GRADE 9
BUSINESS STUDIES

UNIT 6

MY SMALL BUSINESS PROJECT (2)

COURSE BOOK 6

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In this unit you will learn about;

**TOPIC 1:** MANAGING A SMALL BUSINESS

**TOPIC 2:** STOCK CONTROL

**TOPIC 3:** KEEPING RECORDS

**TOPIC 4:** REPORTING ON A SMALL BUSINESS
Acknowledgements

We acknowledge the contributions of all Primary Teachers who in one way or another helped to develop this course.

Our profound gratitude goes to the former Principal, Mr Demas Tongogo for leading FODE team towards this great achievement. Special thanks to the staff of MAL and Business Studies Department of FODE who played an active role in coordinating writing workshops, outsourcing lesson writing and editing processes.

We also acknowledge the professional guidance provided by Curriculum and Development Assessment Division throughout the processes of writing and, the services given by member of the Primary Section and Academic Committees.

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DIANA TEIT AKIS

PRINCIPAL

Compiled by Doris Payok

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SECRETARY’S MESSAGE

Achieving a better future by individual students and their families, communities or the nation as a whole, depends on the kind of curriculum and the way it is delivered.

This course is part and parcel of the new reformed curriculum. The learning outcomes are student – centred and allow them to be demonstrated, assessed or measured.

It maintains the rationale, goals, aims and principles of the national curriculum and identifies the knowledge, skills, attitudes and values that students should achieve.

This is a provision by Flexible, Open and Distance Education as an alternative pathway of formal education.

The course promotes Papua New Guinea values and beliefs which are found in our Constitution, Government policies and reports. It is developed in line with the National Education Plan (2005 -2014) and addresses an increase in the number of school leavers which has been coupled with a lack of access to secondary and higher educational institutions.

Flexible, Open and Distance Education curriculum is guided by the Department of Education’s Mission which is fivefold:

- To facilitate and promote the integral development of every individual
- To develop and encourage an education system which satisfies the requirements of Papua New Guinea and its people
- To establish, preserve and improve standards of education throughout Papua New Guinea
- To make the benefits of such education available as widely as possible to all of the people
- To make the education accessible to the poor and physically, mentally and socially handicapped as well as to those who are educationally disadvantaged.

The college is enhanced to provide alternative and comparable pathways for students and adults to complete their education through a one system, many pathways and same outcomes.

It is our vision that Papua New Guineans harness all appropriate and affordable technologies to pursue this program.

I commend all those teachers, curriculum writers and instructional designers who have contributed so much in developing this course.
UNIT 6: MY BUSINESS PROJECT (2)

This is the last unit in the Grade 9 Business Studies Course. You have studied Part 1 already. This is Part 2 of the unit which aims to teach you the skills and knowledge to look after your small business and how to manage it.

Furthermore, this unit will teach you how to keep records of your daily business transactions. With proper records of your business you will be able to know how much is earned and how much is spent and whether you have made a profit or a loss. The records will also help you to make proper and wise decisions for the business such as buying more or less stock, investing in other businesses or expanding the business.

Unit 6 Course Book, Part 2 has four Topics. The Topics are:

**Topic 1: Managing a Small Business**
There are four lessons in this Topic. The topic teaches you how to manage a small business well. It also teaches you about buying stock.

**Topic 2: Stock Control**
There are three lessons in this Topic. The topic teaches about taking control of stocks as well as looking after stock.

**Topic 3: Keeping Records**
There are three lessons in this Topic. The topic teaches you what records to keep for a business's daily activities.

**Topic 4: Reporting on a Small Business**
There are five lessons in this Topic. The topic teaches you about how to write reports for your business activities. It also teaches you how to present information to other people who may be interested in doing business with you such as banks, the taxation department, business partners and investors.
STUDY GUIDE

Step 1: Start with Topic 1, study Lesson 1 and do the Lesson Activities as you go along. When you have completed Lesson 1, do Practice Exercise 1.

Step 2: When you have completed Lesson 1 Activities and Practice Exercise 1, turn to the end of Topic 1 and the Unit Book to correct your answers. The answers for your Practice Exercises are at the end of the Topic while the answers for your Lesson Activities are at the end of the Unit Book, page 145.

Step 3: If you make any mistake, go back to the lesson and revise well and try to understand why you gave an incorrect answer.

Step 4: When you have completed steps 1-3, tick the box for Lesson 1 on the contents’ page (page 3) like this,

Topic 1: Managing a Small Business.

☐ Lesson 1: Stock and Ordering of Goods.

Step 5: Go to Lesson 2 and repeat the same process until you complete all the Lessons in Topic 1.

Step 6: After completing the Lessons and Practice Exercises in each Topic, then complete each Topic Test in Assessment Book 6.

Step 7: After you have studied the whole Unit, do the Unit Examination in Assessment Book 6.

Step 8: Check through your Assessment Book 6 when you are satisfied, then send it to your provincial centre for marking. The provincial centre will advise you on how to apply for your external examinations.

Icons

| Introduction | Target of the Lesson | Lesson Activity Practice Exercise | Summary |

Assessment

You will do four Topic Tests and a Unit Examination.

Your assessment book will be marked by your distance teacher. The marks you score will count towards your final mark and grade.

If your score is less than 50% in any assignment, you must repeat that assignment. If you score less than 50% in your assignment three consecutive times, then, you will need to re-enroll if you wish to continue this Course.
Study Schedule

Here is a Study Schedule. It will guide you on a weekly basis. The Study Schedule will help you to complete your Course Book and its Assessment.

<table>
<thead>
<tr>
<th>WEEKS</th>
<th>TOPIC/LESSON NUMBER</th>
<th>ASSESSMENT</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-3</td>
<td>Topic 1 Lessons 1-4</td>
<td>Topic 1 Test</td>
<td></td>
</tr>
<tr>
<td>4-6</td>
<td>Topic 2 Lessons 5-7</td>
<td>Topic 2 Test</td>
<td></td>
</tr>
<tr>
<td>7-8</td>
<td>Topic 3 Lessons 8-10</td>
<td>Topic 3 Test</td>
<td></td>
</tr>
<tr>
<td>9-10</td>
<td>Topic 4 Lessons 11-15</td>
<td>Topic 4 Test and Unit Examination</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Submit your Assignment 6 to your Provincial Centre for marking.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As you complete each lesson, tick the box on the contents’ page. Each lesson must be completed within 40 minutes. This helps to show what you have done and what you still have to do in each Topic.

All the Best
TOPIC 1

MANAGING A SMALL BUSINESS

In this topic you will learn about;

- Stock and Ordering of Goods
- Stock and Displaying of Goods
- Selling of Goods
- Working at your Business
TOPIC 1: MANAGING A SMALL BUSINESS

Welcome to Topic 1: ‘Managing a Small Business’. In this Topic you will learn how to manage a small business. You will learn when to buy stock and how to manage goods in order to avoid damage or theft. You will also learn how to order stock for your business.

Lesson 1: Stock and Ordering of Goods
This lesson defines stock and explains the processes and the procedures involved in ordering stock for the business. It also discusses the documents used in the delivery of goods as well as writing out an order.

Lesson 2: Storing and Displaying of Goods
This lesson discusses storing of goods and its importance. It also teaches the factors that determine storing and identifies the different methods of displaying goods.

Lesson 3: Selling of Goods
This lesson will cover selling of goods. It discusses how to sell goods and the importance of selling goods. It also describes the advantages of selling goods in smaller quantities and the good management skills in selling goods.

Lesson 4: Working at your Business
This lesson identifies the roles and tasks of owners of small businesses and their assistance. It also discusses the importance of cleanliness and work plan for a business.
Lesson 1: Stock and Ordering Goods

Introduction:
Welcome to Lesson 1. This is your first lesson for unit 6, ‘My Small Business Project 2’. It is also the first lesson for this Topic: ‘Managing a Small Business’. In this lesson you will learn about keeping stock and how to order goods for your trade store or retail business.

Your Aims:
- Define and describe stock, stock range, stock range policy and ordering
- Discuss the directives of the stock range policy
- Identify and discuss factors that determine the stock range
- Discuss its importance
- Identify and discuss the basic rules and procedures for ordering goods
- Identify the documents used in the delivery of goods
- Fill out an order form

Stock, Stock Range and Stock Range Policy
Before any small business person can start selling and earning revenue and making a profit they must have the stock or goods available. They must have a record of the number of stock they are selling. This will help them know the number of goods moving in and out of the business. The business person should be able to have a stock range and a stock range policy in place.

1. Stock refers to any item stored by the business for use in production or sales.
2. Stock Range refers to the different types of goods in the store for sale.
3. Stock Range Policy refers to a set of guidelines that determines the way goods are sold.

The importance of stock range and a stock range policy to help the business person know the number of goods moving in and out of the business. This helps the business to know what to buy.

What are the Directives of the Stock Range Policy?
When a business person has a stock range policy it enables him or her to make an accurate report on the number of goods and the brands available. What are directives? A directive refers to the order in which goods are supposed to be sold. The stock range policy deals with two main things.

1. By the width
   By the width refers to how wide the stock range is. This looks at the number of different types of goods or groups of goods offered for sale. For example, if your store has a range of 200 items this means you are dealing with 200 different products. For example, tinned food such as tinned fish and ox & palm and clothing like shirts and skirts.
2. By the depth

By the depth refers to the number of different quantities, brands, sizes and colours of the particular kind of goods. For example, if your store sells tinned food this means it must sell a variety of tinned foods like tinned fish, ox and palm, corned beef and tulip. And the sizes and weighting of these tinned items should vary as well. For instance, there has to be big, medium and small sizes of canned fish or ox and palm. This applies to all other items that the business is selling.

The diagram below shows an example of a stock range policy that businesses should have in their stores.

THE STOCK RANGE

<table>
<thead>
<tr>
<th>Tinned food</th>
<th>Fresh Fruit &amp; Vegetables</th>
<th>Washing soap &amp; Powder</th>
<th>Toilet articles</th>
<th>Frozen goods</th>
<th>Bread and Biscuits</th>
</tr>
</thead>
</table>

**WIDTH OF THE STOCK RANGE**

<table>
<thead>
<tr>
<th>Depth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ox &amp; Palm Corned beef</td>
</tr>
<tr>
<td>Diana Tuna</td>
</tr>
<tr>
<td>777 Mackerel (425g)</td>
</tr>
<tr>
<td>777 Mackerel (140g)</td>
</tr>
<tr>
<td>Besta Oil 295g</td>
</tr>
<tr>
<td>Ocean Blue Tuna Oil 295g</td>
</tr>
</tbody>
</table>

Source: Source: Commerce for Melanesia Vol 2.

Activity 1.1: Complete the activities given below.

1. Define the following terms.
   (a) Stock. ____________________________________________________________
   (b) Stock Range. ____________________________________________________
   (c) Stock Range Policy. ____________________________________________

2. Explain the difference between the width and depth of stock in a business.
3. Below is a list of goods under ‘depth’ of stock range. Identify and list them under their correct width of stock range as given in the table.

Ice cream, Chicken pieces, watermelon, Klina soap, Besta tinned fish, cabbage, Twisties, toilet roll, lamb flaps carton, lollies, grapes, ox & palm, Omo powder, ice block, peanuts, protex soap.

<table>
<thead>
<tr>
<th>Tinned food</th>
<th>Fruit and Vegetables</th>
<th>Washing powder/soap</th>
<th>Toilet articles</th>
<th>Frozen goods</th>
<th>Bread/Biscuits and sweets</th>
</tr>
</thead>
</table>

**Factors that determine the Stock Range**

The types of stock the business displays in the store are determined by the following factors.

**1. Demand**
Demand refers to the number of goods people are willing and able to buy at a particular period of time. The stock range that the business person has in his store is determined by the demand for that particular product by customers. It is most important that all the daily basic food are included, as the customers need these all the time. The customers will become disappointed if these goods are not available. For example, rice, tinned fish, sugar and teabags are basic food items for customers. The business person should know that necessities are always in demand.

**2. Size of your store**
The size of your store will determine how many goods you will have in your store. That is, if your store is big it will be proper to have a wide range of goods. If your store is small then you may have a smaller range of goods but the most demanded are the basic necessities for your customers.

**3. Amount of working capital you have**
Working capital refers to the money required for normal running expenses, for example, buying stock and paying wages to workers if you employ any. If you have problems with money then you are likely to run out of stock and fewer people coming to your store and eventually the store may close.

**4. Expected or budgeted sales**
Expected or budgeted sales refers to the future sales of the business. The business person must ensure the stock is sold out as planned. So it can earn sufficient profit to buy more goods for sale to cover the running costs of the business.
5. **Stock deterioration**
Stock deterioration refers to the condition of the stock which becomes poor in quality, value and strength. Goods get rusty, dirty, damaged or have gone past their expiry date. And cannot be sold for the full price. This can cause the business to make a loss. This happens when goods are kept in stock for too long. This is often referred to as obsolete stock. You must make sure that the stock in your business does not sit on the shelf for too long.

6. **Tied up capital**
Tied up capital refers to goods that cannot sell quickly. This can happen if the stock you purchased for sale is not wanted or demanded by your customers. Such stock is referred to as ‘dead stock’. You have to be careful that no money is invested in dead stock. Your stock range should contain goods that can be sold out quickly and easily. That is those goods that will be in demand by people.

---

**Activity 1.2: Complete the activities given below.**

1. Explain why you think daily basic necessities are the important items or goods in your stock range.

   ____________________________________________________________
   ____________________________________________________________

2. Explain
   (a) Tied-up capital. ____________________________________________
   ____________________________________________________________
   (b) Dead stock. ______________________________________________
   ____________________________________________________________

---

**Ordering Goods**

The business can only be able to sell its stock or goods if they have been ordered in the first place. What is ordering? Ordering refers to instructions given to do something. In this case the business person gives instructions to the suppliers on the types of goods to be given or delivered upon payment.

The importance of ordering goods is for the business person to avoid buying goods which he or she has not planned for in the first place. Without knowing what to buy the business person is surely going to waste money. Another importance is to ensure that the store does not run out of stock.

**Basic Rules and Procedures for Ordering Goods**

Below are some important rules to remember. Order the right goods:

1. and the right quantity to make sure you are not overstocked or under stocked.
2. of the right brands that will satisfy the customers’ taste and demand.
3. at the right price to help you to sell at a competitive price.
4. at the right time to help satisfy the customers’ demand.
Procedures for ordering goods
Before placing orders decide:
1. how often to buy stock
2. what type of goods to buy and
3. how much to order.

Activity 1.3: Complete the activities given below.
1. Explain the importance of ordering stock.

___________________________________________________________________
___________________________________________________________________

2. Fill in the table by listing the basic rules and procedures for ordering goods.

<table>
<thead>
<tr>
<th>Rules</th>
<th>Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>

Documents used in the Delivery of Goods
There are two documents used in the delivery of store goods.

1. Delivery Note
A delivery note refers to a document that is brought with the goods that have been ordered. The delivery note will show the list of goods, the description and quantity of the goods delivered. It is important that the buyer confirms that all the goods listed on the delivery note have actually been delivered.

2. Invoice
This document is used to give full details of the amount of money owed for goods supplied. The invoice shows the:
- names and addresses of the buyer and seller
- invoice number
- date
- quantity, description and the price of the goods and terms of settlement.

The business person should be able to identify these documents when ordering goods in the first place.

Order Form
The business person must always have an order form or order book which will make it easier to write down the orders. The order book will enable them to follow up with the supplier on the items that have not been delivered to them.
Below is an example of an order form, used by John Tau from his order book.

ORDER FORM

To: BISMILLAH CASH & CARRY
PO BOX 1
Port Moresby

No: 001
John Tau
PO BOX 15
Boroko

Date: 2/7/2005

Please supply the following goods:

10 carton large Besta tinned mackerel -oil
5 cartons small Ox & Palm
20 cartons Pall Mall cigarettes x 20 packets
3 bales Ramu Sugar x1kg
2 bales Trukai rice x1kg

Signed: John Tau

(a) The order number. (d) Date of the order.
(b) Name of the supplier. (e) Details of each item required including the quantity, the price of goods, the brand name and size of the unit. The price is not usually recorded.
(c) Name of the customer. (f) Signature of the customer.

The business person must fill this form correctly to avoid placing orders for the wrong goods which will cause inconveniences for the business person. You will learn more about the order form in one of your Grade 10 Business Studies Lessons.

Source: Payok-2015
Summary:

You have come to the end of Lesson 1. In this lesson, you learnt that:

- Stock refers to any item stored by the business for use in production or sales.
- Stock Range refers to the different types of goods and their brands in the store that makes up the stock for sale.
- Stock Range Policy refers to the way in which goods that make up the stock for sale should be ordered and displayed for sale. It deals with two main things, the width and the depth of the stock in a business.
- Stock range is determined or influenced by demand size of the store, amount of working capital, budgeted sales, stock deterioration and tied-up capital.
- There are basic rules and procedures involved in ordering goods.
- The main source documents used in the delivery of goods are the delivery note and the invoice.

NOW DO PRACTICE EXERCISE 1 ON THE NEXT PAGE
Practice Exercise 1

1. Define the following terms.
   (a) Ordering. _________________________________________________________
   (b) Delivery note. _____________________________________________________
   (c) Invoice. __________________________________________________________

2. List and explain two (2) factors that determine a stock range.
   (a)_________________________________________________________________
   (b)_________________________________________________________________

3. Write an order form for Mrs Helen Mark using the following information:

   Hamamas Bakery
   PO Box 10
   NCD

   Mrs Helen Mark
   St Charles Lwanga High School
   PO BOX 34 Waigani
   Teacher in Charge - Canteen
   Order: 1 carton beef pie, 50 cup cakes (chocolate), 10 loaves of bread (white), 50 × 200ml vita packet (orange juice).

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 1
Lesson 2: Storing and Displaying of Goods

Introduction:
Welcome to Lesson 2. In the previous lesson you learnt about stock and ordering of goods. In this lesson you will learn about storing and displaying goods in a business.

Your Aims:
- Explain the importance of storing goods
- Identify factors in storing goods
- Identify the procedures involved in storing goods
- Explain the importance of displaying goods
- Identify the different ways and methods of displaying goods

Importance of Storing Goods
In this lesson we will look at storing and displaying of goods for a business. Most stores order and receive new supplies of goods once a week but others who are far from their suppliers receive their goods once a month.

Stock that is brought into the store must be kept in a special area where it is clean and safe. The owner of the store should have a storeroom to keep his or her stock that is not displayed on the shelves.

The importance of storing goods is to ensure that the goods are kept safe from thieves, insects, rats, moisture and other dangers which will affect the condition of the goods.

Factors that Determine Storage of Goods
There are two factors that determine or influence the storing of goods.

1. Storage space
There must be a separate room in the store where goods that are to be sold later should be kept. It can be in a separate building like a warehouse.

2. Equipment for storage
The correct equipment must be used to store the goods. Equipment like racks, shelves and pallets. Pallets refer to a platform made of wood that is used to pile and load goods. Thus your goods for sale will be easy to see and also they will be kept away from the dust, insects and pests.
Below is a floor plan of how a storeroom should be laid out so that there is enough space for moving the goods into the store and displaying and storing the goods.

The diagram above shows an example of a storeroom layout viewed from above. Source: Commerce for Melanesia Vol 2.

It is wise to have access to the storeroom through a door other than the main store entrance. This is to allow the goods to be brought in without interfering with sales in the store.

Activity 2.1: Complete the activities given below.

1. Explain the importance of storing goods in a proper and safe area.
   ______________________________________________________________
   ______________________________________________________________________

2. What is storing? ___________________________________________________

Storage Procedures

The owner of the business must know how to put the goods in order in his or her store. The storage procedures are explained here:

1. First in first out (FIFO)
   When new stock arrives, old stock should be taken off storeroom shelves and pallets and new stock put in its place. Older stock will then be taken out into the store for selling and will be put on top or in front of the new stock. The first to go to the selling area shelves for sale before selling the new stock. In a real situation, a buyer will not order new stock until his old stock is nearly sold out.

2. Store goods in groups
   Goods should be stored in groups. Groups such as meats, vegetables, soaps and detergents, breakfast foods, milk products.
   Here are the advantages of storing goods in groups.
   - Better organisation, allowing quicker filling shelves in the shop from the storeroom.
   - Quicker and easier stocktakes when goods are stored neatly and in groups. This helps with re-ordering.
   - Easier storage of certain items like detergents and washing powder. These items are kept away from food items.
- Helps customers to buy goods that can be used together, for example, rice and tinned fish.

3. **Store goods away from the wall and off the floor**
   Stock should be placed on the shelves, racks, and platforms, about 5 centimetres away from the wall, or off the floor. This makes cleaning easier and allows air to circulate to prevent stock deterioration. It also keeps stock dry if the floor gets wet.

4. **Goods should be kept clean and tidy**
   To make counting easier and the storeroom neater, stock must be kept clean and tidy. Stock must be stored in full cartons and packages in the storeroom. No loose items of stock should be allowed as this leads to possible losses through theft. This is also a requirement by The Health Department for hygiene purposes.

5. **Stock control**
   Regular checks should be made. Cost prices or retail prices (or a code system) can be marked on boxes or bags of items to make stocktaking easier. This will be discussed in detail later.

6. **Storeroom stock to selling area**
   The storeroom should be used only as a storeroom for goods that cannot be shelved for sale. There is a great danger of stock sitting in the storeroom but *none of the items* on the shelf in the sales area. The stock should be monitored very carefully to prevent this happening.

---

**Activity 2.2:** Complete the activities given below.

Fill in the table by listing and explaining the procedures when goods or stock are brought into the store.

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
Importance of displaying Goods

Displaying of goods refers to the way in which goods in the store are placed on the shelves in an orderly and attractive manner. Goods should be displayed in a way that is easy to handle. In that way, you can serve quickly customers.

The importance of displaying goods is to be orderly and to be clearly seen by customers. The displaying of goods should be attractive to draw the customer’s attention.

Ways to display goods

The following are ways goods can be displayed for the benefit of the customers.

1. Groups of commodities

Arrange the goods in such a way that similar products are kept side by side or at least close to each other. For example, toiletries, soaps, tooth pastes and tooth brushes should be kept together. Corned beef, ham, sausages should be kept together. In the same way all sorts of tinned fish should be kept together. When all goods are placed in such groups, it makes it easier for the customers to compare the different articles and their prices so that they can decide what to buy. It also makes it easy for you to find what the customers ask for, or what needs to be re-ordered. Example, bread and butter. These are not put together but must be ordered as butter goes together with bread (refrigerated item).

2. Eye level

The best height to place goods is at eye level. This means between 1.5 and 2.5 metres above the floor level which is the height where customers usually look. New goods for sale should be placed at this height. For example, if there is a new brand of corned beef to be introduced, it should be placed at eye-level to attract the attention of the customers.

