Citrus Business Management Programme

Module 5 – part 2

Manage your Business: The Basics

Learner Guide

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Contents

Directions

Unit Standard Information

Mobilise resources for a new venture

SAQA US ID	**UNIT STANDARD TITLE**			
114590	Mobilise resources for a new venture			
ORIGINATOR				
SGB Generic Management				
PRIMARY OR DELEGATED QUALITY ASSURANCE FUNCTIONARY				
-				
FIELD			**SUBFIELD**	
Field 03 - Business, Commerce and Management Studies			Generic Management	
ABET BAND	**UNIT STANDARD TYPE**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**CREDITS**
Undefined	Regular-Fundamental	Level 4	NQF Level 04	4
REGISTRATION STATUS		**REGISTRATION START DATE**	**REGISTRATION END DATE**	**SAQA DECISION NUMBER**
Reregistered		2015-07-01	2018-06-30	SAQA 10105/14
LAST DATE FOR ENROLMENT		**LAST DATE FOR ACHIEVEMENT**		
2019-06-30		2022-06-30		

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard does not replace any other unit standard and is not replaced by any other unit standard.

PURPOSE OF THE UNIT STANDARD

This Unit Standard is intended for people who have to ensure that resources are utilised effectively in a small business venture. The learner will also be able to identify opportunities to improve the effectiveness of resources.

The qualifying learner will be able to:

- Identify and utilise available resources.
- Evaluate the resources contribution to effective business performance.
- Seek and use professional advice to supplement competencies.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

Learners accessing this Unit Standard should be competent in Mathematical Literacy and Communications at NQF Level 3.

UNIT STANDARD RANGE

The following elements are included but are not limited to:

- Objectives: requirements of the business, short term objectives, long term objectives, realistic time frames, milestones and targets, measurable outcomes.
- Advisors: lawyers, accountants, specialist consultants and business counsellors.
- Fees: up-front costs, tax allowances, cost benefits.

Implement an action plan for a new venture

SAQA US ID	UNIT STANDARD TITLE			
263534	Implement an action plan for a new venture			
ORIGINATOR				
Task Team - New Venture Creation				
PRIMARY OR DELEGATED QUALITY ASSURANCE FUNCTIONARY				
-				
FIELD			**SUBFIELD**	
Field 03 - Business, Commerce and Management Studies			Generic Management	
ABET BAND	**UNIT STANDARD TYPE**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**CREDITS**
Undefined	Regular	Level 4	NQF Level 04	4
REGISTRATION STATUS		**REGISTRATION START DATE**	**REGISTRATION END DATE**	**SAQA DECISION NUMBER**
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This unit standard replaces:

US ID	Unit Standard Title	Pre-2009 NQF Level	NQF Level	Credits	Replacement Status
114591	Implement an action plan for business operations	Level 4	NQF Level 04	4	Complete

PURPOSE OF THE UNIT STANDARD

This Unit Standard is intended for learners within Small, Micro and Medium Enterprise Sector. The learner will be able to implement an action plan, in terms of the practical and physical aspects, derived from a business plan for establishing a new venture.

Learners credited with this unit standard will be able to:

- Design an action plan for a new venture.
- Set up business premises and operational systems.
- Implement business financial systems.
- Identify the risks associated with the new venture.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

It is assumed that the learner has the following knowledge and skills:

- Communication at NQF Level 3.

UNIT STANDARD RANGE

N/A

Using the Learner Guide

This learning material has been developed to assist the learner wishing to complete this unit standard. The guide contains all necessary learning to ensure that the learner will attain the competencies required by the unit standard.

The learner guide is accompanied by formative and summative portfolio of evidence (PoE) guides. Please ensure that you have access to these guides as well. The learner guide was designed to be used by a learner during the presentation of a skills programme based on the unit standard and to be kept afterwards by the learner for reference purposes. The PoE guides were designed to be completed during and after the presentation of the skills programme and forms part of the assessment process.

Background Information

The main theme of this module is to help entrepreneurs manage the day-to-day actions of their business.

