



## Small Medium and Micro Enterprises: SMME4

### LESSON 8

#### UNIT STANDARD: 10009 SO1

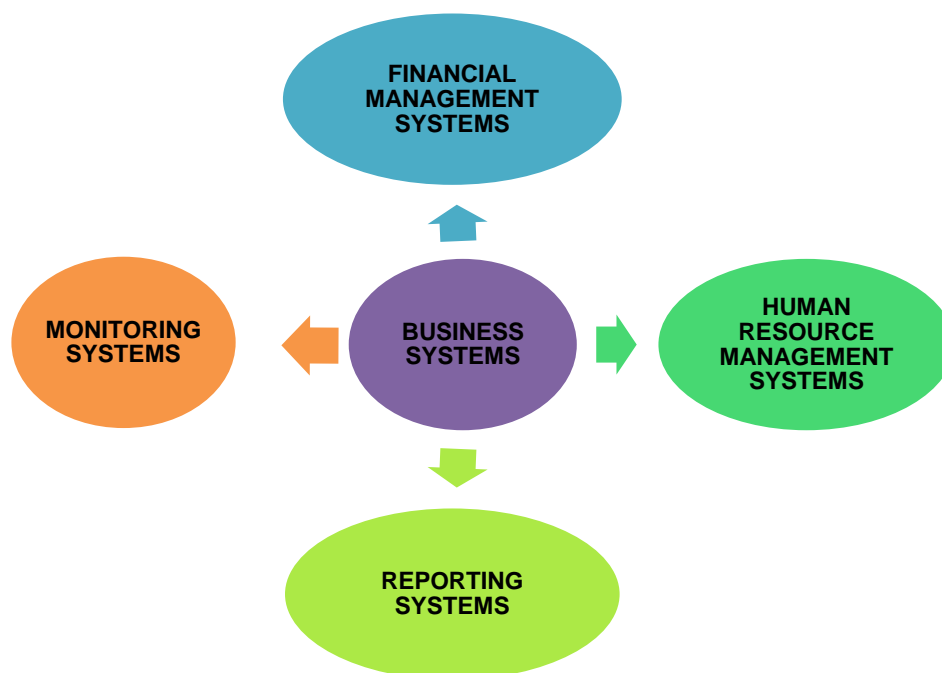
#### NOTES AND ACTIVITIES

#### TOPIC: HOW TO RUN A BUSINESS

**By the end of this lesson, you should be able to:**

1. Identify Four business management systems
2. Explain and discuss business management system
3. Complete an income statement
4. Explain the Inter-relationship between the systems
5. Identify business risks
6. Explain the cause, effects and how to solve the business risks

#### FOUR SYSTEMS REQUIRED TO RUN A BUSINESS





## **FINANCIAL MANAGEMENT SYSTEM**

- Is the systems that helps the business to reach its financial goals
- It keeps records of all the business monies i.e. income, expenditures (costs/expenses) and profit of the business.
- Its responsibility is to do income statement and cash flow statement of the business.
- Cash flow statement is a record of the money entering or leaving the business
- Is the one that determines if the business is making profit or a loss?

## **HUMAN RESOURCE MANAGEMENT SYSTEM**

- Determine and employ the number of people the business need
- Determine and find the skills needed by employees
- Trains/ or provide training to employees.
- Responsible for the skills audit for the business
- It keeps employees information in the business.

## **REPORTING MANAGEMENT SYSTEM**

- Is the system that stores, collects and analyses the information of a business in order to help decision makers to make informed decision about a business.