3. Lower shelves, top shelves

On the lower shelves you should keep the heavier articles to save labour, and articles that are sold regularly and do not need to be displayed very much. Examples are rice, sugar and bread. On the top shelves other less important items should be kept. Goods should not be kept so high that they are out of reach. Keep in mind breakable items or products.

4. Display large quantities

Large quantities should be displayed. A customer feels more attracted to a large display of goods than a small display. Display big quantities to make big sales. Prices must also be clearly marked.

5. The face of the pack

When displaying goods on the shelves, always put the face of the packet towards the customer. In this way the item is seen easily. The face of the packet is normally bright and more attractive. It also has the basic information for the customers.

6. Display same items on one section of the shelf

Place same items together at one section of the shelf. That is, from the smaller quantity to the larger. For example, the small 250grams Trukai rice to the large bag of 20kg.
7. **Contact between the goods and the customer**

The high sales in self-service shops is due mainly to the close contact between the goods and the customer. In tuck shops or canteen stores it is possible to have this contact by putting some items on the customer side of the counter, thereby attracting the customer. The counter should not act as a border, but as an invitation to come closer.

8. **Beware of smell and taste**

Some goods are likely to affect others if they are not placed correctly. For instance, soap should be kept away from tea or bread, kerosene should be kept away from flour. If such items are kept together, the taste of the food items will be affected. The goods might have to be sold at reduced prices or thrown away, which of course will cause a loss to the store.

9. **First in first out (FIFO)**

We have discussed this method earlier on storing of goods. It is also applicable to displaying of goods. Therefore it is very important that goods purchased first go first on the shelves to be sold first. By doing this, no goods will become obsolete or old or forgotten and there will always be a supply of fresh or new items to the customers.

10. **Keep shelves full**

Try as much as possible to keep the shelves full. It gives a feeling of prosperity, creates confidence in the customer that the shop has plenty of goods and that it is a good place to do shopping. If there are not enough goods to keep the shelves full, you should keep the goods at the front of the shelf. In that way the customer will not see that the stock is down. When stock is down, goods must be ordered immediately.

---

### Activity 2.3: Complete the activity given below.

Below is a list of methods that are very useful in displaying goods. Match the correct method along with its correct description.

<table>
<thead>
<tr>
<th>Method</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Display large quantities</td>
<td>(a) When displaying goods on the shelves always put the face of the packet towards the customer.</td>
</tr>
<tr>
<td>(2) Beware of the smell and the taste</td>
<td>(b) Goods must be placed correctly so that they do not place correctly so that they do not affect the other goods.</td>
</tr>
<tr>
<td>(3) The face of the packet</td>
<td>(c) About 1.5 to 2.5 cm is the best height to display goods.</td>
</tr>
<tr>
<td>(4) Eye level</td>
<td>(d) Customers feel more attracted to a large display of goods than a small display.</td>
</tr>
</tbody>
</table>

Write your answers here.

1. __________________  3. _____________
2. _________________  4. _____________
Summary:

You have come to the end of Lesson 2. In this lesson you learnt that:

- The importance of storing goods is to ensure that the goods are kept safe from thieves, insects, rats, expiring moisture and other dangers which will surely cause loses to the business.

- Goods must be kept in a storeroom where they can be safe and free from damage.

- Storage spacing and equipment are the two main factors that determine the storing of goods.

- Procedures involved in storing goods are:
  1. First in first out (FIFO)
  2. Store goods in groups
  3. Store goods away from the wall and off the floor
  4. Goods should be kept clean and tidy
  5. Stock control
  6. Storeroom stock to selling area

- Goods should be displayed on the shelves in an orderly and attractive manner to catch the attention of the customers.

- Consider the following ways when displaying goods on the shelves:
  1. Group commodities
  2. Display goods at eye level
  3. Lower shelves, top shelves
  4. Display large quantities of stock
  5. The face of the pack
  6. Same item in front and back of shelf
  7. Contact between the goods and the customer
  8. Beware of the smell and the taste
  9. First in first out (FIFO)
  10. Keep shelves full

NOW DO PRACTICE EXERCISE 2 ON THE NEXT PAGE
Practice Exercise 2

1. What are the two (2) factors to consider when storing goods?
   (a) _________________________________________________________________
   (b) _________________________________________________________________

2. List the ten (10) ways in which goods can be displayed.
   (a) _________________________________________________________________
   (b) _________________________________________________________________
   (c) _________________________________________________________________
   (d) _________________________________________________________________
   (e) _________________________________________________________________
   (f) _________________________________________________________________
   (g) _________________________________________________________________
   (h) _________________________________________________________________
   (i) _________________________________________________________________
   (j) _________________________________________________________________

3. Why is it important for the shop owner to keep store shelves full with stock?
   ___________________________________________________________________
   ___________________________________________________________________

4. What do these initials stand for?
   (a) FIFO _________________________________________________________________

5. State the importance of displaying goods?
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 1
Lesson 3: Selling of Goods

Introduction:
Welcome to Lesson 3. In the previous lesson, you learnt that stock or goods in the store must be displayed well and the rest of the stock stored away. In this lesson, you will learn about selling goods. That is how goods should be sold to the customers.

Your Aims:
- Discuss the importance of selling goods
- Discuss the advantages of selling goods in smaller quantities
- Identify good management skills of selling

Importance of Selling Goods
Selling of goods can now take place when the required goods for sale have been ordered and displayed in the right places on the shelves or racks. The goods should be labeled with the selling prices. By now you should know that selling refers to exchanging a product or service for money.

Goods cannot be sold out quickly unless you have the skills to sell. Selling is a skill that has to be developed. You will learn more on selling skills as we continue on in the lesson.

So what is the importance of selling goods?

The importance of selling goods is for the business to earn an income and make a profit. The business has to sell its goods to its customers in a way that it can continue to earn income.

If the business becomes successful and more workers are employed, the owner must organise sales training programmes to take place. Skilled sales persons will help the business become successful and continue to prosper.

Activity 3.1: Complete the activities given below.

1. Define selling. ________________________________________________________________

2. Explain the importance of selling goods.

__________________________________________________________

The Advantages of Selling Goods in Smaller Quantities
Most businesses buy goods in bulk or large quantities and later sell them in smaller quantities. The retailers buy goods from the wholesaler in large quantities and later sell them in smaller quantities.
There are advantages in selling goods in small quantities. These are:

1. **Variety of Goods on offer or for sale**
   The first advantage of selling goods in smaller quantities is that the owner of the business sells different types of goods at the same time. This gives the customers a variety of good to choose from. Customers do not have the same needs and wants so it is good to have different types of goods in the store for them to choose from and buy. The variety of goods must match the customers’ demand so that they can buy them quickly.

2. **Goods sold in smaller quantities are cheaper**
   Goods that the business person buys as a retailer in bulk from the wholesaler is cheaper than buying them in loose quantity. The bulked goods are then sorted out into smaller quantities or numbers. This is because the customers in the first place will not buy a lot of the same item. They will buy one or two of the items they consider are necessary. For example, a bale of 1kg rice from a wholesaler may cost K52. The retailer will buy this bale of rice and sell it in small quantities. He or she will sell a loose packet of rice from this bale for K5.00 which is affordable for people to buy.

3. **Good location for customers**
   Most wholesalers are located quite a distance from the customers. The retailer makes it easier for the customers to easily get these goods. The store must be built in an ideal location for customers to buy goods especially after the big shops have closed their shops. Trade stores at good location can sell after business hours.

---

**Activity 3.2: Complete the activities given below.**

List the advantages of selling goods in smaller quantities.

1. ____________________________________________________________
2. ____________________________________________________________
3. ____________________________________________________________

---

**Good Management Skills**

As mentioned in the first part of the lesson, you must have the skills to sell your goods. If you do not know you must attend training on this skill.

Continue reading to find out about good management skills.
There are five skills that both the business owner and his or her employee must have. They are:

1. **Showing enthusiasm for the product**
   When selling a product make sure the customer knows about the good they are buying. Give them the information they need to know about the product. For example, benefits like warranty and after-sale service. Warranty refers to a contract which states that the goods that have been bought will be replaced when it is damaged or have faults within a certain period of time.

2. **Know your buyers**
   Ask politely your consumers what they want so they feel comfortable to find out more about the goods they are interested in. You, as the sales person, must give accurate information about the goods. You should be able to work out the kind of goods the customer wants so that they will gain greater satisfaction when they consume these goods. Consume means to use something.

Here below, shows you how you can make it easier for your customers as they walk into your store and buy the items.

3. **Special Sales**
   Sell goods at discount during important days like Easter, Mothers and Father’s Day, Independence or Christmas.

4. **Improving sales**
   You must be able to make your products known to your customers. Information about your product can spread through the following means;

   - word of mouth by customers
   - radio
   - television
   - mail and emails, social media for example, Face book and twitter
   - leaflets
   - flyers

   You must be creative, for example, add new products to attract more customers to your store. To attract more customers you sell goods that are high in demand.

5. **Trouble shooting poor sales**
   Trouble shooting refers to solving problems. You must weigh out the progress of your sales to work out whether the sales improved or not. Make the necessary changes if your sale is poor.

**The Importance of Good Management Skills**

Having good management skills in selling helps the business to sell out its stock therefore make more money and expanding the business. Therefore the business
person must develop his or her selling skills to enable him to sell their products as they expect.

Activity 3.3: Complete the activities given below.

1. Define the following words.
   (a) Warranty. ____________________________________________
   (b) Trouble shooting. ______________________________________

2. List the five (5) methods of good management skills.
   (a) ____________________________ (d) ____________________________
   (b) ____________________________ (e) ____________________________
   (c) ____________________________

3. Explain the importance of good management skills in selling goods.
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
Summary:

You have come to the end of Lesson 3. In this lesson, you learnt that:

- Selling refers to exchanging a product or service for money.
- The importance of selling goods is for the business to make more profit.
- The advantages of selling goods in smaller quantities is that different variety of goods are offered at lower price which are affordable for customers. Also these goods can be conveniently made available at locations where large shops do not operate or large shops have closed for business.
- Good management skills in selling goods are:
  1. Showing enthusiasm for the product
  2. Knowing your buyers
  3. Offering Special sales
  4. Improving sales
  5. Trouble shooting poor sales
- Good management skills will help business operate successfully.

NOW DO PRACTICE EXERCISE 3 ON NEXT PAGE
Practice Exercise 3

1. Why it is important that the business person and his workers must do in sales training?

___________________________________________________________________
___________________________________________________________________

2. Fill in the table by listing and explaining the methods on the good management skills in selling goods.

<table>
<thead>
<tr>
<th>Good management skills</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 1
Lesson 4: Working at Your Business

Introduction:
Welcome to Lesson 4. In the previous lesson you learnt about the importance of selling goods. In this lesson you will learn about working at your business. That is keeping a work plan for everyday work in the business.

Your Aims:
- Identify and describe the daily tasks in running a small business
- Discuss the importance of cleanliness at the workplace
- Identify the roles of the owner and assistance (if any)
- Explain the importance of writing and using a work plan in a small business.

Tasks in running a Small Business
All business owners should know the tasks that are to be performed daily by their employees. Employees are people who work for the business owner.

Firstly, it is important to find out exactly what type of jobs or tasks are to be done. You as the owner, must always list the tasks in order of the most important to the least important.

Given below are examples of the daily tasks involved in running a small business.

Some of these tasks are:
- filling out orders or order form and sending them out on the same day each week, fortnight or month,
- checking the goods when they arrive, following up errors and writing letters,
- prepacking of rice, sugar, onions and so forth if prepacking is done,
- costing and calculating of goods,
- price marking on cartons and individual items,
- filling shelves and displaying goods in a selling way,
- serving customers,
- operating a cash register,
- keeping stock control records up-to-date,
- sweeping floors,
- washing floors,
- dusting and cleaning shelves and goods and
- checking legal matters

The list may go on depending on the size of the business and the number of people employed by the business. Everyone has a job to do in running a business.

Legal matters refer to things to do with the law. Business owners have to comply with business laws of the country. For example, it has to pay tax every year. Comply is to obey or follow rules.
You must also know when the work will be done and who will do it. After all these things have been done, the manager must have a checklist and supervise those working for him. If he employs himself then he must at all times have a work plan. Following and checking on daily tasks will help keep the business running smoothly.

The manager must know how to delegate tasks to his or her employees and let them do their part. In that way he will find it easy to get things done. Many tasks required will be done on time by each person responsible. There must be job descriptions for each worker so they know what is expected of them. At the end of the day they report accordingly thus help in the smooth operation of the business. Job Description can be referred to as JD.

---

**Activity 4.1: Complete the activities given below.**

1. Define
   (a) Employee. ____________________________________________
   (b) Legal. ________________________________________________

2. Why should the owner of the store keep a record of the daily tasks of the business?
   ________________________________________________________
   ________________________________________________________

---

**Cleaning**

As mentioned earlier running a retail business involves many tasks. An important one which is sometimes forgotten is cleanliness of the workplace. Cleanliness is important for every business and workplace. The Health Department has a law about cleanliness in food shops. Health inspectors are employed to make sure that food shops are clean. Dirty goods turn away customers and if your store is dirty, customers will go to other clean shops. A dirty shop with dirty goods will attract rats and insects and these pests and insects will cause diseases. The employees and the owner of the business must be presentable so that customers are attracted to their stores knowing it is healthy and safe to purchase goods.

To avoid these problems, it is necessary to make sure that the shop, the equipment and furniture, the stock and the sales personnel are always clean and tidy.

The diagram above shows unclean business environment of the store owner.

Source: Liklik Bisnis
The following should be taken into consideration.

- The outside area must be clean and tidy.
- The shop, furniture and equipment should be repaired.
- The shelves, walls and other fittings should be cleaned thoroughly with soap and water once every month.
- The counters and floors should be cleaned daily.
- The furniture and equipment should be dusted daily.
- The floor must be swept and pieces of paper and other waste removed every day.
- The goods on the shelves should be checked every day and cleaned and dusted if necessary.
- The sales staff must keep themselves clean and tidy.

Cleanliness:

- attracts customers buy more goods.
- reflects the personality and professionalism of the owner.
- gives a good image about the business.

The business owner must practice cleanliness as it will surely help the business in the long run.

Activity 4.2: Complete the activity given below.

Explain why cleanliness is important for a business.

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

Roles of the Owner and the Employees

The owner of the business must know his basic roles and responsibilities in the business. If there are other employees, the owner must identify and inform them of their roles and responsibilities as well. This is important so that everyone knows what to do and when to do it according to their job descriptions.

The Manager

The role of the manager can be ordering of goods and checking of the deliveries. It is done when the store places the orders. Calculations of prices, marking the prices on the received goods, stock control and bookkeeping is also taken care of by the manager. He will also maintain the system files and books, sales planning and control, as well as legal matters.

Shop Assistants/ Attendants

Shop assistants will take care of pre-packing, price marking, filling up shelves, serving customers, operation of the cash register and cleaning. Most of the jobs of the assistant(s) can fit into a daily or weekly routine.

The manager, however will also carry out some of the jobs of the assistant, for example displaying, serving customers, and operating the cash register and cleaning.
The first assistant can do repackaging and pricing while the second assistant can line up goods on the shelves and dust the shelves. Everyone should do his or her part so that the business would have a smart and smooth flow as per the job description.

In some businesses there are no assistants so the manager will have to do all the work by him or herself. Sometimes, family members assist in doing some tasks required by the business. It is very difficult to do everything at once by one person but it requires time and commitment.

Good managers and manageresses always check their workers. They ensure that the workers are happy with the working conditions so that in return the workers will do their best and produce good results for the business. If workers are not treated well it may lead to lack of cooperation. Thus the business activity will slow down leading to its failure.

Source: Commerce for Melanesia Vol 2.

Activity 4.3: Complete the activity given below.

How does the owner of a business deal with the daily tasks of the business if he or she runs the business by himself or herself?

________________________________________________________________
________________________________________________________________
________________________________________________________________

The Work Plan

It is a good idea to spend some time thinking about how to ensure that all work is carried out in the right way, at the right time and by the right people. There are three very important things that we should look at and they are:

1. The work/tasks involved
2. When to do the work (timetable) and
3. A plan of actions.

1. Work/Tasks
The first step in doing a job properly in a retail business is to find out exactly what the job involves. These tasks must be written down.

2. **When to do the Work**

   The manager must also know when these tasks will be carried out. The timing and date are marked to clearly indicate when the work will be done.

3. **A Plan of Actions**

   Every business must have a plan of work drawn up and followed. A work plan identifies tasks to be done, when to do the tasks, and who will do each task. The plan can be drawn up in a table and placed on the wall inside the office or the staff notice board for everyone working in the business to see and follow.

### SAMPLE OF A WORKPLAN

<table>
<thead>
<tr>
<th>TIME</th>
<th>MANAGER</th>
<th>1ST ASSISTANT</th>
<th>2ND ASSISTANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>Check stock</td>
<td>Pre-pack goods</td>
<td>Pre-pack goods</td>
</tr>
<tr>
<td></td>
<td>Fill in order book</td>
<td>Take order to suppliers</td>
<td>Operate cash</td>
</tr>
<tr>
<td></td>
<td>Write out orders</td>
<td></td>
<td>Register</td>
</tr>
<tr>
<td></td>
<td>Serve customers</td>
<td></td>
<td>Serve customers</td>
</tr>
<tr>
<td>Tuesday</td>
<td>Keep book keeping</td>
<td>Serve customers</td>
<td>Operate cash register</td>
</tr>
<tr>
<td></td>
<td>up to date</td>
<td></td>
<td>Serve customers</td>
</tr>
<tr>
<td>Wednesday</td>
<td>Check receipts of goods</td>
<td>Arrange special sales</td>
<td>Operate cash register</td>
</tr>
<tr>
<td></td>
<td>Calculate prices</td>
<td>Display</td>
<td>Serve customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Serve customers</td>
<td></td>
</tr>
<tr>
<td>Thursday</td>
<td>Operate cash register</td>
<td>Pre-pack goods</td>
<td>Pre pack goods</td>
</tr>
<tr>
<td></td>
<td>Serve customers</td>
<td>Serve customers</td>
<td>Serve customers</td>
</tr>
<tr>
<td>Friday</td>
<td>Serve customers</td>
<td>Operate cash register</td>
<td>Serve customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Serve customers</td>
<td></td>
</tr>
<tr>
<td>Saturday</td>
<td>Serve customers</td>
<td>Serve customers</td>
<td>Serve customers</td>
</tr>
<tr>
<td>Every</td>
<td>Supervise staff</td>
<td>Clean shelves and goods</td>
<td>Clean shelves and goods</td>
</tr>
<tr>
<td>Morning</td>
<td>Serve customers</td>
<td>Price markup</td>
<td>Price markup</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fill-up the shelves</td>
<td>Fill up the shelves</td>
</tr>
<tr>
<td></td>
<td>Record in the stock book</td>
<td>Sweep floors</td>
<td>Sweep floors</td>
</tr>
<tr>
<td></td>
<td>Keep the cash book up to date</td>
<td>Clean ups</td>
<td>Clean</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fill-up shelves [section A]</td>
<td>Fill shelves [section B]</td>
</tr>
<tr>
<td>When</td>
<td>Check stock</td>
<td>Price mark</td>
<td>Price mark</td>
</tr>
<tr>
<td>Required</td>
<td>Calculate price</td>
<td>Clean up</td>
<td>Clean</td>
</tr>
<tr>
<td></td>
<td>Stock control</td>
<td>Fill-up [section A]</td>
<td>Fill-up [section B]</td>
</tr>
<tr>
<td></td>
<td>Consider sales planning book</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>File documents</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Commerce for Melanesia Vol 2.

A cash register should be operated by only honest reliable and honest workers.

---

**Activity 4.4**: Complete the activities given below.

1. **What is a work plan?**

   __________________________________________________________

2. **Explain the importance of a work plan.**

   __________________________________________________________
Working Plan - Trading Hours

The times when the store will be opened and when it will be closed should be clearly displayed outside the store.

Now, turn to the next page to see an example of a notice that owners of the business can put up in front of their store to inform customers of the operating hours.

![Notice Example]

This is an example of a notice for trading hours.
Source: Payok-2014.

This notice advises the customers about the operating hours of the business. The owner must strictly follow these times and keep up to them. This will give some time for the owner to do other business or attend to family obligations. Time management is important.

If there are two or three people working in the business, there should be a duty roster for them to follow. Everyone involved with the business, that is, the owner and the assistant should know their tasks and when to do them. For example, when to do the banking, when to buy new stock and when to do stocktake and so on. These are very important management skills that will help your business to run smoothly and expand quickly.
Summary:

You have come to the end of Lesson 4. In this lesson, you learnt that:

- All business owners must have a work plan and clear job descriptions for their employees.
- When each person is given a task to perform it helps the business to do its work quickly and efficiently.
- Cleanliness and hygiene is very important for the business. If a business owner is not careful with cleanliness then the uncleanliness of his or her business environment can cause their business to fail.
- The owner must know his or her role in the business.
- A work plan shows what tasks are involved, when to do them, and who will do them.
- A good work plan helps the business to be organised, orderly and clean. This will attract people to the store.
- When many people keep coming to the store this will help the business to make more money eventually leading to its success.
- A successful business is one that is well managed and organised in its daily activities.

NOW DO PRACTICE EXERCISE 4 ON THE NEXT PAGE
Practice Exercise 4

1. Fill in the cross word puzzle.

| Across | | | | Down |
|--------|--------|--------|--------|
| 1. Money owner puts into to start the business | 1. Being free from dirt |
| 2. The supply of the business | 2. Job assigned to somebody |
| 3. Worker is also referred to as | 3. Person who is willing and able to buy goods and services |

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 4
ANSWERS TO

TOPIC 1

PRACTICE EXERCISES
Answers to Practice Exercises Lesson 1-4

Practice Exercise 1

1. (a) An order is an instruction given to the supplier to supply goods to a business.  
(b) A delivery note is a document that is brought with the goods that have been ordered.  
(c) An Invoice is a document stating the amount that is due for the goods or the services supplied by the supplier to the buyer.

