= 30\% \times 50\% = 15\% \\ \text{Bread} &= 38\% \times 25\% = 9,5\% \\ \text{Eggs} &= 38,46\% \times 25\% = \underline{9,615\%} \\ &= \underline{34,115\%} \end{aligned}$$

$\textcircled{3}$  No Because The Total Price didn't decrease.  $34,115\% > \text{Bigger } 33\%$   
Total Sales increased Because more products were introduced.