## **MONITORING MANAGEMENT SYSTEM**

- Is the system that helps the business to track its activities and give a report that will inform evaluation of a business?
- Is responsible for checking that things are going according to plan

## **RISKS INVOLVED IN RUNNING THE BUSINESS**

Risks that are involved in the running of the business are as follows:

- Theft
- Strike
- Failure of systems
- Natural disasters
- Competitor



### 1. THEFT

Cause	How it affect the business	How to solve(respond) the risk
<ul style="list-style-type: none"> <li>• Under payment of employees</li> <li>• Poverty</li> <li>• Low self-esteem of employees</li> <li>• Lack of control</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of stock/assets</li> <li>• Lead to loss of income/profit</li> <li>• May lead to the down fall of the business</li> </ul>	<ul style="list-style-type: none"> <li>• Insure the business(insurance)</li> <li>• Put CCTV Camera</li> <li>• Hire security guard</li> </ul>

### 2. STRIKE

Cause	How it affect the business	How to solve(respond) the risk
<ul style="list-style-type: none"> <li>❖ Employees grievances</li> <li>❖ Dispute over minimum wages/salaries</li> </ul>	<ul style="list-style-type: none"> <li>❖ Lose production/service</li> <li>❖ Lose income/profit</li> <li>❖ Premises can be vandalised</li> </ul>	<ul style="list-style-type: none"> <li>❖ Negotiation</li> <li>❖ Compromise</li> <li>❖ Meet demands</li> </ul>

### 3. FAILURE OF SYSTEM

Cause	How it affect the business	How to solve(respond) the risk
<ul style="list-style-type: none"> <li>• Unskilled workers</li> <li>• Poor finance managing</li> <li>• Poor quality of a product</li> <li>• Poor marketing skills</li> </ul>	<ul style="list-style-type: none"> <li>• Lose of stock</li> <li>• Stop Production</li> <li>• Lose time due to the fact that processes will be repeated</li> </ul>	<ul style="list-style-type: none"> <li>• Owner take control of the business</li> <li>• Start planning for the future</li> <li>• Empower the workers with the skills needed</li> <li>• Market the business well</li> </ul>

### 4. COMPETITORS

Cause	How it affect the business	How to solve(respond) the risk
<ul style="list-style-type: none"> <li>• Technology</li> <li>• Nature of a product</li> <li>• Economic scale</li> </ul>	<ul style="list-style-type: none"> <li>• Lose customers</li> <li>• Lose income/profit</li> <li>• Business may close down/be destroyed</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce prices</li> <li>• Provide added value for customers</li> </ul>



## NATURAL DISASTERS

E.g. floods, earthquakes, draughts

Cause	How it affect the business	How to solve(respond) the risk
<ul style="list-style-type: none"><li>Global warming</li></ul>	<ul style="list-style-type: none"><li>Loss of assets</li><li>Loss of production</li></ul>	<ul style="list-style-type: none"><li>Insure the business</li></ul>

## INDIVIDUAL EXERCISE

1. List **FOUR** systems that can be used to run the business effectively

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2. Explain the purpose of the following functions in the business

2.1 Human resource plan

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(2)

2.2 Reporting plan

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(2)



3. Complete the table of risks involved in running the business

<b>Risks</b>	<b>Cause</b>	<b>How it affect the business</b>	<b>Measures to solve the risk</b>
<b>Theft</b>			
<b>Competitor</b>			
<b>Strike</b>			
<b>Failure of system</b>			
<b>Natural disaster</b>			

(15)

4. Complete the cash flow statement of Lami's hair salon

Lami has R4170 in the business account at the beginning of June and receive income of R8950, which increase, by R1500 for two months. Lami's hair salon products reduced by R250 every month.



	June	July	August
<b>INCOME</b>			
Money available	R 4 170	R 4120	<b>3.3-----(1)</b>
Sales	R 8 950	<b>3.1-----(1)</b>	R11 950
<b>TOTAL INCOME</b>	<b>R13 120</b>	<b>R14 570</b>	<b>3.4-----(2)</b>
<b>EXPENSES</b>			
Variable costs	R2500	R 2 250	<b>3.5-----(1)</b>
Fixed costs	R6500	<b>3.2-----(1)</b>	R6500
<b>TOTAL EXPENSES</b>	<b>R9000</b>	<b>R 8 750</b>	<b>3.6-----(2)</b>
<b>Cash at the end of the month/Profit</b>	<b>R4120</b>	<b>R5820</b>	<b>3.7-----(2)</b>

(10)

**Mark 33**

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