2. (a) The width of the stock range  
(b) The height of the stock range

3. (a)

ORDER FORM

<table>
<thead>
<tr>
<th>No: 001</th>
</tr>
</thead>
</table>

To: Hamamas Bakery  
PO BOX 10  
NCD

Mrs Helen Mark  
St Charles Lwanga High School  
PO BOX 34  
WAIGANI  
Date: 2/7/2015

Please supply the following goods:

1 Carton beef pie-large  
50 cup cakes- chocolate  
10 loaves of white bread  
50 200ml Vita packet orange juices

Signed: Helen Mark
Practice Exercise 2

1. (a) Storage space  
   (b) Equipment

2.  
   (a) Groups of commodities  
   (b) Eye level  
   (c) Lower shelves, top shelves  
   (d) Display large quantities  
   (e) The face of the pack  
   (f) Same item in front and back of the shelf  
   (g) Contact between the goods and the customer  
   (h) Beware of the smell and the taste  
   (i) First in first out (FIFO)  
   (j) Keep shelves full

3. So that the customers will keep on coming to buy goods there. Otherwise the empty shelves will frustrate consumers who need the items right away. Thus you will lose business in the end.

4. (a) FIFO (First In First Out)

5. Goods should be displayed in an orderly and an attractive manner to let the customers know what the store is selling. It maybe a new product.
1. It is important because the training will help both the owner and his workers know how best to deal with their goods to encourage quick sales and earn a profit for the business.

2. | Skills of good management | Explanation |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Showing enthusiasm for the product</td>
<td>A business person should be able to give more information at the same time truthful information to the buyer about the goods on sale.</td>
</tr>
<tr>
<td>(b) Know your buyers</td>
<td>The business person should know his or her customers well. Find the goods that they want without letting them down.</td>
</tr>
<tr>
<td>(c) Closing the sale</td>
<td>The business person should be able to find the right kind of goods that the customer wants. If they keep asking, they should offer them all that they have. This will make them come back for more of your service.</td>
</tr>
<tr>
<td>(d) Improving sales</td>
<td>The business should take time to look at his or her sales. They must make improvements to their way of selling to attract more buyers.</td>
</tr>
<tr>
<td>(e) Trouble shooting poor sales</td>
<td>Where there has been a poor sale then the owner should find ways to solve these problems. He or she must conduct sales training programmes.</td>
</tr>
</tbody>
</table>
Practice Exercise 4

1.

<table>
<thead>
<tr>
<th>1. c</th>
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<th>2. t</th>
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</tr>
</tbody>
</table>

REVISE TOPIC 1 AND DO TOPIC 1 TEST IN YOUR ASSESSMENT BOOK 6
TOPIC 2

STOCK CONTROL

In this topic you will learn about;

- Stock taking
- Stock Control system
- Damage and Loss of Stock
TOPIC 2: STOCK CONTROL

Welcome to Topic 2. In this Topic, you will learn about the importance of taking stock of goods in a business. You will also learn how to control stock using the stock control system as well as how to protect stock from being damaged and lost.

Lesson 5: StockTaking
In this lesson you will learn about stocktaking. You will also learn about the importance and reasons for stocktaking. Furthermore, you will learn about methods for stocktaking. You will also learn how to calculate the value of stock in the business.

Lesson 6: Stock Control System
In this lesson you will learn about the different stock control systems. You will also learn about the effects of stock taken out from the business.

Lesson 7: Damage and Loss of Stock
In this lesson, you will learn about the causes and effects of damaged and loss of stock. You will also learn about some ways to safeguard stock in your business.
Lesson 5: StockTaking

Introduction:
Welcome to Lesson 5. This lesson is all about stock control in a small business. In the previous lesson you learnt about working at your business. You will now learn more about the importance of stocktaking on goods in the business.

Your Aims:
- Define stocktaking and discuss its importance
- Identify the reasons for stocktaking
- Identify and describe the methods and steps involved in stocktaking
- Calculate the value of stock

What is Stocktaking?
All businesses must keep a record of their stock. Stocktaking must be done regularly. Let us recap the meaning of stock in case you have forgotten. Stock refers to any items stored by the business for use in production or sales.

Stocktaking is to physically monitor the movement of goods in and out of the business and provide the exact value of all stock in the business at a particular time. It also helps the businesses to prepare financial reports such as the Profit and Loss Statement and the Balance Sheet. You will learn about these reports in Topic 4.

Activity 5.1: Complete the activities given below.

1. What is stocktaking?
___________________________________________________________________

2. Why is stock taking important?
___________________________________________________________________
___________________________________________________________________

Reasons for Stocktaking
The reasons for a business to do a stock take of their stock/business are outlined or explained below. These are:

1. Audit
Audit means to check records of the business. If a business has up-to-date stock checks or counting it can know the exact number of goods coming into and going out
of the business. If levels of stock are decreasing then more new stock is ordered. The business can also trace missing stock and take proper action for the stock that is missing.

2. **Stock Control**
   The business owner must have control over the stock using a proper stocktaking method. You will learn about this as you continue. He or she can be able to see which goods are selling fast and place orders for more of these goods. Otherwise they may buy too much stock which is not in demand and therefore cannot be sold.

3. **Prudence**
   Prudence refers to being careful to avoid undesired circumstances or results. When the business exercises control over its stock this means it is efficient as it ensures that no unsold stock is allowed to pile up and there is less risk of stock deteriorating. This is especially true for businesses that sell fresh produce as they cannot avoid keeping too much perishable stock on the premises due to specific sell dates. Stock can also face the risk of getting out-dated due to new technology. Businesses have to keep up with technology to remain competitive in the market. Perishables refer to goods that can spoil easily, for example, bread and vegetables like onions, carrots and cabbages.

4. **Accounting purpose**
   Stocktaking helps the business owner prepare financial reports. From these reports the business owner is able to work out whether they have made a profit or a loss. They do this by subtracting the value of the closing stock from the opening stock and purchases of stock made during the year. The figure they get is then subtracted from the sales made for that period of time. You will learn more in detail on how stock is used to calculate profit in Grade 10.

5. **Competition**
   When the owner knows that there is enough stock which is monitored he or she is confident of selling his or her goods. More people will come to his or her store since the goods are always in stock and that customers are satisfied with the quick service provided compared to other stores in the same area.

6. **Profitability**
   If the owner buys stock in bulk at a lower price, he or she can make a profit. For example, the owner buys a carton of large tinned fish (Ocean Blue) for K30. Each tin sells for K3.50. The profit he will make is 50 toea. The price rises to K4.00 per tin next month this means he will earn a profit of K1.00. Then in the following month the price of the tinned fish rises again to K5.00. This now means he will make K1.50 profit per tin. The carton of the same tinned fish is still sold at K30 from the wholesale.
7. **Valuation**
The owner can declare the value of stocks as a security to get loans or claim insurance if they are damaged by fire.

---

**Activity 5.2:** Complete the activities given below.

1. Define
   (a) **Prudence.** ________________________________________________________
   (b) **Audit.**____________________________________________________________

2. Explain tied up capital

3. List the seven reasons for stocktaking.

The staff or the employees of the business count all the different types of goods in the business and value them at their cost price. The value of all the goods in stock are added up and that becomes the value of the stock on hand as of that particular date. There are no records of stock movement until a stock take is done.

**PERIODIC STOCK RECORD**

<table>
<thead>
<tr>
<th>Description of Goods</th>
<th>10/06/2015</th>
<th>11/07/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Item</td>
<td>Qty</td>
</tr>
<tr>
<td>Klina powder 100g</td>
<td>30</td>
<td>0.70</td>
</tr>
<tr>
<td>Milk powder 75g</td>
<td>12</td>
<td>3.00</td>
</tr>
<tr>
<td>Trukai rice 500g</td>
<td>15</td>
<td>3.00</td>
</tr>
<tr>
<td>Onions 85g</td>
<td>30</td>
<td>1.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Commerce for Melanesia Vol 2.

2. **Perpetual Inventory Method**
In this method, each item of stock bought and sold is recorded on a card called an inventory card. The value of stock on hand is calculated by multiplying the number of goods. The value of stock can be calculated daily.

Below is a sample of a perpetual inventory stock record.

**PERPETUAL INVENTORY STOCK RECORD**

<table>
<thead>
<tr>
<th>Inventory card</th>
<th>- Flourescent Tube 30/06/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Particulars</td>
</tr>
<tr>
<td>08 June</td>
<td>Purchase</td>
</tr>
<tr>
<td>12 June</td>
<td>Sales</td>
</tr>
<tr>
<td>13 June</td>
<td>Sales</td>
</tr>
<tr>
<td>15 June</td>
<td>Sales</td>
</tr>
<tr>
<td>25 June</td>
<td>Sales</td>
</tr>
<tr>
<td>27 June</td>
<td>Sales</td>
</tr>
</tbody>
</table>

Source: Commerce for Melanesia Vol 2.
These are the two methods of stocktaking that the owner must be familiar with.

Activity 5.3: Complete the activity given below.
Explain the difference between the physical inventory method and the perpetual inventory method of stock taking.

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

Steps in Stocktaking
The 8 steps involved in stocktaking are:

1. **Tidy the stock the day before the stock take begins**
   - The stock must be tidied before stock taking. Goods must be displayed in a clear place to avoid miscounting.
   - Similar goods must be arranged and kept together for easy counting.

2. **Organise employees or workers in the business**
   - The employees must be given certain tasks to perform during stocktaking. For example, some employees must tidy up the stock whilst others may rearrange the goods.

3. **Identify damaged and valueless stock**
   - Damaged goods must be identified and sorted out and the selling price reduced.
   - The goods that are completely damaged, that is, not fit for sales must be put aside and not counted.

4. **Check documents for shipment received close to stocktake day**
   - Goods received without invoices must not be counted.
   - Invoices received without goods must not be counted.
   - Goods returned but credit notes not yet received should be counted as part of the stock.
5. **Draw up the stock list in the stock book**
   - The owner must draw up a stock record sheet in his or her record book like the one below.

<table>
<thead>
<tr>
<th>DATE OF STOCKTAKE: ___________________________</th>
<th>PAGE NO. 1 of 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROUP OF ITEMS: Tinned meat</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ITEM</th>
<th>UNIT</th>
<th>QUANTITY</th>
<th>UNIT VALUE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corned beef</td>
<td>454 g</td>
<td>12</td>
<td>K5.25</td>
<td>K63.00</td>
</tr>
</tbody>
</table>

The above table shows an example of a stock take sheet.
Source: Commerce for Melanesia.

6. **The Business must be closed on the day of counting**
   - The business or store must avoid disturbance on stocktaking day.
   - The counting of the goods must be done in a systematic way.
   - One employee counts whilst another employee writes the figures in the stock record.
   - All columns in the stock list are entered except for the total column. The total value of the stock is worked out.

7. **Obtain the selling value when all the items have been counted on the stock lists**
   - The total value of the stock is worked out after all the items on the stock list are counted.
   - The selling value is worked out by multiplying the number of units and the selling price per unit. For example, 100 tins of small Ox & palm and the price is K6.50. Therefore, 100 × K6.50 = K650.00.

8. **Obtain the total stock value at the selling price**
   - The total value of the stock is obtained by adding up all the total cost prices of all the items in the stock list.

You will further study about stocktaking in your Grade 10 Business Studies Course.
Activity 5.4: Complete the activity given below.

List the eight steps involved in stock taking.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>5.</td>
</tr>
<tr>
<td>2.</td>
<td>6.</td>
</tr>
<tr>
<td>3.</td>
<td>7.</td>
</tr>
<tr>
<td>4.</td>
<td>8.</td>
</tr>
</tbody>
</table>

Calculating the Value of Stock

The value of stock is calculated using the following formula.

\[
\text{STOCK VALUE} = \text{QUANTITY} \times \frac{\text{COST}}{\text{SELLING PRICE}}
\]

Now, we will use the table below to see where we should get the figures to calculate the value of stock.

<table>
<thead>
<tr>
<th>DATE OF STOCKTAKE</th>
<th>GROUP OF ITEMS:</th>
<th>Tinn meat</th>
<th>SELLING VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITEM</td>
<td>UNIT</td>
<td>QUANTITY</td>
<td>UNIT SELLING VALUE</td>
</tr>
<tr>
<td>Corned beef</td>
<td>454 g tins</td>
<td>12</td>
<td>K5.25</td>
</tr>
</tbody>
</table>

The above table shows a sample stocktake sheet.
Source: Commerce for Melanesia Vol 2.

A business owner must know how to calculate the value of stock for his or her business.

Refer to the above table as an example.
Example: Stock Value = Quantity \times Selling price
\[12 \times K5.25 = K63.00\]
Summary:

You have come to the end of Lesson 5. In this lesson, you learnt that:

- Stock taking refers to physical counting of stock in a business at a particular time.
- The purpose of stock taking is to know when to order new stock and to find out whether the business has made a profit or a loss.
- There are seven reasons for stocktaking:
  1. Auditing
  2. Controlling
  3. Prudence
  4. Accounting purpose
  5. Competition
  6. Profitability
  7. Valuation
- The two methods of stocktaking are the Periodic Method and the Perpetual Inventory Method.
- There are eight steps that owners of businesses must take note of when doing stocktake for their business. They are:
- The formula used to calculate the value of goods is:
  \[ \text{Stock Value} = \text{Quantity} \times \text{selling price of goods}. \]
Practice Exercise 5

1. Jim Trading did a stocktake of its stock on the 5th of May 2015. The following are the goods the trade store had on hand. Draw up a stock record form using the periodic stock record and enter the information above and find the total value of stock at its cost price.

   (1) Besta tinned fish 48 tins x 200g, 4 cartons at the cost price of K65.50/ctn.
   (2) Besta tinned fish 24 tins x 96g, 3 cartons at the cost price of K55.90/ctn.
   (3) Ocean Blue tinned fish 24 tins x 185g, 5 cartons at the cost price of K55.90/ctn.
   (4) Ocean Blue tinned fish 48 tins x 85g, 5 cartons at the cost price of K60.50/ctn.
   (5) Trukai Rice 20 packets x 1kg, 6 bales at the cost price of K96.90/bale.
   (6) Trukai Rice 40 packets x 500g, 6 bales at the cost price of K98.50/bale.
   (7) Roots Rice 20 packets x 1kg, 7 bales at the cost price of K74.50/bale.
   (8) Roots Rice 40 packets x 500g, 7 bales at the cost price of K78.40/bale.

NOTE: Use this blank space to do your work.
Lesson 6: Stock Control Systems

Introduction:
Welcome to Lesson 6. In the previous lesson, you learnt about recording stock. In this lesson, you will learn about the importance of stock control systems. Further, you will learn about different types of stock control systems.

Your Aims:
- Define and explain the importance of stock control system
- Identify the different stock control systems
- Describe the effects of drawing of goods in a small business

The Stock Control Systems
Businesses must have stock control systems in place. This will help them to order the correct amount of goods.

The importance of the stock control system is to control the movement of goods and stock at hand in the business. Stock at hand refers to stock currently in the business that is yet to be sold.

Activity 6.1: Complete the activities given below.

1. Describe what a stock control system is.

2. Why is it important to maintain the stock control system in a business?

The Stock Control System
The owner of a business have a stock control system in place. He or she must know how to record information about his or her stock into proper record books. There are several ways to keep control of the stock, however, we will look at the following:

1. A quantity system
2. A value system
3. A value system based on the selling value of goods
1. A *quantity system*
A quantity system of stock control refers to keeping records of stock in number form.

This type of stock control system will often be maintained on stock control cards or in a stock register. Each product will have its own card or page in the register.

Below is what a stock card looks like.

**THE STOCK CARD USING THE QUANTITATIVE METHOD**

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity In</th>
<th>Quantity Out</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>26/06/11</td>
<td>20</td>
<td>15</td>
<td>6</td>
</tr>
<tr>
<td>27/07/11</td>
<td>24</td>
<td>18</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Commerce for Melanesia Vol 2.

In the table above, the stock balance of 27/07/11 is the difference between quantity in and quantity out for that day which is $24 - 18 = 6$. The figure 6 is then added to the balance of the previous day 26/06/11. Therefore $6 + 6 = 12$, which is the balance.

The stock card records the goods coming into the store that the owner has purchased. All goods that the owner purchases must be recorded in the stock card. Likewise all goods that are going out of the business through sales must be recorded. You can see that this stock control system requires a lot of work. It is suitable for small shops that deal with a small range of stock. However, the owner can be able to see the exact number of stock on hand. Stock on hand as we have learnt earlier, refers to the number of stock that is currently being sold by the business.

2. *The value system*
A value system of stock record control refers to keeping records of stock in terms of the value of stock in kina and toea. This stock operates in the same way as a quantity system. The only difference is that the recordings are amount of money instead of numbers. Value refers to the amount in kina and toea. The value system is well suited to retail stores and gives the day by day value of goods in stock.

The table below shows you an example of the value system of stock control.

**THE STOCK CONTROL CARD USING THE VALUE SYSTEM**

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity In</th>
<th>Quantity Out</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>26/06/11</td>
<td>K250</td>
<td>K150</td>
<td>K50</td>
</tr>
<tr>
<td>27/07/11</td>
<td>K365</td>
<td>K365</td>
<td>K------</td>
</tr>
</tbody>
</table>

Source: Commerce for Melanesia Vol 2.
3. **The value system based on the selling value of goods**

For this system only one record is necessary. This is the stock control record where all information concerning the purchase and sale of stock, the amount owing for goods taken on credit, the amount of money customers owe and the closing and opening stock value and quantity for that business period.

Now, let us look at the table below to see the value system based on the selling value of goods.

<table>
<thead>
<tr>
<th>Date</th>
<th>Particulars</th>
<th>Purchases</th>
<th>Sales</th>
<th>Price decreases (K)</th>
<th>Total of Goods In Stock At selling Price (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td>1/7</td>
<td>400</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>1/7</td>
<td>Start of system Stock take 30/6</td>
<td>2/7</td>
<td>300</td>
<td>600</td>
<td></td>
</tr>
<tr>
<td>2/7</td>
<td>Purchases AB W/salers</td>
<td>2/7</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1/7</td>
<td>Sales</td>
<td>2/7</td>
<td>2/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/7</td>
<td>Price decreases Sales</td>
<td>2/7</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1/7</td>
<td>Goods returned to ABC</td>
<td>2/7</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>31/7</td>
<td>Outstanding debts 1/7 (K525)</td>
<td>31/7</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>31/7</td>
<td>Outstanding debts 1/7 (K625)</td>
<td>31/7</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>31/7</td>
<td>Stock take</td>
<td>31/7</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1/8</td>
<td>Opening Stock</td>
<td>1/8</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

The table above shows part of a sample stock card recording stock using the value system based on the selling value of goods, stock control system.

Source: Commerce for Melanesia.

You may be wondering what the numbers 1 to 8 in the rows and columns stand for. Let us find out.

In case you forgot where the columns and the rows are on the table, look at the table given above. In the table above, the numbers 1 to 8 in the rows are for information to be written.

The columns numbered 1 to 8 record the headings which give the main information that the business has to keep. Let us go through the information that should be written in these columns.

**Column 1.** Record the date.

2. Enter the particulars of the opening stock and other entries.

3. Record the value of purchase at cost price.

4. Record the value of purchase at selling price.
5. Record price increases, since this increases the value of stock.
6. Record sales from the daily sales book since it reduces the value of stock.
7. Record decreases in prices since it reduces the value of stock.
8. Record the balance at value of all the goods in stock.

Activity 6.2: Complete the activities given below.

1. Define the following.
   (a) A quantity stock control system.
   (b) A value stock control system.

2. Fill in the table by listing and explaining the three stock control systems.

<table>
<thead>
<tr>
<th>Stock Control System</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
</tr>
</tbody>
</table>

The Effects of Drawing Goods

Proper record keeping and monitoring of stock helps a business to do well. Stock that leaves the business is through sales, however, some stock move out of the business as ‘drawings of goods’. Some goods are drawn out of the business.

That sounds interesting. What is drawing of goods?

Drawing of goods refers to the owner taking out goods for personal reasons without paying for the goods.

Drawing of goods leads to the shrinkage and leakage of stock in the business. This means the money that the business is supposed to make is lost when the goods are consumed without any payment. Continuously drawing of goods can result in loss and eventually business closure. The other reasons for shrinkage and leakage will be discussed in the next lesson. Shrinkage refers to the number of goods reduced in the store unnoticed. Leakage refers to the movement of goods out of the store unnoticed.

Activity 6.3: Complete the activities given below.

1. Explain what ‘drawing of goods’ mean.

2. List the effects of drawing of goods.
You have come to the end of Lesson 6. In this lesson, you learn that:

- Stock Control Systems enable business to strictly control the movement of goods and the stock at hand in the business.
- The different control systems are quantity, value and the value system based on the selling price.
- The drawing of goods refers to the owner taking out goods for personal reasons without paying for them.
- The effects of drawing of goods leads to shrinkages and leakages of stock for the business and a loss of profits.

NOW DO PRACTICE EXERCISE 6 ON THE NEXT PAGE
Practice Exercise 6

1. Describe the main difference between the quantitative and the value stock control system.

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

2. Study this example of maintaining stock control through the quantitative system. Examine and complete the table.

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity In</th>
<th>Quantity Out</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>18/09/11</td>
<td>105</td>
<td>81</td>
<td>24</td>
</tr>
<tr>
<td>19/09/11</td>
<td>50</td>
<td>30</td>
<td>_______</td>
</tr>
<tr>
<td>20/09/11</td>
<td>Nil</td>
<td>10</td>
<td>_______</td>
</tr>
<tr>
<td>21/09/11</td>
<td>42</td>
<td>23</td>
<td>_______</td>
</tr>
<tr>
<td>22/09/11</td>
<td>15</td>
<td>15</td>
<td>_______</td>
</tr>
</tbody>
</table>

3. List some other reasons that could lead to shrinkage and a leakage of stock in a business.

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

CHECK YOUR WORK. ANSWERS ARE AT THE END OF THE TOPIC 2
Lesson 7: Damage and Loss of Stock

Introduction:
Welcome to Lesson 7. In the previous lesson you learnt about the different stock control systems. In this lesson you will learn about damage to goods and loss of stock in a small business.

Your Aims:
- Explain how damage and loss of stock affect business
- Identify the causes of damage and loss of stock
- Describe the importance of applying stock security measures

Before we go into Lesson 7, let us define some terms which were learnt earlier in Lessons 5 and 6. The meaning of these terms will help you work through Lesson 7.

1. Stock refers to the goods and materials kept on the shelves or in the stockroom for sale.
2. Stocktake refers to the counting, weighing and measuring of every item in the store to obtain an exact figure and value.
3. A Stock Control System refers to the monitoring of the movement of a strict control of stock.

The Damage and Loss of Stock and how they affect the Business
There are many problems that the business person should be aware of concerning his or her stock.

The two main problems concerning stock are damage to stock and loss of stock.

1. Damage of stock
Stock can be damaged by rats and mice, rain through leaking roofs, dust and mould.

2. Loss of stock
Loss of stock refers to stock or goods going missing. The business owner may not know what has happened to the goods, who took them and how they went missing from the store. This means the expected income as budgeted is already lost, therefore the business does not make profit as planned. Stock is lost through theft either by thieves or staff.

Damaged and lost goods will greatly affect the business because the money that is supposed to be earned from this stock cannot be earned. If there are huge amounts damaged and lost goods, a small business like a trade store may be forced to close.
Activity 7.1: Complete the activity given below.

Describe a situation from your local area where a store experienced damage and loss of stock. Explain what happened.

____________________________________________________________________
____________________________________________________________________

Causes of Damage and Loss of Stock

Here, we will look at damage and loss of stock in a trade store business. The different causes of damage and loss of stock are described below;

1. **Shoplifting**

Stealing of stock or goods is called shoplifting. People steal items from a shop that results in a large amount of money being lost. For this reason, all shops employ security guards whose job is to look out for thieves. In the case of a school canteen or a rural store all that is needed is a Teacher in Charge or the owner keeping watch over the stock with the help of his family members.

2. **Owner’s drawings**

Taking goods for personal use by the owner is called drawings. When owner of the store takes goods without paying for it or keeping a record of it, this is called leakage as there will be a loss in revenue to the store. Sometimes, the owner of the store gives away goods to a relative and he or she does not keep a record of it, either. Sometimes, the store owner has to pay for these goods from their own money. This will help keep the record of the stock up to date.

3. **Giving incorrect change**

Sometimes shop assistants give a customer too much change. This results in shortage of cash. To address this, shop assistants should be trained to handle money and give the correct change.

4. **Charging incorrect price**

The business can lose profit if the prices on the goods charged are either too high or too low. They must set the correct mark-up price for their goods given by the Independent Consumer and Competition Commission (ICCC).

5. **Price changes not applied**

The store manager should make sure that old stock is sold out on the old price before putting the new stock on the shelf with a new price. This is usually bound to happen when there are changes in the cost of shipment.
6. **Receiving wrong goods**  
If a store receives an incorrect shipment of goods, and the correct follow up action is not taken, then a loss may occur.

7. **Damaged goods**  
The store bears the loss when goods have arrived and are in its care. Here are examples of damage to goods by;  
- placing heavy goods on soft and crushable items like eggs, straw hats and biscuits,  
- not following the rule of *first in first out*, so stock deteriorates and has to be written off,  
- rain, water and moisture soaking into goods like sugar, salt, flour and rice  
- rats and cockroaches eating and damaging stock.

8. **Waste during weighing**  
Scales and scaling procedures should be accurate. For example, a fewer more pieces of lamb flaps served to the customers will lead to losing money and there may be lower or no profit earned on that stock.

9. **Slow moving and dead stock**  
A store may order some items that are very slow moving, damaged or that do not sell at all. When this happens it is best to sell these items at what is called zero profit. Zero profit refers to no profit earned from the sale of an item. So the items should be sold at the cost price. For instance, if these items are supposed to be selling for K1.50 in which 50t is the profit, the selling price should now be at K1.00. In this way some money received will be recovered instead of throwing the goods away. Dead and or damaged goods will not earn money for the business.

10. **Unpaid debts on which interest is charged**  
If a store has received shipment of goods for which it has not paid, it is now being charged interest by the supplier on the amount owing. This is an unnecessary expense. Being charged 9% or 10% interest on debts outstanding can add up to a large amount of money to be repaid by the business person. Thus, the owner will set the selling prices of the goods at a higher price to pay for the interest. Higher prices may cause the items to sell slowly leading to the business earning less than it has expected for its profit.
Activity 7.2: Complete the activity given below.

What is the meaning of this picture?
_______________________________________
_______________________________________
_______________________________
_______________________________

Importance of Securing the Business

Security plays a very important part in the operation of a business. Therefore the business person has to have security measures in place. Security measures refer to the ways in which stock can be protected from being stolen or damaged by thieves or burglars. A burglar refers to a person who tries to steal. Protection is needed both during the day and night.

Here are some ways the business owner could protect his or her business.

1. Place security wires to the door and the windows
   This will make it difficult for the thieves to break through.

2. Install security lights
   Security lights should be placed around the premises of the store. This will make it difficult for the thieves to steal since they will be seen trespassing and will be caught easily. Trespassing refers to entering someone else's premises or yard without his or her knowledge.

3. Hire night guards
   The owner can hire at least a person to guard the store in the night. The presence of people can keep the thieves away.

4. Use of animals
   The owner can use his or her dogs to look after the business.

5. Keep money in a safe place
   The owner of the business must lock the money in a safe, drawer or cupboard. Otherwise, deposit the money into the bank account as soon as possible. Money is never safe if kept in the building. It is a good practice to bank the daily takings.

These are some of the ways in which the owner can protect goods from being damaged or stolen especially by thieves.

Activity 7.3: Complete the activity given below.

Can you think of another way a trader store or tuck shop could be protected?
_______________________________________
_______________________________________
_______________________________________

Can you think of another way a trader store or tuck shop could be protected?
Summary:

You have come to the end of Lesson 7. In this lesson, you learnt that:

- A stocktake is the counting, weighing and measuring of every item in the store to obtain an exact figure and value.
- A Stock Control System enables the business to monitor its stock.
- Damaged stock refers to goods that are spoilt.
- The effects of damaged stock or loss of stock is that the business will not earn the expected income from its sales.
- There are ten (10) causes of damage to and loss of stock.
  1. Shoplifting
  2. Owner’s drawings
  3. Giving incorrect change
  4. Charging incorrect price
  5. Price changes not carried out
  6. Receiving wrong goods
  7. Damaged goods
  8. Waste during weighing
  9. Slow moving and dead stock
  10. Unpaid debts on which interest is charged
- Loss of stock refers to stock that are missing without the owner knowing.
- Security measures are important in protecting stock.

NOW DO PRACTICE EXERCISE 7 ON THE NEXT PAGE
Practice Exercise 7

1. Explain what damage and loss of stock mean.

____________________________________________________________________

____________________________________________________________________

2. List the different causes of the damage and loss of stock.

1. ____________________________________________ 6. ____________________________________________

2. ____________________________________________ 7. ____________________________________________

3. ____________________________________________ 8. ____________________________________________

4. ____________________________________________ 9. ____________________________________________

5. ____________________________________________ 10. ____________________________________________

3. Why is it important for businesses to have security on their premises?

____________________________________________________________________

____________________________________________________________________

4. List examples of security measures for stock of the business.

1. ____________________________________________ 4. ____________________________________________

2. ____________________________________________ 5. ____________________________________________

3. ____________________________________________

CHECK YOUR ANSWERS. ANSWERS ARE AT THE END OF TOPIC 2
ANSWERS TO

TOPIC 2

PRACTICE EXERCISES
## Answers to Practice Exercise 5-7
### Practice Exercise 5

<table>
<thead>
<tr>
<th>Description of Goods</th>
<th>05/05/2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Qty</td>
</tr>
<tr>
<td>Besta tinned fish 200g</td>
<td>192</td>
</tr>
<tr>
<td>Besta tinned fish 96g</td>
<td>72</td>
</tr>
<tr>
<td>Ocean blue tinned fish 200g</td>
<td>120</td>
</tr>
<tr>
<td>Ocean blue tinned fish 96g</td>
<td>240</td>
</tr>
<tr>
<td>Trukai rice 1kg</td>
<td>120</td>
</tr>
<tr>
<td>Trukai rice 500g</td>
<td>240</td>
</tr>
<tr>
<td>Roots rice 1kg</td>
<td>140</td>
</tr>
<tr>
<td>Roots rice 500g</td>
<td>280</td>
</tr>
</tbody>
</table>

**4520.00**
Practice Exercise 6

1. The difference is that the quantity stock control system records stock in numbers or figures whilst the value control stock system records the stock in amounts of money.

2.

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity In</th>
<th>Quantity Out</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>18/09/11</td>
<td>105</td>
<td>81</td>
<td>24</td>
</tr>
<tr>
<td>19/09/11</td>
<td>50</td>
<td>30</td>
<td>44</td>
</tr>
<tr>
<td>20/09/11</td>
<td>Nil</td>
<td>10</td>
<td>34</td>
</tr>
<tr>
<td>21/09/11</td>
<td>42</td>
<td>23</td>
<td>53</td>
</tr>
<tr>
<td>22/09/11</td>
<td>15</td>
<td>15</td>
<td>53</td>
</tr>
</tbody>
</table>

3. Break and enter by thieves, shop lifting, damaged goods
Practice Exercise 7

1. Damage of stock refers to stock being spoilt and loss of stock refers to stock being lost.

2. (a) Shop lifting  (f) Receiving wrong goods
(b) Owner’s drawings  (g) Damaged goods
(c) Giving incorrect change  (h) Waste during weighing
(d) Charging incorrect price  (i) Slow moving and dead stock
(e) Price changes not applied  (j) Unpaid debts on which interest is charged

3. The importance of stock security measures is to protect goods from damages or being stolen from the store.

4. (a) Make sure there are security personnel
(b) Lock all safes, draws, cupboard and the doors before leaving the shop.
(c) Put up security wires
(d) Install security lights
(e) Dogs can also be placed in the premises to guard the store.

REVISE TOPIC 2 AND DO TOPIC 2 TEST IN YOUR ASSESSMENT BOOK 6
TOPIC 3

KEEPING RECORDS

In this topic you will learn about;

- Keeping Records
- Records used in Cash Transactions
- Records used in credit transactions
Welcome to Topic 3. In this topic, you will learn about how to keep records in a small business. You will learn about the types of records or documents that are used when buying goods on cash or credit.

This Topic contains three lessons.

**Lesson 8: Introduction to Keeping Records**
This lesson is all about record keeping in a small business. You will learn about the methods small businesses use to help them in keeping proper records. You will learn about reasons and importance of keeping records.

**Lesson 9: Records Used in Cash Transactions**
In this lesson, you will learn about cash transactions and identify the records used in cash transactions. You will further learn the terms shortages, surpluses and drawings and how they are recorded.

**Lesson 10: Records used in Credit Transactions**
In this lesson you will learn about credit transactions and identify the records used in credit transactions. You will further understand the importance and reasons for keeping these records.
Lesson 8: Introduction to Keeping Records

Introduction:
Welcome to lesson 8. This lesson introduces the topic ‘Keeping Records’. In the previous lesson you learnt about damage to and loss of stock in a small business. In this lesson you will learn about keeping records and why they are important for a small business.

Your Aims:
- Explain record keeping and identify the methods used in record keeping
- Explain the reasons for keeping records
- Identify the records kept in a small business

Methods in Record Keeping
Record keeping is very important to all operating businesses. If a business is to run smoothly proper records must be kept of all of its business activities. These records provide information, accountability and favourable decision making for businesses.

What is accountability? Accountability refers to the duty to give and keep records of the business activities and its financial reports. For example, a manager is accountable to the shareholders and the partners of the business. This means that the managers must make sure that at the end of the business period financial reports such as the Profit and Loss Statement and Balance Sheet are presented to the people who require them.

There must be some form of documentary evidence for every transaction that takes place in the business. For instance, when goods are bought and sold between the business and its customers or suppliers, documents such as invoices, receipts and credit notes must be recorded and filed in correctly.

You have already learnt about source documents used in buying goods for cash or credit in Lessons 8 and 9 of Unit 9.3.

The business person should record the information from the source document into a book. For small businesses like canteens, tucker shops or trade stores, exercise books can be used unless they can afford a cash register. For bigger businesses it is a must that a cash registers or computerised cash registers are used. Our focus is mainly on small businesses.

There are two main types of record keeping used by businesses. They are:

1. Single Entry Bookkeeping
2. Double Entry Bookkeeping
Bookkeeping refers to the process by which records of the business transactions are recorded. You will study this in your Grade 10 Business Studies lessons. For now we will focus on the single entry bookkeeping. Single entry bookkeeping is suitable as well as easier for small businesses to use. It clearly shows the money coming into and going out of the business.

As you proceed on with your studies in the future in higher grades that is Grades 11 and 12 you will learn more about Double Entry Bookkeeping.

Now, look below to see the Single Entry Bookkeeping method of record keeping.

### CASH BOOK

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>RECEIPT (K)</th>
<th>PAYMENT (K)</th>
<th>BALANCE (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/07/11</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td>400</td>
</tr>
<tr>
<td>2/07/11</td>
<td>Goods purchased</td>
<td>300</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(steamships)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/07/11</td>
<td>Sales</td>
<td>30</td>
<td></td>
<td>130</td>
</tr>
<tr>
<td>4/07/11</td>
<td>Sales</td>
<td>100</td>
<td></td>
<td>230</td>
</tr>
<tr>
<td>5/07/11</td>
<td>Sales</td>
<td>60</td>
<td></td>
<td>290</td>
</tr>
</tbody>
</table>

The above record keeping of a business transaction is called a Cash Book.

What is a Cash Book? A Cash Book refers to a record of money, that is, the notes and coins coming into and going out of the business.

The purpose of the cash book is to record the business transactions that involve the use of cash, notes and coins. Cash is normally kept in cash boxes or a cash register.

The cash book has five columns that have to be carefully maintained. The receipts and the payments column of the cash book must be closely monitored because they show how much cash is moving into and out of the business. Also the balance, date and details or particulars of the transaction.

The receipt column shows cash coming into the business, for example, through sales. If goods are sold this means the business has earned cash, therefore, its balance increases. For example, on 3rd of July 2015 there was a sale of K30. This amount will be added to the previous balance of K100. Thus the balance on 3rd of July 2015 will be K100 + K30 = K130. This shows an increase.

The payments column shows any cash that is going out of the business. For example, purchase of stock and paying of electricity and water bills. If purchases or payments of bills are made this means that the business has spent money, therefore, its balance decreases. For instance on 02nd of July 2015 there was a purchase of items worth K300. The owner has used the amount in the cash box of K400 to do the purchase. Thus the balance showing on 2nd of July 2015 is K400 – K300 = K100.

There are also other ways cash is increased or reduced from the cash box. But they are not considered as receipts or payments. These include surpluses, shortages, drawings and transfer of cash to a bank account. You will learn more about these transactions in your Grade 10 Business Studies Course.
A surplus is referred to as ‘extra money’. It increases the cash in the cash box since the business has earned an extra amount of money than it has expected for that day.

A shortage is referred to as the ‘loss of money’. It decreases the cash in the cash box since the amount the business is supposed to earn that day has not been reached.

Drawings is when the owner takes things either in cash or goods for their own use. It decreases the cash in the cash box. The owner has not used the cash from the business to purchase new stock or pay for bills. He or she has used the money for some other non-business things, for example, to pay for bride price or funeral expenses.

Transfer of cash to a savings account is referred to as ‘money deposited’ into the owners account with the bank. It decreases the cash in the cash box. The money is not used to purchase stock or to pay bills. The owner has simply taken money from the cash box from the store and deposited or put it in his or her account in the bank.

The cash book is one of the records that helps the business to prepare its financial reports. There are other records that help the business to prepare its financial reports which we will study later in the lesson.

Activity 8.1: Complete the activities given below.

1. Define
   (a) Accountability. _____________________________________________________
   (b) Bookkeeping. ______________________________________________________
   (c) Cash Book. _______________________________________________________

2. Name the two methods of Bookkeeping in a small business.
   (a) _________________________________________________________________
   (b) _________________________________________________________________

Reasons for Keeping Records
Three reasons for bookkeeping are described below.

1. For Information
   People get into business to earn a profit. If a business does not record every item of its revenue and expenses, the owner(s) will not know if they are making a profit. Bookkeeping therefore provides the business owner(s) with information from which the profit of the business can be calculated.

2. For Decision Making
   Decision making will be made easier if business records are in order. It will be a lot easier to present financial reports such as the Profit and Loss Statement. The decision will range from simple, regular ones such as when to order more of a certain
item of stock and to more complex or challenging ones such as whether to build a new store or buy a new truck.

3. For Accountability
Accountability refers to the duty to keep and give records of the business activities and its financial reports. Proper recording system in a business will give an accurate report of the flow of cash into and out of the business.

Accountability is very important if the owner intends to get assistance from organisations outside of the business. The accountability of the business will be measured by the following groups of people or organisations:

- The other owners of the business, for example; the partners and the shareholders.
- The Government, for example; The Internal Revenue Commission (IRC) for tax purposes
- The banks, finance companies and other creditors.

Activity 8.2: Complete the activities given below.

1. List the three reasons for keeping a record.
   (a) _________________________________________________________________
   (b) _________________________________________________________________
   (c) _________________________________________________________________

2. Who would need the financial reports of the business?
   (a) _________________________________________________________________
   (b) _________________________________________________________________
   (c) _________________________________________________________________

Records kept by a Business
In business all the transactions should be supported by documentary evidence called source documents. A source document refers to a document which provides details of a business transaction that has taken place, for example, receipts, invoices and credit notes. These documents serve two purposes. They provide:

1. written evidence of a transaction.
2. particulars of transactions to be recorded into record books

These record books help to prepare financial reports at the end of the business accounting period.

So, what are the records that the business should keep?
The three important records that businesses use to help prepare their financial reports are:

1. The Cash Book
2. The Stock record
3. The Journals

1. The Cash Book
The cash Book as mentioned earlier refers to the recording of cash, notes and coins, coming into and going out of the business. A sample of Cash Book record is on page 76.

2. The Stock record
The Stock record refers to the record showing the quantity and the value of stock of the business.

Below is a sample stock record.

<table>
<thead>
<tr>
<th>ITEM</th>
<th>COST</th>
<th>2/7/2005</th>
<th>7/7/2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Quantity</td>
<td>Value (K)</td>
</tr>
<tr>
<td>Ox &amp; Palm</td>
<td>5.00</td>
<td>13</td>
<td>65.00</td>
</tr>
<tr>
<td>Sugar</td>
<td>2.60</td>
<td>20</td>
<td>52.00</td>
</tr>
<tr>
<td>Tinned Fish</td>
<td>2.50</td>
<td>15</td>
<td>37.50</td>
</tr>
<tr>
<td>Soap</td>
<td>1.00</td>
<td>10</td>
<td>10.00</td>
</tr>
<tr>
<td>Rice</td>
<td>4.50</td>
<td>20</td>
<td>90.00</td>
</tr>
</tbody>
</table>

STOCK AT START

254.50

STOCK AT END

320.90

3. The Journals
Journals refer to the record where information concerning credits are recorded. There are two types of journals that small business can keep. They are:

i. Credit Purchases Journal
Credit Purchases Journal refers to a record of goods purchased on credit by the owner. It is necessary for the owner of the business to keep this journal so that he or she knows what goods have not been paid for. This is especially for small businesses that have gained the suppliers’ trust who in turn allow the small business owners to establish accounts with them.

Before we can see what the credit purchases journal looks like let us look at the next type of journal that the business should keep.

ii. Credit Sales Journal
Credit Sales Journal refers to a record of goods sold on credit by the owner. The owner only gives credit to those who are his or her trusted customers.
Now, look below to see the two journal types.

**CREDIT PURCHASES JOURNAL**

<table>
<thead>
<tr>
<th>Date</th>
<th>Wholesaler</th>
<th>Invoice</th>
<th>Amount (K)</th>
<th>Date</th>
<th>Paid Accounts (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2(^{nd})</td>
<td>Bismullah C &amp; C</td>
<td>10</td>
<td>748.30</td>
<td>July 2(^{nd})</td>
<td>600.00</td>
</tr>
<tr>
<td>30(^{th})</td>
<td>Bismullah C &amp; C</td>
<td>15</td>
<td>300.00</td>
<td>29(^{th})</td>
<td>148.30</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1048.30</td>
<td></td>
<td>748.30</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>OWING</td>
<td></td>
<td>300.00</td>
</tr>
</tbody>
</table>

When credits are paid whether by the supplier or the customer this will be written on the right side of the record showing how much has already been paid for. This will then guide the owner of the businesses to know how much he or she is yet to pay for.

Read the important point to consider in the box given below.

**CREDIT SALES JOURNAL**

<table>
<thead>
<tr>
<th>Date</th>
<th>Customer</th>
<th>Docket No.</th>
<th>Amount (K)</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2(^{nd})</td>
<td>Allan Bill</td>
<td>27</td>
<td>5.00</td>
<td>16(^{th})</td>
<td>5.00</td>
</tr>
<tr>
<td>3(^{rd})</td>
<td>Cindy Fred</td>
<td>28</td>
<td>2.50</td>
<td>17(^{th})</td>
<td>2.50</td>
</tr>
<tr>
<td>3(^{rd})</td>
<td>Keziah Murau</td>
<td>29</td>
<td>10.00</td>
<td>17(^{th})</td>
<td>10.00</td>
</tr>
<tr>
<td>4(^{th})</td>
<td>Peter Mel</td>
<td>30</td>
<td>3.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>20.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Paid</td>
<td>17.50</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Owing</td>
<td>1.70</td>
<td></td>
</tr>
</tbody>
</table>

The right side of the purchases journal which is the paid section will not be shown on the credit purchases and credit sales journal as you proceed on with your studies especially in Grades 11 and 12.

---

**Activity 8.3:** Complete the activities given below.

1. Describe the following bookkeeping records.
   (a) Journal. __________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
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   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
   ___________________________________________________________________
2. Fill in the table by listing and explaining the three important records that small businesses must have.

<table>
<thead>
<tr>
<th>Record Types</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summary:

You have come to the end of Lesson 8. In this lesson you learnt that:

- Record keeping is very important for all businesses as it provides information, accountability and decision making for businesses.
- Accountability refers to the duty to keep and give records of the business activities and its financial reports.
- The two methods of record keeping are:
  1. The Single Entry Bookkeeping
  2. The Double Entry Bookkeeping
- The Bookkeeping process helps businesses to record all transactions.
- The cash book, the stock record and the journal helps the small business to prepare financial reports.

NOW DO PRACTICE EXERCISE 8 ON THE NEXT PAGE
Practice Exercise 8

1. Let us assume that on the 6th of August, 2015 Pududuk starts his business with K3000 cash. He purchased the following goods at the following wholesalers.

<table>
<thead>
<tr>
<th>Date: (August)</th>
<th>Details</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>07th</td>
<td>purchased goods from TST Wholesale</td>
<td>K2000</td>
</tr>
<tr>
<td>08th</td>
<td>sales of</td>
<td>K1000</td>
</tr>
<tr>
<td>08th</td>
<td>purchased goods from Seeto Kui Wholesale</td>
<td>K300</td>
</tr>
<tr>
<td>09th</td>
<td>purchased goods from Badili Wholesale</td>
<td>K400</td>
</tr>
<tr>
<td>09th</td>
<td>sales of</td>
<td>K600</td>
</tr>
<tr>
<td>10th</td>
<td>purchased goods from TST Wholesale</td>
<td>K500</td>
</tr>
</tbody>
</table>

Requirements
Draw up a Cash Book and enter the following transactions.
Lesson 9: Records used in Cash Transactions

Introduction:
Welcome to Lesson 9. In this lesson, you will learn about the records or documents used and kept in cash transactions, that is the buying and selling of goods or services by businesses.

Your Aims:
- Describe a cash transaction
- Identify the records used in cash transactions
- Define shortages, surpluses and drawings and explain how these are recorded

What is a Cash Transaction?
A person going into business may have all the bright ideas on how to run the business however if there is no cash on hand then the ideas will not become an operating business as they have intended for in the first place. Therefore, it is very important that a small business owner know how to manage money. That is, how to earn and spend money.

A cash transaction refers to the buying and selling of goods and services using cash. As much as possible a business owner should not allow credit by customers. Credits can lead to the failure of the business. Credit refers to something taken away or used now to be paid at a later date.

Activity 9.1: Complete the activities given below.
1. Define what a cash transaction is.
2. Why should the business person not allow credits?

Records used in Cash Transactions
What are records? Records refer to any written information about how a business operates. In business, information about what is bought and sold is written down. Where is this information written down? As you have learnt in the previous lesson the information on what was bought and sold by the businesses are recorded in books.
Before the information about buying and selling of goods or services is recorded in the record books, they are first registered or written down in source documents.

Source documents are documents that show information about something being bought and sold either for cash or on credit.

You have already learnt about source documents in Lessons 8 and 9 of unit 3, however, let us go through these documents once again. Examples of source documents are:

- Letter of inquiry
- Quotation or price list
- Order form
- Acknowledgement of order
- Delivery or Consignment notes
- Invoice
- Credit note
- Statement of account
- Receipt

Source documents used for cash transactions are:
- Letter of enquiry
- Quotation or price list
- Purchase order
- Acknowledgement of order
- Delivery docket
- Receipt

Note that source documents are not the same as record books. Record books record information from the source documents.

What is the name of the record book used to write down goods or services that have been bought or sold with cash?

The record book that keeps track of goods or services that are bought with cash is called the Cash Book. You have learnt about the cash book in the previous lesson.

You can turn to page 76 of Lesson 8 to see what a cash book looks is if you have forgotten.

Activity 9.2: Complete the activities given below.

1. Define what a record is.
2. Write down the names of source documents businesses use when buying and selling goods for cash or on credit.

<table>
<thead>
<tr>
<th>Source Document</th>
<th>Business Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts</td>
<td>When buying</td>
</tr>
<tr>
<td>invoices</td>
<td>and selling</td>
</tr>
<tr>
<td>Purchase orders</td>
<td>for cash</td>
</tr>
<tr>
<td>Sales orders</td>
<td>or on credit</td>
</tr>
</tbody>
</table>

Recording Shortages, Surpluses and Drawings in the Cash Book

You have learnt the words shortages, surpluses and drawings in the last lesson however lets define these words again to understand them better.

1. **Shortages**
Shortages refer to losses of money. Shortages decrease the amount of cash in the cash box since the amount of money the business is supposed to earn that day has not been reached.

So, how are shortages recorded in the cash book?

Study the example below to see how a shortage is recorded in the cash book.

### TACOS TRADING CASH BOOK

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>RECEIPT (K)</th>
<th>PAYMENT (K)</th>
<th>BALANCE (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/07/15</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td>400</td>
</tr>
<tr>
<td>2/07/15</td>
<td>Goods purchased</td>
<td>300</td>
<td>100</td>
<td>130</td>
</tr>
<tr>
<td>3/07/15</td>
<td>Sales</td>
<td>30</td>
<td></td>
<td>130</td>
</tr>
<tr>
<td>4/07/15</td>
<td>Sales</td>
<td>100</td>
<td></td>
<td>230</td>
</tr>
<tr>
<td>5/07/15</td>
<td>Sales</td>
<td>50</td>
<td></td>
<td>280</td>
</tr>
</tbody>
</table>

This cash book belongs to Tacos Trading owned by Martin Bras.

As you can see in the table above Martin had K400 cash on 1st of July 2015. He started his trade store business by purchasing goods worth K300 on 2nd of July 2015 from the K400. He is left with a cash balance of K100.

On the next two days the following transactions took place: on 3rd of July 2015 he made a sale of K30 and on 4th of July he made a sale of K100.

The sales show money coming into the business. So you can see that his cash balance has increased from K100 on 2nd of July 2015 to K230 on 4th of July 2015.

Let us assume that on 5th of July after the close of business when he added the cash he finds that he has made a loss of K2.50. He is supposed to earn K280.00 in cash for that day’s business after making a sale of K50.00 that day.

Turn to the next page to see how the shortages will be recorded in the cash book.
Look below to see how a shortage of K2.50 will be recorded in the cash book.

### CASH BOOK

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>RECEIPT (K)</th>
<th>PAYMENT (K)</th>
<th>BALANCE (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/07/15</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td>400</td>
</tr>
<tr>
<td>2/07/15</td>
<td>Goods purchased (steamships)</td>
<td>300</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>3/07/15</td>
<td>Sales</td>
<td>30</td>
<td>130</td>
<td></td>
</tr>
<tr>
<td>4/07/15</td>
<td>Sales</td>
<td>100</td>
<td>230</td>
<td></td>
</tr>
<tr>
<td>5/07/15</td>
<td>Sales</td>
<td>50</td>
<td>280</td>
<td></td>
</tr>
<tr>
<td>5/07/15</td>
<td>Shortage</td>
<td>2.50</td>
<td></td>
<td>277.50</td>
</tr>
</tbody>
</table>

Though the shortage is recorded in the payment’s section of the cash book it does not mean it is a payment. It is simply cash or money leaving the business without the owner noticing it. The reason for the shortage could be that the owner had given the customer wrong change.

To balance the amount of cash in the cash box and the written cash balance Martin will have to subtract the amount of K2.50 from the K280. This will give a written figure of K277.50 which agrees with the amount of cash in the cash box.

2. **Surpluses**

A surplus is referred to as extra money. It increases the money in the cash box since the business has earned an extra amount of money than it had expected for that day.

Let us assume that at the close of business on 6th of July 2015, Martin finds out that the cash in the cash box does not agree with the cash balance in the cash book. There is an extra amount of K1.00 in the cash box. He made a sale of K70 that day.

Look below to see how the surplus of K1.00 will be recorded in the cash book.

### CASH BOOK

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>RECEIPT (K)</th>
<th>PAYMENT (K)</th>
<th>BALANCE (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/07/15</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td>400</td>
</tr>
<tr>
<td>2/07/15</td>
<td>Goods purchased (Steamships)</td>
<td>300</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>3/07/15</td>
<td>Sales</td>
<td>30</td>
<td>130</td>
<td></td>
</tr>
<tr>
<td>4/07/15</td>
<td>Sales</td>
<td>100</td>
<td>230</td>
<td></td>
</tr>
<tr>
<td>5/07/15</td>
<td>Sales</td>
<td>50</td>
<td>280</td>
<td></td>
</tr>
<tr>
<td>5/07/15</td>
<td>Shortage</td>
<td>2.50</td>
<td></td>
<td>277.50</td>
</tr>
<tr>
<td>6/07/15</td>
<td>Sales</td>
<td>70</td>
<td>347.50</td>
<td></td>
</tr>
<tr>
<td>6/07/15</td>
<td>Surplus</td>
<td>1.00</td>
<td></td>
<td>348.50</td>
</tr>
</tbody>
</table>

Although the surplus is not a sale it is written under the receipts column as it shows money coming into the business which the owner has not noticed. The reason for the surplus could be that the owner has short-changed customers. He may have given less in change. Instead of giving K3.00 he gave K2.00.
To balance the amount in the cash box to the amount in the cash book he has to add K1.00 to K347.50 which balances both the cash book amount and the written amount in the cash book balance to K348.00.

3. **Drawings**

Drawings refer to the owner taking out cash from the business and using it for his or her personal use. It decreases the cash in the cash box.

Assume that Martin Bras was tasked by his family members to contribute K150 for a bride price. On 7th of July 2015 he takes out K170.00. He has taken out the extra K20 to buy himself a new pair of trousers to wear to the bride price ceremony.

Below see how the drawings will be recorded in the cash book.

### CASH BOOK

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>RECEIPT (K)</th>
<th>PAYMENT (K)</th>
<th>BALANCE (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/07/15</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td>400</td>
</tr>
<tr>
<td>2/07/15</td>
<td>Goods purchased</td>
<td></td>
<td>300</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>(Steamships)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3/07/15</td>
<td>Sales</td>
<td>30</td>
<td></td>
<td>130</td>
</tr>
<tr>
<td>4/07/15</td>
<td>Sales</td>
<td>100</td>
<td></td>
<td>230</td>
</tr>
<tr>
<td>5/07/15</td>
<td>Sales</td>
<td>50</td>
<td></td>
<td>280</td>
</tr>
<tr>
<td>5/07/15</td>
<td>Shortage</td>
<td></td>
<td>2.50</td>
<td>277.50</td>
</tr>
<tr>
<td>6/07/15</td>
<td>Sales</td>
<td>70</td>
<td></td>
<td>347.50</td>
</tr>
<tr>
<td>6/07/15</td>
<td>Surplus</td>
<td>1.00</td>
<td></td>
<td>348.50</td>
</tr>
<tr>
<td>7/07/15</td>
<td>Drawings</td>
<td></td>
<td>170</td>
<td>178.50</td>
</tr>
</tbody>
</table>

Though drawings are not payments they are written under the payments column since money is moving out of the cash box. The reason for the owner drawing money is for personal use such as paying for bride price, funeral expenses and buying new things for his house such as a radio or a fridge.

To balance the cash box amount to the cash book balance Martin must subtract the amount K170 from the current balance of K348.50. This gives a balance of K178.50 left in the cash box which agrees with the amount written in the cash book balance.

---

**Activity 9.3:** Complete the activities given below.

1. Explain the following words.
   (a) Shortages.
   (b) Surpluses.
   (c) Drawings.
2. Imagine you just started a trade store business in your area. After the first five days, you came up with the following information.

<table>
<thead>
<tr>
<th>Date (May 2011)</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>5(^{th})</td>
<td>Started the business with K500.</td>
</tr>
<tr>
<td>6(^{th})</td>
<td>Purchased goods worth K300 from TST Wholesale.</td>
</tr>
<tr>
<td>7(^{th})</td>
<td>Sold goods and received K170.</td>
</tr>
<tr>
<td>8(^{th})</td>
<td>Sold goods and received K90.</td>
</tr>
<tr>
<td>8(^{th})</td>
<td>Used K40 from the cash box for personal use.</td>
</tr>
<tr>
<td>9(^{th})</td>
<td>Deposited K150 into the business savings account.</td>
</tr>
</tbody>
</table>

(a) Draw up a Cash Book and record the above information.
(b) What is your closing balance? ________________________________
Summary:

You have come to the end of Lesson 9. In this lesson you learnt that;

- A cash transaction refers to the buying and selling of goods and services using cash.
- Records refer to the written information.
- Credit refers to something being taken away or used now to be paid at a later date.
- The record book that keeps track of goods or services that are bought with cash is called a Cash Book.
- Shortages refer to the loss of money. It decreases the amount of cash in the cash box.
- Surplus refers to extra money which increases the amount of cash in the cash box.
- Drawings refer to the owner taking out cash from the business for his or her personal use which decreases the amount of cash in the cash box.
- Letter of Inquiry, Quotation, Order form, Acknowledgement of order, Delivery or Consignment notes, Invoice, Credit note, Statement of account and Receipts are source documents that business owner must keep to prepare his or her financial report.
### Practice Exercise 9

1. Draw up a cash book and record the following business transactions.

<table>
<thead>
<tr>
<th>Date (May 2012)</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>07(^{th})</td>
<td>Margaret started her business with K500.</td>
</tr>
<tr>
<td>08(^{th})</td>
<td>Purchased K300 worth of stock from Bismillah Wholesale.</td>
</tr>
<tr>
<td>09(^{th})</td>
<td>Purchased K50 worth of goods from Patrick’s Wholesale.</td>
</tr>
<tr>
<td>09(^{th})</td>
<td>Sold goods worth K120.</td>
</tr>
<tr>
<td>10(^{th})</td>
<td>Margaret took out K20 from the cash book for personal use.</td>
</tr>
<tr>
<td>11(^{th})</td>
<td>Margaret deposited K150 into the savings account in the bank.</td>
</tr>
<tr>
<td>12(^{th})</td>
<td>Margaret had a shortage of K30</td>
</tr>
</tbody>
</table>

2. What is the new balance? ________________________________

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 3
Lesson 10: Records Used In Credit Transactions

Introduction:
Welcome to Lesson 10. In the previous lesson you learnt about records used in cash transactions. In this lesson you will learn about records that are used in credit transactions.

Your Aims:
- Define credit transaction
- Identify the records used in credit transactions

What is a Credit Transaction?
There are times when the business would need to buy and sell goods or services on credit. However, as much as possible small businesses should discourage credit buying and selling. You are aware by now that credits can lead to the business failing in the end.

Owners should only allow its trusted customers to take things on credit knowing they will pay up their credit. Likewise the suppliers of the small business will allow the small business to buy goods on credit if the business is honest and trustworthy.

A credit transaction refers to buying and selling goods and services bought and sold on credit. The business owner should follow up on its customers to pay their credits on time. It must also check how much it owes its suppliers money.

Activity 10.1: Complete the activity given below.

What is a credit transaction?

Records used In Credit Transactions
It is important that small business owners keep records and files of their customers who obtain goods on credit. The business must also keep a record of how much money it owes its suppliers.

Information concerning credit buying and selling is taken from source documents. What are source documents? Source documents are papers or documents that show information about buying and selling goods and services with cash or on credit.
So what are the source documents that are used when buying and selling goods on credit? You have already learnt about these in your Unit Three (3) Lesson 9 however, let us go through again the source documents used when buying and selling goods on credit are:

- Letter of enquiry
- Quotation/catalogue
- Purchase order
- Acknowledgement
- Delivery docket
- Invoice
- Credit note
- Statement of account
- Cheque and covering letter

From these source documents the business owner is able to get information and transfer it into the record book. What is the name of the record book that records credit buying and selling? The name of the book that records credit buying and selling is called a journal. What is a journal? A journal is a book that records credit transactions which are not shown in the cash book. There are two types of journals: Credit Purchases Journal and Credit Sales Journal.

1. **Credit Purchases Journal**
   The credit purchases journal is a book used to record purchase of goods on credit by the owner.

Below is an example of a Credit Purchases Journal record book.

CREDIT PURCHASES JOURNAL

<table>
<thead>
<tr>
<th>Date</th>
<th>Wholesaler</th>
<th>Invoice</th>
<th>Amount (K)</th>
<th>Date</th>
<th>Paid Accounts (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2nd</td>
<td>Choulai C &amp; C</td>
<td>10</td>
<td>500.00</td>
<td>July 2nd</td>
<td>400.00</td>
</tr>
<tr>
<td>30th</td>
<td>Choulai C &amp; C</td>
<td>15</td>
<td>300.00</td>
<td>29th</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>800.00</td>
<td></td>
<td>500.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>500.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>OWING 300.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The credit purchases record book shows the amount owed by the small business person to its suppliers. The left side of the record book shows the amount that the business owes to its suppliers whilst the right side shows the amount the small business owner has paid to its suppliers.

As you proceed on to Grade 11 and 12 you will learn that the journals will not show the right side of the record book only the left side will be shown.

2. **Credit Sales Journal**
   Credit sales journal refers to the book that records the sale of goods on credit.

Now, turn to the next page to see the Credit Sales Journal.
The credit sales journal shows the record of sales by the small business to its customers. The left side of the record book shows the amount that the customers owe the owner whilst the right side shows the amount paid by the customers who have credits.

As you proceed on in Grade 11 and 12 you will learn that the right side of the journal will not be shown as currently shown above. Only the left side of the record will be shown.

You will learn more about the journals in your grade 10 Business Studies Course.

---

**Activity 10.2: Complete the activities given below.**

1. Imagine you own a retailing business and the following information below are your credit purchases from various suppliers.

(a) Draw up a Credit Purchase Journal and record the above credit transactions in the journal

<table>
<thead>
<tr>
<th>Date</th>
<th>Customer</th>
<th>Docket No.</th>
<th>Amount (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd</td>
<td>Allan Pato</td>
<td>27</td>
<td>5.00</td>
</tr>
<tr>
<td>3rd</td>
<td>Luke Keke</td>
<td>28</td>
<td>2.50</td>
</tr>
<tr>
<td>3rd</td>
<td>Miriam Lei</td>
<td>29</td>
<td>10.00</td>
</tr>
<tr>
<td>4th</td>
<td>John Dege</td>
<td>30</td>
<td>3.40</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd</td>
<td>20.90</td>
</tr>
<tr>
<td>4th</td>
<td>17.50</td>
</tr>
</tbody>
</table>

Paid

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16th</td>
<td>5.00</td>
</tr>
<tr>
<td>17th</td>
<td>2.50</td>
</tr>
<tr>
<td>17th</td>
<td>10.00</td>
</tr>
</tbody>
</table>

Owing

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17th</td>
<td>17.50</td>
</tr>
</tbody>
</table>

(b) What is the outstanding amount? _______________________________
2. Imagine you own a retailing business and the following information below are your credit sales to various customers.

<table>
<thead>
<tr>
<th>Date (August)</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd</td>
<td>Simon Tapo (112) for K35.00</td>
</tr>
<tr>
<td>5th</td>
<td>Vexson Tony (113) for K10.00</td>
</tr>
<tr>
<td>8th</td>
<td>Beku Atere (114) for K40.50</td>
</tr>
<tr>
<td>10th</td>
<td>Yana Boi (115) for K12.00</td>
</tr>
</tbody>
</table>

From the above debtors, only two managed to pay their debts on 30th August.

These are the two debtors.
- Simon Tapo (112)
- Yana Boi (115)

REQUIREMENT:
(a) Draw up a Credit Sales Journal
(b) Record the above credit transactions in that sales journal.

(c) What is the outstanding amount or debt? ________________________________
Summary:

You have come to the end of Lesson 10. In this lesson you learnt that:

- Owners should only allow its trusted customers to purchase goods on credit knowing they are very honest and will still pay up their credit.
- The suppliers of small businesses will allow the small business to buy goods on credit if it is honest and trustworthy.
- A Credit transaction refers to goods taken away or used now by customers to be paid for at a later date.
- It is important that small business owners keep a record and file of their customers who are sold goods on credit. They must also keep a record and file of how much money they owe their suppliers.
- The name of the book that records credit buying and selling is called a journal.
- A journal is a book that records information of the business transaction like credits which will not be shown in the record books like the cash book.
- Small businesses use two types of journals called Credit Purchase and Credit Sales Journal to record goods bought sold on credit.
- The credit Purchases Journal records purchase of good on credit by the owner from the supplier.
- The Credit Sales Journal records goods allowed on credit by the owner to its customers.

NOW DO PRACTICE EXERCISE 10 ON THE NEXT PAGE
Practice Exercise 10

1. Define the following terms.
   (a) Credit Purchases Journal
   ______________________
   _________________________________________________
   (b) Credit sales Journal
   __________________________________________________
   _________________________________________________

2. Describe the importance of the credit purchases and credit sales journal.
   __________________________________________________
   _________________________________________________

3. John Sope owns Joso Enterprise. He purchases some of his stock on credit from Choulai Wholesale. On 1st September, Mr Sope owed Choulai Wholesale K200.

Credit Purchase
September   02   K50   Invoice 888
          10   K60   Invoice 890
          20   K90   Invoice 962

Amount Paid
September   22   K50   Receipt # 703
          27   K60   Receipt # 709

Draw up the correct journal and record the information given. (Use the space give below.)

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 3
ANSWERS TO

TOPIC 3

PRACTICE EXERCISES
### CASH BOOK

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>RECEIPT</th>
<th>PAYMENT</th>
<th>BALANCE (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>06ثل/08/2015</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td>3000</td>
</tr>
<tr>
<td>07ثل/08/2015</td>
<td>Goods purchased (TST)</td>
<td>2000</td>
<td></td>
<td>1000</td>
</tr>
<tr>
<td>08ثل/08/2015</td>
<td>Sales</td>
<td>1000</td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>08ثل/08/2015</td>
<td>Purchased goods from Seeto Kui</td>
<td></td>
<td>300</td>
<td>1700</td>
</tr>
<tr>
<td>09ثل/08/2015</td>
<td>Goods purchased (Badili)</td>
<td></td>
<td>400</td>
<td>1300</td>
</tr>
<tr>
<td>09ثل/08/2015</td>
<td>Sales</td>
<td>600</td>
<td></td>
<td>1900</td>
</tr>
<tr>
<td>10ثل/08/2015</td>
<td>Goods Purchased (TST)</td>
<td></td>
<td>500</td>
<td>1400</td>
</tr>
</tbody>
</table>
## Practice 9 Exercise

### CASH BOOK

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>RECEIPT</th>
<th>PAYMENT</th>
<th>BALANCE (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>07th/05/15</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>08th/05/15</td>
<td>Goods purchased (Bismillah)</td>
<td></td>
<td>300</td>
<td>200</td>
</tr>
<tr>
<td>09th/05/15</td>
<td>Goods purchased (Patrick’s Wholesale)</td>
<td></td>
<td>50</td>
<td>150</td>
</tr>
<tr>
<td>09th/05/15</td>
<td>Sales</td>
<td>120</td>
<td></td>
<td>270</td>
</tr>
<tr>
<td>10th/05/15</td>
<td>Margaret – (owner’s drawings)</td>
<td></td>
<td>20</td>
<td>250</td>
</tr>
<tr>
<td>11th/05/15</td>
<td>Deposited to savings account</td>
<td></td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>12th/05/15</td>
<td>Shortage</td>
<td></td>
<td>30</td>
<td>70</td>
</tr>
</tbody>
</table>

2. The new balance is K70
Practice Exercise 10

1. (a) Credit Purchases Journal refers to the book that records the purchases of goods on credit by the owner from the supplier.

(b) Credit sales Journal refers to the book that records the sales of goods on credit by the owner to its customers.

2. They are kept to remind the owners of how much money they owe their suppliers and how much money their customers owe them.

3.

<table>
<thead>
<tr>
<th>Date</th>
<th>Wholesaler</th>
<th>Invoice No.</th>
<th>Amount (K)</th>
<th>Date</th>
<th>Paid Accounts (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 1st</td>
<td>R &amp; K</td>
<td>887</td>
<td>200.00</td>
<td>Sept 22nd</td>
<td>50.00</td>
</tr>
<tr>
<td>2nd</td>
<td>R &amp; K</td>
<td>888</td>
<td>50.00</td>
<td>27th</td>
<td>110.00</td>
</tr>
<tr>
<td>10th</td>
<td>R &amp; K</td>
<td>890</td>
<td>60.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20th</td>
<td>R &amp; K</td>
<td>962</td>
<td>90.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>400.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Paid 110.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>OWING 290.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
TOPIC 4

REPORTING ON A SMALL BUSINESS

In this topic you will learn about;

- The Business Report
- The Balance Sheet
- The Statement of Receipts and Payments
- Evaluating a Business
Welcome to Topic 4. In this topic you will learn about different types of business reports. You will also learn how to present these reports to people and organisations that need them like the financial institutions.

This Topic contains five lessons.

**Lesson 11: The Business Report**
This lesson discusses and teaches you the purpose of writing business reports. It also teaches you how to identify records needed to prepare these report.

**Lesson 12: A simple Balance Sheet**
This lesson explains what a balance sheet is and identifies and describes its components. It also teaches you how to prepare balance sheets.

**Lesson 13: A simple Statement of Income and Expenditure**
This lesson teaches you about preparing a simple statement of income and expenditure. It defines, identifies and discusses the components of the income and expenditure statement. It also teaches you how to prepare a Statement of Income and Expenditure.

**Lesson 14: A simple Profit and Loss Statement**
This lesson teaches you about simple profit and loss statements. It defines the Profit and Loss Statement and explains its purpose as well as identifies the components of the Profit and Loss Statement. It teaches you how to analyse a Profit and Loss Statement.

**Lesson 15: Evaluating a Business**
This lesson is about understanding the importance of evaluating businesses. It teaches you how to identify and use the methods of evaluating a business and making recommendations.
Lesson 11: A Simple Business Report

Introduction:
Welcome to Lesson 11. This lesson introduces Topic 4, which is about ‘Reporting on a Small Business’. In the previous lesson, you learnt about records that are used when buying goods and services on credit. In this lesson you will learn how to prepare and keep reports for a business using business documents.

Your Aims:
- Explain reporting on the business and state its purpose
- Identify the different types of business reports
- Identify the records required in preparing the different types of business reports

The Business Report and its Purpose
Each year many small businesses fail due to poor record keeping. Therefore, proper record keeping helps the entrepreneur or the business person to measure success and to avoid failure. A business success can be measured over a period of time. This can be at the end of a month, six months or after a year of operation.

The records that are kept by the entrepreneur helps him or her to prepare business reports or financial statements. These reports or statements show the business’ performance and financial position. Financial position refers to whether the business has made a profit or loss at a certain period of time.

A business report is a statement that shows how much revenue or income was earned and spent by a business during its business operation in a given period of time.

The main purpose of keeping financial statements or business reports is to know how well the business is performing. Small businesses are required to from time to time report to various interested parties their financial statements or business reports. Who are these interested parties?

1. Owners: The owners themselves need these reports so that they will know whether if the money they have invested in the business is earning a profit or not. They can then make decisions about the business as well as other decisions such as getting into another business venture.

2. Management: Those who are running the business need these reports so that they can be guided to make correct and appropriate decisions for the business to progress well into the future.

3. Banks and other financiers: Banks like the Bank South Pacific and financial institutions like Fincorp and Kina Finance lend money to businesses. They need
these reports so they can make their judgement on whether to give out loans to the business person or not.

4. The government: The government needs these reports so that it can collect the right amount of taxes from businesses.

Activity 11.1: Complete the activities given below.

1. What is a business report?

2. Who needs the business report?
   (a) ____________________________  (c) ____________________________
   (b) ____________________________  (d) ____________________________

Types of Business Reports

Businesses, whether big or small, must prepare and keep business reports. There are three main types of reports used to establish the financial health of a business at any particular time. These reports are prepared using data or information from cash books, credit sales and purchases journals and stock records. We will study these source documents and records as we continue on with the Lesson.

Let us look at the three business reports that the business person should keep, that is, The Balance Sheet, Statement of Receipts and The Profit and Loss Statement. These are described below.

1. The Balance Sheet
   The Balance Sheet is sometimes called the Statement of Assets and Liabilities. It shows the total financial value of the business at a certain point in time. It contains the business assets and liabilities and owners’ equity.

   I’ve heard of these words assets, liabilities and owners’ equity. But what do they really mean?

   Assets refer to the things of value that are owned by the business such as vehicles and buildings and even land.

   Liabilities refer to things that the business owes others that it does business with. For example, bank loans, renting out a building to operate its business and goods purchased on credits from suppliers.

   Owners’equity refers to the capital or the money that belongs to the owner.

   What is a Balance Sheet? A Balance Sheet refers to a statement that shows the assets and liabilities of the business. Assets can be either fixed or current. Liabilities can be either long term or current.

   Turn to the next page to find out more about on the two types of assets and liabilities.
You will learn in detail how to prepare a balance sheet in the next lesson, Lesson 12.

2. Statement of Receipts and Payments
The statement of Receipts and Payments is referred to as The Cash Flow Statement. It helps the owners of small business find out the cash position of their business. By regularly comparing the total of the receipts and payments, a business is able to calculate its surplus or deficit cash. Surplus refers to the extra income earned by the business whilst the deficit refers to the loss of income made by the business during its operation.

The statement of receipts and payments summarise the inflow and outflow of cash during a period of time. When this inflow and outflow of cash are added to the cash in the bank at the start of the period, the bank balance at the end of the period can be determined.

The formula used to calculate the cash flow is given in the box below.

<table>
<thead>
<tr>
<th>Cash Receipts</th>
<th>Less</th>
<th>Cash Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>= Cash Surplus (deficit)</td>
</tr>
<tr>
<td>Add</td>
<td>Bank Balance (start of period)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bank balance (end of period)</td>
<td></td>
</tr>
</tbody>
</table>

The diagram above shows the types of assets and liabilities.
Source: Business in Melanesia Book 1.
The formula is spread out in the Statement of Receipts and Payments in Lesson 13.

3. Profit and Loss Statement
Small businesses must be able to prepare and keep profit and loss statements of their business operation. This report is done on a monthly, 6 monthly or yearly basis. Profit or loss is calculated by comparing the revenue and expenses over a period of time.

Small businesses earn revenue by selling the products or services such as the fees charged by a doctor or from the sale proceeds from the kaibar. On the other hand, expenses are costs and charges that small businesses pay in the process of operating the business. Examples, of expenses are rent paid by the firm and wages of employees.

The formula to find profit spread out in the Profit and Loss Statement that you will study in Lesson 14 is given in the box below.

\[
\text{PROFIT} = \text{Sales} - \text{Cost Of Goods Sold} - \text{Other Expenses}
\]

These are the three main business reports or financial statements that all businesses whether big or small should prepare and keep for the business.

Activity 11.2: Complete the activities given below.

1. List the three main types of business reports
   (a) _______________________________________________
   (b) _______________________________________________
   (c) _______________________________________________

2. What is the importance of keeping business reports?

   _______________________________________________
   _______________________________________________
   _______________________________________________

Records required in preparing the different types of business report
Business records kept in order makes bookkeeping easy for small business owner.

What is bookkeeping?
You will study more about bookkeeping in grade 10. Anyway, look below to see the definition.

Bookkeeping refers to the process by which the financial transactions of a business are recorded.

Before the business report or financial statement is produced the business person must make sure that his or her source documents have been recorded correctly into proper source record books. Bookkeeping is a process because there are
procedures or steps that must be followed before the business can really know if it has made a profit or a loss.

Now, look below to see the bookkeeping process.

**Source Documents**
What are source documents? Source documents refer to the original documents that contain information showing the exchange of goods and services for payment. The following are source documents produced after the order is produced between the buyer and the seller or the supplier: invoice, receipt, credit note and cheque butts and Statement of Account with the supplier.

Others that follow are the inclusion of the bank in the business dealings are the Statement of Account and Bank Account.

**Source Record book**
What are source record books? The source record books refer to information contained in books that record the transaction type and amounts on the source documents into the proper record books. The following are the source records that a businesses must keep: The Cash Book, the Sales and Purchases Journal and the Stock Records.

With these records on hand and in order the business is able to make appropriate or sound decisions that will help the business prosper in the long run.

---

**Activity 11.3: Complete the activities given below.**

1. Define
   (a) Bookkeeping ______________________________________________________
   (b) Source document _________________________________________________
   (c) Source record book _____________________________________________

2. Why is bookkeeping seen as a procedure? ______________________________

---

By now, you should know that any transaction that the business does is attached with a source document. The information on this source document is then recorded into the source record book. From these source record books information can be obtained to prepare the business reports or financial statements.
Summary:

You have come to the end of Lesson 11. In this lesson, you learnt that:

- Business reports tell you the financial position of a business showing the total revenue earned and expenses paid. It includes the assets and liabilities of a business together with the profit or loss in any period of time.
- Bookkeeping records in the business are used for preparing the business report.
- From the business report the owner and management can make important decisions concerning the future of the business.
- Banks and Financial institutions use reports to make decisions on loan applications.
- The Government through the Taxation department uses the report to decide how much tax is to be paid by businesses. Taxes are calculated based on the profit earned by the business.
- The main business report or financial statements are the Balance Sheet, the Profit and Loss Statement and the Receipts and Payments Statement or Cash Flow Statement.

NOW DO PRACTICE EXERCISE 11 ON THE NEXT PAGE
1. Fill in the table by listing the people and organisations who need to read business reports and the reasons why they need these reports.

<table>
<thead>
<tr>
<th>People/organisation</th>
<th>Reasons for the business report</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. Define
(a) Assets ___________________________________________________________
(b) Liabilities _________________________________________________________
(c) Owners’ Equity ___________________________________________________

3. Fill in the table on the types of assets and liabilities.

<table>
<thead>
<tr>
<th>Types</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset</td>
<td>(i)</td>
</tr>
<tr>
<td></td>
<td>(ii)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>(i)</td>
</tr>
<tr>
<td></td>
<td>(ii)</td>
</tr>
</tbody>
</table>

4. State the importance of business reports.

___________________________________________________________________
___________________________________________________________________
___________________________________________________________________

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4
Lesson 12: A Simple Balance Sheet

Introduction:
Welcome to Lesson 12. In the previous lesson you learnt about the business report. In this lesson you will learn about keeping a simple balance sheet in a small business.

Your Aims:
- Define the balance sheet and explain its purpose
- Identify the components of a balance sheet
- Prepare a balance sheet

What is a Balance Sheet?
A balance sheet is sometimes called the Statement of Assets and Liabilities. It is a report that shows the financial position of the business during a given period of time. It also shows the share of business which belongs to the owner, and how much money is owed.

A balance sheet is prepared based on the accounting equation: assets = liability + owners’ equity. This accounting equation means the total amount of assets from the owner plus the creditors generally known as liabilities.

Below is an example of a Balance Sheet.

<table>
<thead>
<tr>
<th>BALANCE SHEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agari Trading</td>
</tr>
<tr>
<td>Balance Sheet as at 31st July</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
</tr>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>Stock</td>
</tr>
<tr>
<td>Vehicle</td>
</tr>
<tr>
<td><strong>K5500</strong></td>
</tr>
</tbody>
</table>

The balance sheet above shows that this business is worth K5500 on 31st July.

How is that so?

Continue reading to find out.

The owners’ investment or proprietorship is K1500. His assets are cash worth K2000 and stock worth K500. During the month he buys a vehicle from Ela Motors worth K3000 on credit. This means his business owes Éla Motors K3000 thus increasing its liabilities. But at the same time the vehicle can be seen as an asset of the business,
therefore, increasing the value of the asset. The business also during the month borrowed K1000 from BSP. This means it has increased its liabilities.

To work out the position of the business at the end of the month, in this case, 31\textsuperscript{st} July, add all the assets of cash K2000 + stock K500 + Vehicle K3000 which equates to K5500. This must be equal to the liabilities. So the liabilities of Ela Motors K3000 + BSP loan K1000 = K3000 add capital of K1500 = K5500. Thus the balance sheet has both assets and liabilities being equal.

Activity 12.1: Complete the activity given below.

Calculate the owner’s capital contribution for this business if its asset is worth K10 000 and total liabilities are valued at K5200.

Components of a Balance Sheet

There are three important components or parts of a balance sheet. The amounts under these components change depending on the transactions made by the business. It is important for us to know what these components are in detail. The components are as follows:

1. **Assets**
   Assets are items of value owned and controlled by a business, for instance, the land and the buildings, the cash at the bank and in the business, the inventories (stock of goods), the furniture, the vehicles, the debtors (customers received goods on credit from business). The business earns profit from the use of these assets.

2. **Liabilities**
   Liabilities are the amount owing by the business to external parties, for instance, buying stock on credit, the loan from banks and others that the business will pay in the future.

3. **Proprietorship**
   Proprietorship means ownership. So proprietorship refers to the owner’s capital contribution to start up the business. It is also called owner’ equity. Equity refers to the cash contributed.

Activity 12.2: Complete the activity given below.

List down the three (3) components of a balance sheet.

1. 
2. 
3. 

Preparing a Simple Balance Sheet

Before any balance sheet can be prepared it is important to gather all the necessary information from the records of the business. Confirm with the documents to see that
amounts gathered for the assets, the liabilities and the owners investment are correct.
Let us now study an example and record the information in the respective columns in the balance sheet.

The balance sheet for this business is to be prepared at end of May 31\textsuperscript{st}.
On 31\textsuperscript{st} May Trupela Trading had the following:
Cash at bank K4000, Cash in business K600, Building valued at K5000, ANZ bank loan K3000. Creditors: M. Yet K100, C. Api K200, Debtors: J. Kit K300, Stock K2500.

Now, look below to see a Balance Sheet. The information presented in the balance sheet is taken from the situation given above.

**BALANCE SHEET**

<table>
<thead>
<tr>
<th>Assets:</th>
<th>Liabilities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank K4000</td>
<td>Loan-ANZ K3000</td>
</tr>
<tr>
<td>Cash in business K600</td>
<td></td>
</tr>
<tr>
<td>Building K5000</td>
<td>Creditors:</td>
</tr>
<tr>
<td>Debtor: J. Kit K300</td>
<td>M. Yet K100</td>
</tr>
<tr>
<td>Stock K2500</td>
<td>C. Api K200</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proprietorship:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital K____</td>
</tr>
</tbody>
</table>

It is important that all items are recorded correctly in their respective positions. You should know by now that assets must be equal to liabilities plus proprietorship. If it does not balance then you must know that something is missing.

In the case above, the total value of assets should be K12 400. If you check the other side, liabilities add up to K3300 which means it is not in balance. The owners’ investment is not known so you need to subtract the total liabilities from the total assets. This gives you the capital investment of the owner which is K9100 (K12 400 – (K300 + K100 + K200) K3300). This report is called a balance sheet which means the totals on both sides must balance or be equal.

---

**Activity 12.3: Complete the activity given below.**

Identify the following lists of items as assets, liabilities or proprietorship.

1. Equipment worth K1500 ________________
2. Cash from selling stock K200 ________________
3. Buying stationery on credit K500 ________________
4. Land K5000 ________________
5. Owner puts additional investment K2000
6. Sell goods on credit to customers K350

Changes in the Balance Sheet

The total in the balance sheet changes with the transactions that are made. For example, if the business bought some goods this would have an impact on the assets section. The goods are part of the stock and will increase the value of assets. Likewise, if it took out a loan this will have an impact on its liabilities. The liabilities will increase by the amount of the loan. However, both the assets and liabilities must equal at the end of the business period. This could be at the end of the month or the year. Transactions refer to the buying and or the selling of goods using cash or credit.

To understand how transactions change the balance sheet, let us go through an example.

This is Henry Kaiok’s business transaction on 6th May 2015. He invested K2000 as his capital to start a small trade store in his village. The K2000 will be labelled as capital under proprietorship. Proprietorship means ownership. This amount will also have an effect on the assets. The balance sheet would look like this.

$$
\begin{array}{|c|c|}
\hline
\text{Asset} & \text{Liabilities} \\
\text{Cash at Bank} & \text{Nil} \\
\text{Equipment} & \text{K2000} \\
\hline
\end{array}
$$

On the 7th May, he purchased equipment worth K500 cash. The Cash balance will now decrease to K1500 but the business will have its equipment worth K500 thus increasing its asset. His balance sheet now looks like this;

$$
\begin{array}{|c|c|}
\hline
\text{Asset} & \text{Liabilities} \\
\text{Cash at Bank} & \text{Nil} \\
\text{Equipment} & \text{K500} \\
\hline
\end{array}
$$
On the 9th May he takes out a loan of K10 000 from The Bank of South Pacific. The money was paid to the business increasing its liabilities at the same time.

<table>
<thead>
<tr>
<th>H.Kaiok</th>
<th>Balance sheet</th>
<th>As at 8th May 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset</strong></td>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>K11500</td>
<td>BSP- Loan</td>
</tr>
<tr>
<td>Equipment</td>
<td>K 500</td>
<td></td>
</tr>
</tbody>
</table>

| Proprietorship | |
| Capital | K 2000 |

K12 000

Also on the 9th of May 2011 he bought a vehicle valued at K8500. That means the cash at bank of K8500 was used reducing the total balance to K3500. But at the same time its value of assets increases by the value of the vehicle since the vehicle is an asset. The balance sheet will look like this;

<table>
<thead>
<tr>
<th>H.Kaiok</th>
<th>Balance sheet</th>
<th>As at 9th May 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asset</strong></td>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Cash at Bank</td>
<td>K3000</td>
<td>BSP-Loan</td>
</tr>
<tr>
<td>Bank</td>
<td>K 500</td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>K8500</td>
<td></td>
</tr>
<tr>
<td>Vehicle</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Proprietorship | |
| Capital | K 2000 |

K12 000

So you can see that, balance sheet always changes. You should also know from the examples given above that any transaction happening in the business will affect two items in the balance sheet. That is the total asset must always be equal to the total liabilities plus the proprietorship.

Although each transaction affects the balance sheet, records are kept separately from which a balance sheet is prepared when required.
Summary:

You have come to the end of Lesson 12. In this lesson you learnt that;

- Assets are valuable items that the business has which cost money to purchase
- Liabilities are the money or valuables received by the business which it is liable to repay.
- Proprietorship is the owners’ investment in the business which are recorded as the capital or the owners’ equity,
- The balance sheet shows the total value of assets in the business and are equal to the creditors or owners’ own investment.
- The transaction always affects two items in the balance sheet that a the assets and the liabilities.
- The total assets must always equal to the total liabilities plus the proprietorship.
- Information given in a Balance Sheet at a certain period of time will help the owner(s) know the financial position or status of their businesses.

NOW DO PRACTICE EXERCISE 12 ON THE NEXT PAGE
Practice Exercise 12

1. The business owner Mick Ket started his business on 1st of January 2015 with K8000 cash. He also has other asset including a refrigerator worth K2000, school supplies worth K1500, stock for sale K4500 and a bank loan outstanding of K3500. Fill in the balance sheet below.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Bank Loan</td>
</tr>
<tr>
<td>K_______</td>
<td>K_______</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>Proprietorship;</td>
</tr>
<tr>
<td>K_______</td>
<td>Capital</td>
</tr>
<tr>
<td>School Supplies</td>
<td></td>
</tr>
<tr>
<td>K_______</td>
<td>K_______</td>
</tr>
<tr>
<td>Stock</td>
<td></td>
</tr>
<tr>
<td>K_______</td>
<td></td>
</tr>
<tr>
<td>K_______</td>
<td>K_______</td>
</tr>
</tbody>
</table>

2. From the following information you are required to prepare a standard balance sheet for M. Mary on 30th June 2010 and find the owners investment. Stock K2000, loan from bank K3000, furniture K1000, equipment K2500, Creditors: J Corn K200, F.Bean K50, cash at bank K5000 and cash in business K2500, debtor account K250, stationery K1000.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proprietorship;</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
</tr>
</tbody>
</table>

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4
Lesson 13: A Simple Statement of Receipts and Payments

Introduction:
Welcome to Lesson 13. In the previous lesson you learnt about preparing and keeping a simple balance sheet for your business. This is so that you know the value of your assets as well as your liabilities. In this lesson you will learn about keeping a statement of receipts and payments of a business.

Your Aims:
- Define Statement of Receipts and Payments and their purpose in a business
- Identify the components of the Statement of Receipts and Payments
- Prepare a Statement of Receipts and Payments

Statement of Receipts and Payments
The statement of income and expenditure or cash flow statement shows the cash position of a business. In other words from the statement the owner of the business will know how much money they will make in the coming months based on the statement.

Cash flows out of the business when business owners purchase stock for sale or pay for other expenses like electricity and loans. Cash flows in when the business receives money from its sales and other sources of income. In the statement of receipt and expenditure, summaries of such actions and the time they occur are shown.

This is shown in the diagram below.

The diagram above shows a Cash Flow chart.
Source: Business for Melanesia.
Businesses record their cash flow and predict what their financial position will be based on cash transactions and recordings.

Activity 13.1: Complete the activity given below.

Explain why money goes out of the business and give three examples.

Cash Records in a Small Business

Small businesses deal with cash transactions on a daily basis. This means that proper recording should be done separately to see how they use their cash. Simple recording for cash may be useful to check against the bank statement. Large businesses use cheque accounts which is an example recorded in the cash book.

### CASH BOOK

<table>
<thead>
<tr>
<th>Date (2015)</th>
<th>Particulars</th>
<th>Receipt (K)</th>
<th>Payment (K)</th>
<th>Balance (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun 1</td>
<td>Opening balance</td>
<td></td>
<td></td>
<td>5000</td>
</tr>
<tr>
<td>2</td>
<td>Purchase</td>
<td>2400</td>
<td>2600</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Sales</td>
<td>340</td>
<td></td>
<td>2940</td>
</tr>
<tr>
<td>5</td>
<td>Sales</td>
<td>400</td>
<td></td>
<td>3340</td>
</tr>
<tr>
<td>7</td>
<td>Wages</td>
<td>300</td>
<td></td>
<td>3040</td>
</tr>
<tr>
<td>8</td>
<td>Sales</td>
<td>350</td>
<td></td>
<td>3390</td>
</tr>
<tr>
<td>9</td>
<td>Electricity</td>
<td>50</td>
<td></td>
<td>3340</td>
</tr>
</tbody>
</table>

Source: Business for Melanesia.

The bookkeeping records are used to help prepare the statement of income and expenditure. So such information like total receipts, total expenses and others are transferred into the income and expenditure statement.

Let us use the table given above. We can now analyse and prepare the total as:

(a) Total receipt or income from sales.
To get the total receipt or income from the sales, you will add the following figures; K340 + K400 + K350 = K1090.

(b) Total expenditure as payments.
To get the total expenditure, you will add the following figures: K2400 + K300 + K50 = K2750.
(c) Opening Balance.
To get the Opening Balance you will find it as the first figure in the balance column. In this case, you have K5000.

The opening balance is what the owner uses to purchase stock for resale. From the stock some of them are not sold and is still with the business that we need to consider as well. Also other items purchased for running the business like the stationery or electricity are also taken into consideration using the balance sheet we had seen in the previous lesson.

Activity 13.2: Complete the activity given below.

Name the source document that will help a business know if they have not received the goods they have ordered for in the first place. ________________________________

Let us continue to discuss the parts of the statement of income and expenditure. By regularly comparing the total of receipts and payments, a business is able to calculate its surplus or deficit (short fall). The statement of income and expenditure summarises the inflow and outflow of cash during a period of time.

Given below is the formula used to calculate the bank balance at the end of the business period.

\[
\text{Cash receipts} - \text{Cash payment} = \text{Cash surplus or deficit} \\
\text{add} \quad \text{Cash Balance (opening balance) start of period} \\
\text{= Cash balance (Closing balance) end of period}
\]

Source: Business for Melanesia.

The formula given in the box above is spread out in the statement of income and expenditure. You can see this in the statement of income and expenditure given on the next page.
STATEMENT OF INCOME AND EXPENDITURE

Mangi Lo Ples Trading
Statement of Income and Expenses
For week ending 9th June 2015.

<table>
<thead>
<tr>
<th></th>
<th>K</th>
<th>K 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Receipts (income)</td>
<td>1090</td>
<td></td>
</tr>
<tr>
<td>Capital – Opening balance</td>
<td>5000</td>
<td></td>
</tr>
<tr>
<td>Loan or other income</td>
<td>000</td>
<td>6090</td>
</tr>
<tr>
<td>Less cash payment (expenses)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock</td>
<td>2400</td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>300</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>50</td>
<td>2750</td>
</tr>
</tbody>
</table>

Closing Cash Balance

Source: Business for Melanesia.

Let us go through the information given in the statement of income and expenditure and apply the figures to the formula.

Turn to the next page and follow carefully to understand the calculations.

Cash receipt (income) from June 1st to 9th = K1090
Less Cash payment (expenditure) from June 1st to 9th ; ( Stock K2400 + Wages K300 + K50) = K2750
Equals Cash balance (K1090 – K2750) = - K1660 (deficit)
Add Cash balance at start K5000 + (-) K1660 = Closing balance K3340.

Source: Business for Melanesia.

The formula helps the business person workout the position of his or her cash flow. That is whether the cash inflow is more or less than the cash outflow. In this case, this business has a high cash inflow which shows it has made profit.

Activity 13.3: Complete the activity given below.

What will happen to the business if their expenses are greater than the income?

Statement of Income and Expenditure for Reporting

After analysing the source records and the cash book the amounts are then presented in a formal way for reporting purposes.
The formal way of presenting information for the income and expenditure of the business is through a statement. You have already seen the statement of income and expenditure on page 122, however, it is presented again for you to see and remember.

**STATEMENT OF INCOME AND EXPENDITURE**

<table>
<thead>
<tr>
<th>Mangi Lo Ples Trading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Income and Expenses</td>
</tr>
<tr>
<td>For week ending 9th June 2011</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>K</th>
<th>K</th>
<th>K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Receipts (income)</td>
<td>1090</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital – Opening balance</td>
<td>5000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan or other income</td>
<td>0000</td>
<td>6090</td>
<td></td>
</tr>
<tr>
<td>Less cash payment (expenses)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock</td>
<td>2400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>50</td>
<td>2750</td>
<td>3340</td>
</tr>
<tr>
<td>Closing Cash Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Business for Melanesia.

**Summary:**

You have come to the end of Lesson 13. In this lesson, you learnt that:

- An income and expenditure statement records the movement of cash in a business.
- Money goes out from the business for purchase of stock and other expenses.
- Money comes into the business from the selling of goods.
- The statement of income and expenditure helps business to make decisions.
- Interested parties use the statement of income and expenditure to make decisions.
- The Statement of Income and Expenditure is the same as the Statement of Revenue And Expenditure. It is also known as the Cash Flow Statement.

NOW DO PRACTICE EXERCISE 13 ON THE NEXT PAGE
Practice Exercise 13

1. What is a statement of income and expenditure?

___________________________________________________________________
___________________________________________________________________

2. What is the other name for the statement of revenue and expenditure?

___________________________________________________________________

3. (i) Use the following information to prepare an income and expenditure statement for Jimi Enterprise.

   Capital   K4000
   Income    K1090
   Opening balance K3500
   Loan from BSP  K2000
   Purchase – Stock K3000
   Wages      K300
   Electricity K400
   Rent       K200

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4
Lesson 14: A Simple Profit and Loss Statement

Introduction:
Welcome to Lesson 14. In the previous lesson you learnt about keeping a simple Statement of Income and Expenditure which shows how much money is coming into and going out of the business. In this lesson you will learn about preparing and keeping a simple Profit and Loss Statement.

Your Aims:
- Define Profit and Loss Statement and its purpose
- Identify the components of the Profit and Loss Statement
- Apply the principles of the Profit and Loss Statement
- Analyse a Profit and Loss Statement

The Profit and Loss Statement
By now you are aware that in this topic, topic 4 of unit 9.6(2), the lessons you have already studied looked at the reports that were prepared by small businesses. These reports are information presented on papers showing how much money the business has earned, spent and incurred. Incur refers to the expenses the business has accumulated or added up however has not paid up these expenses. So the Profit and Loss Statement is one of the business reports or financial reports of the business.

A Profit and Loss Statement refers to a statement showing the profit earned or loss incurred from the business activities.

The purpose of preparing and keeping a Profit and Loss Statement
The purpose of preparing and keeping a Profit and Loss Statement is to report the status or the progress of the business by finding out if it has made a profit or a loss. The Profit and Loss Statement has a format or style that is followed. We will find out more about this format as we continue with this lesson.
**Activity 14.1: Complete the activities given below.**

1. Define Incur _____________________________________________________________

2. What is a Profit and Loss Statement? ___________________________________________

3. What is the purpose of Profit and Loss Statement? ___________________________________

**Components of a Profit and Loss Statement**

The owners of small businesses must be familiar with the format or style of the Profit and Loss Statement so that they can easily draw up their Profit and Loss Statement and find out if they have made a profit or a loss. Components refer to the parts of the Profit and Loss Statement.

Below is an example showing the components of a Profit and Loss Statement.

**COMPONENTS OF A PROFIT AND LOSS STATEMENT**

As mentioned earlier, you will study the Profit and Loss Statement in grade 10 therefore carefully study the components or parts of the business report shown above.
The business report, profit and loss statement, can easily be prepared if all source documents are in order and in the appropriate source record books. For example, receipts and invoices.

There are three important source record books that businesses will use to collect information to prepare their Profit and Loss Statement.

1. The Cash book
   The Cash book refers to the book that records all cash sales and payments made by using cash.

2. Journal
   The Journal refers to the book that records all credit purchases and credit sales.

3. Stock record
   A stock take record is a book showing information on the number and value of stocks kept by the business at a certain period of time.

Activity 14.2: Complete the activity given below.

Fill in the table by listing and explaining the records used to help prepare the Profit and Loss Statement.

<table>
<thead>
<tr>
<th>Source Record</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Applying the Principles of Profit and Loss Statement

Here, we are actually going to study how a Profit and Loss Statement is drawn up or prepared. Principle refers to a set of laws. So, in this case the principles refer to the set of laws or rules that a business person must know and apply when preparing the Profit and Loss Statements.

Now, let us go through an example on how we can prepare a Profit and Loss Statement from the required records.

The following business events occurred for Mark Trading in April 2015 and he kept them recorded in his source record books. Below shows the information found in his source record books.
You must remember this format so it becomes easier for you to prepare a Profit and Loss Statement.

**Analysing a Profit and Loss Statement**

To analyse means to work out or find out if the business has made a profit or a loss. The owner must look at the figure where it states net profit on the statement. This figure would be found on the bottom right hand corner of the statement.

**1. Profit**

If the *difference between the Sales and the Cost of Goods Sold is Greater than the Other Expenses*, this means the business has made a profit. Let us look at the example above.
Sales – COGS – Other Expenses;
K505 – K230 = K275, Other expense is K85. K275 – K85 = K190 so definitely the business has made profit of K190.00.

2. Loss
If the difference between the Sales and the Cost of Goods Sold is Less than the Other Expenses, this means the business has made a loss. Let us look at an example.

Sales – COGS - Other Expenses; (K250 – K300 = (-) K50. Assume this particular business Other Expenses amounts to K150. (-) K50 – K150 = (-) K200. This means that the business has definitely made a loss of K200. The takeaway sign (-) means a deficit or a loss for the business.

Activity 14.3: Complete the activity given below.

Fill in the table by explaining how business person can work out if he has earned profit or made loss from its Profit and Loss Statement.

<table>
<thead>
<tr>
<th>Profit</th>
<th>Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Summary:

You have come to the end of Lesson 14. In this lesson, you learn that;

- The Profit and Loss Statement is a financial or business report of the business. It is a statement showing the profit from the business activities.
- The business will know it has made a profit if its sales are greater than its cost of goods sold and other expenses. It can tell that it has made a loss if its sales are less than its cost of goods sold and other expenses. The amount stated profit will have a negative sign.
- The three important sources of records that must be kept by the business to prepare its profit and loss statement are:
  (1) The Cash Book
  (2) The Journal
  (3) The Stock Record

NOW DO PRACTICE EXERCISE 14 ON THE NEXT PAGE
Practice Exercise 14

1. Name other business or financial reports of the business apart from The Profit and Loss Statement.

2. Use the information given below and prepare a profit and loss statement in the space provided.

(a) Other Expenses
   Credit Sales
   Cash Purchases
   Cash Sales

(b) Opening Stock
   Closing Stock

Check your work. Answers are at the end of Topic 4.
Lesson 15: Evaluating a Business

Introduction:
Welcome to Lesson 15. This is the last lesson for unit, 9.6, Part 2. In the previous lesson you learnt about ‘Simple Profit and Loss Statement’. In this lesson you will learn about the methods used in evaluating a business. This information will help you know if the business has made a profit or has suffered a loss.

Your Aims:
- Define evaluation and explain the significance of evaluating in a business
- Identify the methods of evaluating a business
- Evaluate a business balance sheet and make recommendations

Evaluating a Small Business
All businesses whether big or small must evaluate their progress.

This means the business is able to know how much it is worth. In the event that the owner decides to sell the business, he can sell it at the correct value. The owner is able to make appropriate decisions such as buy new or more stock, venturing or getting into a new business or expanding the premises of the business.

The importance of evaluation is that the business is able to know how much it is worth and whether it has made a profit or suffered a loss. It can make appropriate decisions for the business.

Activity 15.1: Complete the activities given below.

1. Define the word evaluation.

2. State the importance of evaluation.
Methods of Evaluating a Small Business

In order for businesses to evaluate their progress they have to know the methods used.

Important financial reports such as the balance sheet and the profit and loss statement are used to evaluate the business' performance. These reports can enable the owner to also measure the strengths and weaknesses of the business' performance. There are two methods that businesses can use to evaluate their business progress are the profitability method and the ROA.

1. Profitability method
The information used for this method is taken out from the profit and loss statement. We know that the profit and loss statement gives the owner the information about whether the firm has been successful in selling its products or not. Every amount or figure in the financial report tells of what the business has been doing.

An important question the owner asks is ‘How profitable is my business?’ In business, it is important that the capital or money invested in a business is earning a good income or return. One way of calculating the profitability of the business is to calculate the rate of return on the capital invested. The rate of return refers to the percentage of the income the business expects to earn from its business activities.

Let us go through an example together.

Angelus Brown, the owner of Toy City started his business with K10,000 as his capital contribution. Toy City made a net profit of K2300 after one month of operation. We can calculate the profitability using this formula and the information from the profit and loss statement.

\[
\text{Profit} \times \frac{100}{\text{Owner's investment}} = \text{Rate of Return}
\]

Source: Business for Melanesia.

Now, turn to the next page to see the profit and loss statement for Toy City.
Here is the profit and loss statement for Toy City. The information concerning the calculation of the profitability of a business is taken from this report.

### THE TOY CITY

**PROFIT AND LOSS STATEMENT**

For the month ending 31st January 2015

<table>
<thead>
<tr>
<th>Income</th>
<th>K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>10 000</td>
</tr>
<tr>
<td>Less Cost of Goods</td>
<td>6000</td>
</tr>
</tbody>
</table>

**Gross Profit**

4000

**Less Expenditure**

<table>
<thead>
<tr>
<th>Item</th>
<th>K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>500</td>
</tr>
<tr>
<td>Electricity Bills</td>
<td>200</td>
</tr>
<tr>
<td>Roof repair</td>
<td>250</td>
</tr>
<tr>
<td>Loan interest</td>
<td>250</td>
</tr>
<tr>
<td>Rent</td>
<td>500</td>
</tr>
</tbody>
</table>

**Net Profit**

2300

The table above shows the Profit and Loss Statement for Toy City.

Let us continue on with the example:

Therefore:

\[
\text{Profit} \times \frac{100}{1} = \text{Rate of Return}
\]

\[
\frac{\text{K2300} \times 100}{\text{K10 000}} = 23\%
\]

This shows the rate of return on his investment is 23%.

Source: Business for Melanesia.

Angelus can compare this result with the results of similar businesses to see whether his business is profitable or competitive. Would Angelus have been better off investing his K10 000 in buying company shares or in a term deposit? The only way to determine this would be to compare with the other rates of return. Also Angelus should be able to compare the results of one month to the next to determine whether the business is becoming more or less profitable.
In this case, Angelus is taking home 23 toea from every K1 sales. For instance, if he sold K200 worth of items his profit would be 23 toea × K200 = K46.00. If Angelus earns less than 23 toea next month, he should take immediate action to improve the situation.

2. The Return on the Total Assets (ROA)

The information used for this method is taken out from the balance sheet. By now you should know that the balance sheet shows the assets and liabilities of the business. The Balance Sheet is sometimes called the Statement of Assets and Liabilities. You should also know that it shows by how much the capital of the business has increased. The capital of the business normally increases as a result of increased profits made by the business during the year.

Through careful analysis or examination of the balance sheet, the owners can determine the health of the businesses’ financial position. This can be compared with other similar businesses. The analysis or examination of the financial position will allow the owner to determine whether the assets owned by the business have been used successfully to earn a profit. The owner will also know whether the business has enough cash available to pay its debt on time. A debt refers to the amount of money that the business owes others which is yet to be paid.

### BALANCE SHEET OR STATEMENT OF ASSETS AND LIABILITIES

<table>
<thead>
<tr>
<th>NET WORTH</th>
<th>K10 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td></td>
</tr>
<tr>
<td>Represented by:</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>K6000</td>
</tr>
<tr>
<td>Stock of toys</td>
<td>K7000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixture and fittings</td>
<td>K1500</td>
</tr>
<tr>
<td>Cash register</td>
<td>K 500</td>
</tr>
</tbody>
</table>

| Total assets | K15 000 |

<table>
<thead>
<tr>
<th>Less LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td>K nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-current liabilities</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Loan (Due 30/12/2015)</td>
<td>K5000</td>
</tr>
</tbody>
</table>

| Total Liabilities | K5000 | K10 000 |

Source: Business for Melanesia.

Let us go through an example using the Toy City business.
As mentioned already the information used to calculate the rate of total assets comes from the balance sheet.

Turn to page 134 to see the balance sheet we are using for the example.

Angelus started with an investment of K10 000 in the business. However, because the business made a profit of K2300 in January, Angelus investment in the business has now increased to K12 300 (K10 000 + K2300). Careful analysis or examination of the balance sheet can help Angelus know if his K10 000 investment has been worthwhile or whether he would have earned more by investing elsewhere.

To determine the success of his investment he has to calculate the business’ return on its total assets. The return on total assets measure how effectively the business assets have been used. The simple formula used is:

\[
\text{Net Profit} \times \frac{100}{\text{Total assets}} = \text{ROA}
\]

Source: Business for Melanesia.

Let us continue on with the example;

\[
\frac{\text{Net Profit}}{\text{Total Assets}} \times \frac{100}{1} = \text{Rate of Return on Total Assets}
\]

\[
\frac{K2300}{K15 000} \times \frac{100}{1} = 15\%
\]

This shows a rate of return of 15% on his total assets.

Source: Business for Melanesia.

The return of 15% shows that every K100 of assets owned by Toy City has earned for the business a profit of K15. Angelus can compare this result with results obtained from similar businesses. He can also use this to compare future results. Usually a poor ROA means that the business assets are not being used productively.


downarrow

**Activity 15.2: Complete the activities given below.**

1. Explain what a rate of return is.

2. Explain why small business owners or managers need to evaluate their business’ performance on a regular bases.
Evaluating a Business Balance Sheet and making a recommendation

Here, we will look at Mr Brown’s balance sheet to help us evaluate and make recommendations through the rate of return on the total assets. The recommendations are the suggestions of things to be done.

Refer to page 132 and 133 on the ‘return on total assets’ (ROA) to follow what is discussed here.

Toy City has earned a rate of return on its total assets of 15%. This means his assets have been used effectively thus earning a profit.

With this, it is recommended that Mr Angelus Brown should expand his business. He can order more and a variety of stock and employ a new worker.

Activity 15.3: Complete the activities given below.

1. Name the statement used to work out;
   (a) Profitability. ____________________________
   (b) Rate of return on total assets. ____________________________

2. Name the two methods of evaluating a business and write down the two formula used.
   (a) ____________________________
   (b) ____________________________
Summary:

You have come to the end of Lesson 15. In this lesson, you learnt that:

- Evaluating a business helps to decide the future of the business.
- Evaluation refers to the act of considering or examining in order to judge its value, quality, importance, extent or condition.
- Two methods that to evaluate a business are:
  1. Profitability method
  2. Return on total assets method
   If the rate of return is high then the business should continue as normal
- The profitability of the business is based on the profit made from the capital investment.
- Return on Total Assets (ROA) is calculated based on the total value of the assets.
- When the rate of return is low then the business needs to improve or sell off its assets

NOW DO PRACTICE EXERCISE 15 ON THE NEXT PAGE
Practice Exercise 15

Monica has just completed her first year in business as 'Monica’s Flowers N Things'. Monica’s initial investment in the business was K128 000. Her first years profit is K14 500. Monica is reviewing the success of her business and needs your advice on the following things:

1. Calculate the rate of return on the owner’s investment for the first year’s trading.

2. A friend of Monica has asked her to invest her money in a new building industry currently paying 13% interest. Explain to Monica whether you think she should sell her business and invest in the building industry. State at least two reasons.

   ____________________________________________________________________
   ____________________________________________________________________
   ____________________________________________________________________

3. Assume over the next three years if she is still operating the same business, her total assets increased to the value of K130 000 and the net profit increased to K20 000. Work out the rate of return on total assets of the business.

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4
ANSWERS TO

TOPIC 4

PRACTICE EXERCISES
Answers to Practice Exercise 11-15

Practice Exercise 11

1.  

<table>
<thead>
<tr>
<th>People/ organisation</th>
<th>Reasons for the business report</th>
</tr>
</thead>
</table>
| (1) Owner             | - Needs it to see if his or her investment is worth it. If a business is not progressing well then he or she can try another business.  
                        | - Use different strategy to improve the business. |
| (2) Management        | Needs it to obtain the right decision for the future of the business. |
| (3) Banks and financial institutions | - Needs it to make loans for the business. No loan is given if the business person has outstanding loans or a lot of credits with its suppliers.  
                        | - For banks to make decisions on giving approving the loan. |
| (4) Government        | IRC, IPA and insurance needs it so they collect the right amount of tax from the business. |

2. (a) Assets refer to things of value owned by the business.  
    (b) Liabilities are things that will cost the business money like its creditors.  
    (c) Equity refers to the capital or money which is the contribution of the owner.

3.  

<table>
<thead>
<tr>
<th>Types</th>
<th>Explanation</th>
</tr>
</thead>
</table>
| Asset       | (i) Current  
              | They are items that will provide a benefit for the business in a short period, that is, in 12 months’ time. For example cash, stock and debtors. |
|             | (ii) Non-current  
              | They are items which will provide a long-term benefit to the business, that is, longer than 12 months. For example, buildings, equipment and vehicles. |
| Liabilities | (i) Current  
              | Debts or outstanding must be repaid in the short-term; that is, within the next 12 months. For example, creditors or people who the business is yet to pay |
|             | (ii) Non-current  
              | Debts or outstanding which must be repaid within a longer time period, that is beyond 12 months, for example, Mortgages or a housing loan. |

4. Business reports help the business person make the right decision on how best the business can progress.
### Practice Exercise 12

1. (a)

<table>
<thead>
<tr>
<th>Mick Ket</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance sheet as at 31st June</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td><strong>Liabilities</strong></td>
</tr>
<tr>
<td>Cash $8000</td>
<td>Bank Loan $3500</td>
</tr>
<tr>
<td>Refrigerator $2000</td>
<td></td>
</tr>
<tr>
<td>School Supplies $1500</td>
<td>Proprietorship;</td>
</tr>
<tr>
<td>Stock $4500</td>
<td>Capital $12500</td>
</tr>
<tr>
<td><strong>Total Assets $16,000</strong></td>
<td><strong>Total Liabilities $16,000</strong></td>
</tr>
</tbody>
</table>

2.

<table>
<thead>
<tr>
<th>M. Mary</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance sheet as at 30th June 2015</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td><strong>Liabilities</strong></td>
</tr>
<tr>
<td>Cash at bank $5000</td>
<td>Loan $3000</td>
</tr>
<tr>
<td>Cash in business $2500</td>
<td>Creditor $250</td>
</tr>
<tr>
<td>Equipment $2500</td>
<td></td>
</tr>
<tr>
<td>Stationery $1000</td>
<td>Proprietorship;</td>
</tr>
<tr>
<td>Furniture $1000</td>
<td>Capital $9000</td>
</tr>
<tr>
<td>Debtor $250</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets $12,250</strong></td>
<td><strong>Total Liabilities $12,250</strong></td>
</tr>
</tbody>
</table>
Practice Exercise 13

1. It is a statement that shows the financial position of a business at any particular time.

2. It is also called a Profit and Loss Statement.

<table>
<thead>
<tr>
<th>Jimi Trading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statement of Income and Expenses</strong></td>
</tr>
<tr>
<td><strong>For month ending June 31st 2015</strong></td>
</tr>
<tr>
<td>Opening balance:</td>
</tr>
<tr>
<td>Cash Receipts (income):</td>
</tr>
<tr>
<td>Capital – Opening balance:</td>
</tr>
<tr>
<td>Loan or other income:</td>
</tr>
<tr>
<td><strong>Less</strong> cash payment (expenses)</td>
</tr>
<tr>
<td>Stock</td>
</tr>
<tr>
<td>Wages</td>
</tr>
<tr>
<td>Electricity</td>
</tr>
<tr>
<td>Rent</td>
</tr>
<tr>
<td><strong>Closing Cash Balance</strong></td>
</tr>
</tbody>
</table>
Practice Exercise 14

1. (a) The Balance Sheet

2. 

### PROFIT STATEMENT for April 2015

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALES:</td>
<td></td>
</tr>
<tr>
<td>cash</td>
<td>K329.14</td>
</tr>
<tr>
<td>+ credit</td>
<td>K14.80</td>
</tr>
<tr>
<td>Stock at 1/4/2015</td>
<td>K190.34</td>
</tr>
<tr>
<td>add:</td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>K320.67</td>
</tr>
<tr>
<td>Credit</td>
<td>K130.41</td>
</tr>
<tr>
<td></td>
<td>K451.08</td>
</tr>
<tr>
<td></td>
<td>K641.42</td>
</tr>
<tr>
<td>less:</td>
<td></td>
</tr>
<tr>
<td>Stock at 31/3/2015</td>
<td>- K460.08</td>
</tr>
</tbody>
</table>

| COST OF GOODS SOLD           | K181.34  |
| GROSS PROFIT                 | K162.60  |
| less: other Expenses         | K 74.31  |
| NET PROFIT                   | **K 88.29** |
Practice Exercise 15

1. Profit \( \times \frac{100}{\text{Owners investment}} \)  
   \[
   \frac{K14\,500}{K128\,000} \times 100 = 11.33\% \text{ or } 11\%
   \]

2. (a) She should invest since she would earn 2% more than what she is earning. 
   (b) People’s demand for housing is very high and going into a building industry will earn very high returns or profit.

3. \( \frac{K\,20\,000 \times 100}{K130\,000} = 15.38\% \text{ or } 15\% \)

REVISE TOPIC 4 AND DO TOPIC 4 TEST IN YOUR ASSESSMENT BOOK 6
ANSWERS TO

UNIT 6

LESSON ACTIVITIES
Activity 1.1
1. (a) Stock refers to any item stored by the business for use in production or sales.
(b) Stock Range refers to the different number of goods in the store that make up the stock for sale.
(c) Stock Range Policy refers to the rules which guides the way in which stock in the store are to be displayed and stored.
2. ‘By the width’ refers to how wide the stock range is whilst by ‘the depth’ refers to the number of different qualities, brands, sizes and colours of different goods.
3.

<table>
<thead>
<tr>
<th>Tinned food</th>
<th>Fruit and Vegetables</th>
<th>Washing powder/soap</th>
<th>Toilet articles</th>
<th>Frozen goods</th>
<th>Bread/Biscuits and sweets</th>
</tr>
</thead>
<tbody>
<tr>
<td>-besta tinned fish</td>
<td>-grapes</td>
<td>-omo powder</td>
<td>-ice block</td>
<td>-lollies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-watermelon</td>
<td>-protex soap</td>
<td>-lamb flaps</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-cabbage</td>
<td>-Klina soap</td>
<td>-carton</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-peanuts</td>
<td></td>
<td>-ice cream</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-chicken pieces</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Activity 1.2
1. Because they are in demand by most people and will run out most of the time.
2. (a) When goods are not sold out quickly and are not selling fast then the money that is supposed to be made from these goods is not being made as expected.
(b) Goods that are not selling at all.

Activity 1.3
1. The importance of ordering goods is for the business person to avoid buying goods which he or she has not planned for in the first place. Without knowing what to buy the business person is surely going to waste money. Another importance is to ensure the store does not run out of stock.
2.

<table>
<thead>
<tr>
<th>Rules</th>
<th>Procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Buy the right quality goods</td>
<td>(a) Decide on how and when to buy stock</td>
</tr>
<tr>
<td>(b) Buy the right quantity</td>
<td>(b) Decide on what type of goods to buy</td>
</tr>
<tr>
<td>(c) Buy at the right price</td>
<td>(c) Decide how much to order</td>
</tr>
<tr>
<td>(d) Buy at the right time</td>
<td>(d) Decide when exactly to purchase</td>
</tr>
</tbody>
</table>
Lesson 2

Activity 2.1
1. To ensure that the goods are kept safe from thieves, insects, rats, expiring, moisture and other dangers which will surely cause losses to the business.
2. Storing refers to keeping good/stock in a safe place.

Activity 2.2

<table>
<thead>
<tr>
<th>Procedures</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. First in first out (FIFO)</td>
<td>The goods that are bought first for sale should be the first ones to be sold.</td>
</tr>
<tr>
<td>2. Store goods in groups</td>
<td>Goods that are of the same type should be grouped and sold together or side by side.</td>
</tr>
<tr>
<td>3. Store goods away from the wall and off the floor</td>
<td>Goods must be stored five centimetres away from the floor and the walls.</td>
</tr>
<tr>
<td>4. Goods should be kept clean and tidy</td>
<td>Goods must be kept clean and tidy. They must be dusted and wiped occasionally</td>
</tr>
<tr>
<td>5. Stock control</td>
<td>Goods should be checked and counted from time to time to know which goods are sold quickly and which are slow in selling</td>
</tr>
<tr>
<td>6. Storeroom stock to selling area</td>
<td>The store room is for keeping stock that will be sold later. Do not keep your stock for sale later in the area where you are selling to customers.</td>
</tr>
</tbody>
</table>

Activity 2.3
1. (d)                                      3. (a)
2. (b)                                      4. (c)
Lesson 3

Activity 3.1
1. Selling refers to exchanging a product or service for money.
2. The importance of selling goods is to for the business to earn money and make more profit so that it can continue and progress.

Activity 3.2
1. Goods offered are of different varieties
2. Goods sold in smaller quantities are cheaper
3. Good location for customers

Activity 3.3
1. (a) Warranty refers to a contract which states that the goods that have been bought will be replaced when damaged or are faulty during a particular period of time.
   (b) Trouble shooting refers to solving problems.

<table>
<thead>
<tr>
<th>(a) Showing enthusiasm for the product</th>
<th>(c) Special sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Know your buyers</td>
<td>(d) Improving sales</td>
</tr>
<tr>
<td></td>
<td>(e) Trouble shooting poor sales</td>
</tr>
</tbody>
</table>

3. The importance of good management skills in selling goods is the ability to sell goods quickly and in the best way possible to attract more customers. This leads to business earning more profit
Lesson 4

Activity 4.1
1. (a) Employee refers to a person who works for another person.  
(b) Legal refers to anything to do with the law.  
2. A record should be kept so everyone knows what they are doing otherwise two people might be doing the same thing.

Activity 4.2
Cleanliness is important since it will help the business attract many customers. If the business environment is dirty pests and insects will destroy the goods which will eventually lead to the breakdown of the business.

Activity 4.3
He or she can perform the duties himself or herself. They should work on those that are urgent like serving the customers during the day and after closing they can clean the store and stock the shelves and others do other related tasks.

Activity 4.4
1. A work plan refers to kinds of tasks are involved, when to do them, and who will do them.  
2. It clearly guides who is supposed to do what work each day. This helps to keep the store in order as well has been clean.
Lesson 5

Activity 5.1
1. Stocktaking refers to the physical counting of the stock in a business at a particular time.
2. The importance of the stock taking is to monitor the movement of stock in and out of the store. It also helps the business owner to prepare business or financial report like the Profit and Loss Statement and Balance Sheet.

Activity 5.2
1. (a) Prudence refers to being careful to avoid undesired circumstances or results. (b) Audit means to check the records of the business.
2. Tied up capital is when money is not made because the stock are not being bought by the customers or not being sold.
3. The reasons are for:

<table>
<thead>
<tr>
<th>(a) Auditing</th>
<th>(c) Prudence</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Controlling</td>
<td>(d) Accounting purpose</td>
</tr>
<tr>
<td>(e) Competition</td>
<td>(g) Valuation</td>
</tr>
<tr>
<td>(f) Profitability</td>
<td></td>
</tr>
</tbody>
</table>

Activity 5.3
The Physical inventory method involves finding out the value of the stock at the end of a certain period of time that is at the end of the week, month or year. Whilst the perpetual inventory method involves finding out the value of the stock at any time. You do not have to wait till the end.

Activity 5.4
1. Tidy the stock the day before
2. Organise the employees or workers in the business
3. Identify the damaged and valueless stock
4. Check documents for shipments received close to stock day
5. Draw up the stock list in the stock book
6. The business must be closed on the day of counting/stock take
7. Obtain the selling value when all the items have been counted on the stock lists
8. Obtain the total stock value at the selling price
Lesson 6

Activity 6.1
1. Stock control system refers to a set of steps that must be followed to control the stocks coming into and going out of the business.
2. It enables the strict control of movement of the stock.

Activity 6.2
1. (a) The quantitative stock control system refers to keeping records of stock in number form.
   (b) The value system stock control refers to keeping records of stock in amount of money form.

2.

<table>
<thead>
<tr>
<th>Stock Control System</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) A quantity system</td>
<td>It involves recording the stock of items in numbers or figures.</td>
</tr>
<tr>
<td>(b) A value system</td>
<td>It involves recording the stock of items in amount.</td>
</tr>
<tr>
<td>(c) A value system based on the selling value of goods</td>
<td>It records all necessary information about the stock in the business like the purchases, sales, amount owed to the supplier, the amount owed by customers, the cost and the sales value of the stock.</td>
</tr>
</tbody>
</table>

Activity 6.3
1. Drawing of goods refers to the owner taking goods to consume or use without paying for them.
2. - There will be shrinkages and leakages in the stock.
   - Loss of profit.
Lesson 7

Activity 7.1
(Sample answers)
- Tribal fight led to the store being burnt down and looted by the enemies or opportunists.
- Poor security checks leading to food items stolen every day.
- Bad location meaning a lot of criminal activities happening around that area causing few people to move around to buy goods.

Activity 7.2
To keep thieves away.

Activity 7.3
(Sample answers)
- Dogs should be placed in the premises at night.
- Employ two security guards to man the store at night.
- Doors and the windows of the stores should have fixed security grilled doors/windows.
- Spotlights place at the front and back of the store.
Lesson 8

Activity 8.1
1. (a) Accountability refers to the duty to keep and give records of the business activities and its financial reports.
(b) Bookkeeping refers to the process by which records of the business transactions are recorded.
(c) A Cash Book refers to a record of money that is the notes and coins coming into and going out of the business.

2. (a) Single Entry Bookkeeping
(b) Double Entry Bookkeeping

Activity 8.2
1. (a) Information Purpose
(b) Decision Making Purpose
(c) Accountability Purpose

2. (a) The owners of the business
(b) The government
(c) The bank
(d) The general public/stakeholders

Activity 8.3:
1. (a) Journals refer to the record where information concerning credits are recorded into. There are two types of journals that small business can keep.
(b) Credit purchases journal refers to a record of goods purchased on credit by the owner.
(c) Credit sales journal refers to a record of goods sold on credit by the owner.

2. | Record Types         | Explanation |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Cash Book</td>
<td>The record book where all cash transactions are recorded.</td>
</tr>
<tr>
<td>(b) Stock Record</td>
<td>The record book where the quantity and value of the stock of the business is recorded.</td>
</tr>
<tr>
<td>(c) Journals</td>
<td>The record book that shows the amount of money owed by customers and how much the business owes its suppliers.</td>
</tr>
</tbody>
</table>
Lesson 9

Activity 9.1
1. Cash transaction refers to the buying and selling of goods and services for cash.
2. Because the money owed could have been used to purchase more stock to increase the sales and profit of the business. Credits eventually lead to the business failing.

Activity 9.2
1. Records refer to the written information. In business what it buys and sells are part of the information that is written down.
2.
   - Letter of inquiry
   - Quotation or price list
   - Order form
   - Acknowledgement of order
   - Delivery or Consignment notes
   - Invoice
   - Credit note
   - Statement of account
   - Receipt

Activity 9.3
1. (a) Shortages refer to the loss of money.
   (b) Surplus is referred to as the extra money.
   (c) Drawings refer to the owner taking out cash from the business for his or her personal use.
2.

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>RECEIPT (K)</th>
<th>PAYMENT (K)</th>
<th>BALANCE (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/05/11</td>
<td>Opening Balance</td>
<td></td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>6/05/11</td>
<td>Goods purchased (TST)</td>
<td></td>
<td>300</td>
<td>200</td>
</tr>
<tr>
<td>7/05/11</td>
<td>Sales</td>
<td>170</td>
<td></td>
<td>370</td>
</tr>
<tr>
<td>8/05/11</td>
<td>Sales</td>
<td>90</td>
<td></td>
<td>460</td>
</tr>
<tr>
<td>8/05/11</td>
<td>Drawings</td>
<td></td>
<td>40</td>
<td>420</td>
</tr>
<tr>
<td>9/05/11</td>
<td>Transfer to savings a/c</td>
<td>150</td>
<td></td>
<td>270</td>
</tr>
</tbody>
</table>

(b) K270
Lesson 10

Activity 10.1

The credit transaction refers to the goods and services bought and sold on credit.

Activity 10.2

<table>
<thead>
<tr>
<th>Date</th>
<th>Wholesaler</th>
<th>Invoice</th>
<th>Amount (K)</th>
<th>Date</th>
<th>Paid Accounts (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 3rd</td>
<td>TST</td>
<td>1003</td>
<td>60.00</td>
<td>July 30th</td>
<td>20.00</td>
</tr>
<tr>
<td>30th</td>
<td>Carpenters</td>
<td>2/409</td>
<td>20.00</td>
<td>30th</td>
<td>16.00</td>
</tr>
<tr>
<td>8th</td>
<td>Sullivans</td>
<td>E775</td>
<td>12.50</td>
<td>30th</td>
<td>26.00</td>
</tr>
<tr>
<td>10th</td>
<td>TST</td>
<td>111</td>
<td>16.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Paid  26.00
Owing 82.50

(c) K82.50

2. (a) & (b)

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Paid  47.00
Owing 50.50

(c) K50.50
Lesson 11

Activity 11.1
1. A business report is a statement that shows how much revenue or income was earned and spent by the business during its business activities in a given period of time.
2. Answers:
   (a) Owners
   (b) Management
   (c) Banks and other financers
   (d) The government

Activity 11.2
1. (a) The Balance Sheet
   (b) Statement of Receipts and Payments
   (c) Profit and Loss Statement
2. The importance of keeping a business report is that the business will be able to know if it has earned a profit or made a loss.

Activity 11.3
1. (a) Bookkeeping refers to the process by which the financial transactions of a business are recorded.
   (b) Source documents refer to the original documents that contain information showing the exchange of goods and services for payment.
   (c) The source record books refer to the information contained in books that records the transaction type and amounts on the source documents into the proper record books.
2. Bookkeeping is seen as a procedure because there are steps involved when trying to find out how much money the business has made.
Lesson 12

Activity 12.1
*Assets – Liabilities = investment or owners’ equity*

\[ \text{K}10\,000 - \text{K}5200 = \text{K}4800 \]

Activity 12.2
1. Assets
2. Liabilities
3. Proprietorship

Activity 12.3
1. Asset
2. Asset
3. Liabilities
4. Asset
5. Proprietorship/capital
6. Liabilities
Lesson 13

Activity 13.1
The money goes out of the business to help the business earn more money. For example money is spent to purchase goods, pay for electricity, water and telephone bills. And also to repay loans.

Activity 13.2
Order form

Activity 13.3
- The business will make a loss.
- The business will make an assessment and restart.
Lesson 14

Activity 14.1
1. Incur refers to the expenses the business has accumulated or added up which have not been paid.
2. A Profit and Loss Statement is a report that shows the profit or loss of the business.
3. To show whether the business has made a profit or loss.

Activity 14.2

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<tr>
<th>Source Record</th>
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<td>Cash book</td>
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<tr>
<td>Journals</td>
<td>This book records all the credit purchases and sales.</td>
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<td>Stock record</td>
<td>This book records the information on the number and value of stock or goods kept by the business.</td>
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Activity 14.3

<table>
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<td>The difference between the Sales and the Costs Of Goods is less than the Other Expenses</td>
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</table>
Activity 15

Activity 15.1
1. Evaluation refers to the act of considering or examining in order to judge the value, quality, importance, extent or condition of something.
2. A business owner is able to know how much the business is worth and whether it has made a profit or not. Also other important decisions can also be made such as buy more or less stock, expanding the business or investing in a new business.

Activity 15.2
1. The Rate of return refers to the percentage of the income the business expects to earn from its business activities.
2. So they know how well the business is progressing. If it is not progressing they can improve that situation. For example, sell old stock at the mark down prices.

Activity 15.3
1. (a) The Profit and Loss Statement
   (b) The Balance Sheet

2. (a) Profitability
   \[
   \frac{\text{Profit}}{\text{Owners investment}} \times 100 = \text{Rate of Return}
   \]

   (b) Return on Total Assets
   \[
   \frac{\text{Net Profit}}{\text{Total assets}} \times \frac{100}{1} = \text{ROA}
   \]

END OF ANSWERS TO THE LESSON ACTIVITIES
STUDY FOR YOUR UNIT EXAMINATION
UNIT 6 (2)

REFERENCE
REFERENCES

- HORSLEY, M., ANDERSON, S., BIDDLE, I. & MULAS, R., Heinemann Business Studies, Preliminary Course
- WAMA, Jeffery G. & TAU Yuwak. (2008), BUSINESS IN MELANESIA, BOOK 1, National Library of Papua New Guinea, Port Moresby, Papua new Guinea

UNIVERSAL REFERENCE LIST

What is delivery note?

Difference between invoice and Delivery note.

Producing a delivery note.

Sales Skills and Techniques
http://www.bizmove.com/marketing/m2p1.htm 5th August 2014

Importance of Selling Skills

How to Sell a Product
http://www.wikihow.com/Sell-a-Product 5th August 2014

Retail

Business Evaluation Method
STUDENTS AND MARKER’S COMMENTS

STUDENT’S COMMENTS:

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## FODE Provincial Centres Contacts

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<td>Wabag</td>
<td>P. O. Box 259, Wabag</td>
<td>5471114</td>
<td>72228120</td>
<td>The Coordinator</td>
<td>72229082</td>
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<tr>
<td>21</td>
<td>Hela</td>
<td>P. O. Box 63, Tari</td>
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<td>72229083</td>
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<tr>
<td>22</td>
<td>Jiwaka</td>
<td>C/- FODE Hagen</td>
<td>72228143</td>
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<td>The Coordinator</td>
<td>72229085</td>
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</table>
## SUBJECT AND GRADE TO STUDY

<table>
<thead>
<tr>
<th>GRADE LEVELS</th>
<th>SUBJECTS/COURSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grades 7 and 8</td>
<td>1. English</td>
</tr>
<tr>
<td></td>
<td>2. Mathematics</td>
</tr>
<tr>
<td></td>
<td>3. Personal Development</td>
</tr>
<tr>
<td></td>
<td>4. Social Science</td>
</tr>
<tr>
<td></td>
<td>5. Science</td>
</tr>
<tr>
<td></td>
<td>6. Making a Living</td>
</tr>
<tr>
<td>Grades 9 and 10</td>
<td>1. English</td>
</tr>
<tr>
<td></td>
<td>2. Mathematics</td>
</tr>
<tr>
<td></td>
<td>3. Personal Development</td>
</tr>
<tr>
<td></td>
<td>4. Science</td>
</tr>
<tr>
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<td>5. Social Science</td>
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<td></td>
<td>6. Business Studies</td>
</tr>
<tr>
<td></td>
<td>7. Design and Technology- Computing</td>
</tr>
<tr>
<td>Grades 11 and 12</td>
<td>1. English – Applied English/Language&amp; Literature</td>
</tr>
<tr>
<td></td>
<td>2. Mathematics - Mathematics A / Mathematics B</td>
</tr>
<tr>
<td></td>
<td>3. Science – Biology/Chemistry/Physics</td>
</tr>
<tr>
<td></td>
<td>4. Social Science – History/Geography/Economics</td>
</tr>
<tr>
<td></td>
<td>5. Personal Development</td>
</tr>
<tr>
<td></td>
<td>6. Business Studies</td>
</tr>
<tr>
<td></td>
<td>7. Information &amp; Communication Technology</td>
</tr>
</tbody>
</table>

### REMEMBER:
- For Grades 7 and 8, you are required to do all six (6) courses.
- For Grades 9 and 10, you must study English, Mathematics, Science, Personal Development, Social Science and Commerce. Design and Technology-Computing is optional.
- For Grades 11 and 12, you are required to complete seven (7) out of thirteen (13) courses to be certified.

Your Provincial Coordinator or Supervisor will give you more information regarding each subject.
### GRADES 11 & 12 COURSE PROGRAMMES

<table>
<thead>
<tr>
<th>No</th>
<th>Science</th>
<th>Humanities</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Applied English</td>
<td>Language &amp; Literature</td>
<td>Language &amp; Literature/Applied English</td>
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<tr>
<td>2</td>
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<td>3</td>
<td>Personal Development</td>
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<tr>
<td>4</td>
<td>Biology</td>
<td>Biology/Physics/Chemistry</td>
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<td>5</td>
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<td>Geography</td>
<td>Economics/Geography/History</td>
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<tr>
<td>6</td>
<td>Geography/History/Economics</td>
<td>History / Economics</td>
<td>Business Studies</td>
</tr>
<tr>
<td>7</td>
<td>ICT</td>
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</table>

**Notes:** You must seek advice from your Provincial Coordinator regarding the recommended courses in each stream. Options should be discussed carefully before choosing the stream when enrolling into Grade 11. FODE will certify for the successful completion of seven subjects in Grade 12.

### CERTIFICATE IN MATRICULATION STUDIES

<table>
<thead>
<tr>
<th>No</th>
<th>Compulsory Courses</th>
<th>Optional Courses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>English 1</td>
<td><strong>Science Stream:</strong> Biology, Chemistry, Physics</td>
</tr>
<tr>
<td>2</td>
<td>English 2</td>
<td><strong>Social Science Stream:</strong> Geography, Intro to Economics and Asia and the Modern World</td>
</tr>
<tr>
<td>3</td>
<td>Mathematics 1</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Mathematics 2</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>History of Science &amp; Technology</td>
<td></td>
</tr>
</tbody>
</table>

**REMEMBER:**

You must successfully complete 8 courses: 5 compulsory and 3 optional.