The module will cover aspects such as:

- Business writing
- Spatial planning and measurement basics
- Resource mobilisation
- Action plans

This module contributes to the exit level outcome and associated criteria:

4. Manage a new venture by applying business principles and techniques.

4.1 A business plan for a new venture is developed using strategic planning principles and techniques.

4.2 Guidelines for the implementation and monitoring the strategic action plan are formulated in terms of milestones and timeframes.

4.3 Financial management planning principles and techniques are applied in order manage the business in an efficient and effective manner.

4.4 Production and / or operations management is applied in a chosen business opportunity.

This module comprises of 5 unit standards and attracts 22 credits, and is presented in two different study guides.

This module is aligned to unit standards:

Part 1	**Business writing**	12153	Use the writing process to compose texts required in the business environment	F	4	5
		119465	Write / present / sign texts for a range of communicative contexts	F	3	5

	Spatial planning and measurement basics	9016	Represent, analyse and calculate shape and motion in two- and three-dimensional space in different contexts	F	4	4
Part 2	**Resource mobilisation**	114590	Mobilise resources for a new venture	C	4	4
	Action plans	263534	Implement an action plan for a new venture	C	4	4

Learning Outcomes

This learner guide has the following learning outcomes:

Part 1 - Section 1 – Business Writing

Part 1 - Section 2 – Spatial Planning and Measurement Basics

Part 2 - Section 3 – Resource Mobilisation

This learner guide has the following learning outcomes:

1. Identify and utilise available resources.
    1.1. The resources available to own venture are identified and explained in terms of the role each will play in the business venture.
    1.2. Different institutional sources of expertise are identified relevant to the venture.
    1.3. Conditions, procedures, costs and information required to access resources are investigated to determine whether or not they are affordable.
    1.4. Application forms are completed and relevant documents are prepared to access the relevant resources.
2. Evaluate the contribution of resources to effective business performance.
    2.1. Potential performance of resources is evaluated against stated business objectives.
    2.2. Actual contribution of resources to achievement of business objectives is evaluated against stated business objectives.
    2.3. Alternative resources to ineffective or inefficient resources are evaluated for practicality, cost, and desired outcome.
    2.4. Criteria for evaluation of improvement are identified as per objectives.
3. Seek and utilise professional advice to supplement competencies.
    3.1. The resource areas where advice is required are identified and the objectives described for intervention.
    3.2. Available professional advice is identified and categorised according to specific requirements of own venture.
    3.3. The brief for the professional advice is specified according to desired outcomes of own business.
    3.4. Records of the advice given are recorded and kept for future reference.
    3.5. Professional fees are negotiated in line with best business practices.

Part 2 – Section 4 – Action Plans

1. Design an action plan for a new venture.

1.1. Actions to be taken to establish a business are listed according to priority.

1.2. An explanation is given of the reason for the priority assigned to each action.

1.3. Time frames are scheduled for prioritised actions.

1.4. Deadlines are determined for scheduled actions.

2. Set up business premises and operational systems.

   2.1. A comparison is conducted of the leasing or purchasing of premises by means of analysing the advantages and disadvantages of each option.

   2.2. A suitable location and premises are identified for the new venture.

   2.3. Operating and communication systems are put into place for the new venture.

   2.4. A brand is established for a new venture. (Brand includes but is not limited to the professional image of the new venture.)

   2.5. Legal issues and safety regulations for the premises are adhered to in terms of the relevant legislation.

   2.6. Resources are procured according to the business requirement.

   2.7. Resources include but is not limited to stationery.

3. Implement business financial systems.

   3.1. A banking scheme is selected which is most suitable to the new venture. (Banking scheme refers to bank systems and types of bank accounts.)

   3.2. Financial systems are established to eliminate fraud and to ensure efficient control of money, debtors, creditors, cash flow and the budget.

   3.3. Financial control and auditing systems are applied in the financial system.

   3.4. Screening procedures for debtors are established to ensure bad debts are eliminated or kept to a minimum.

4. Identify the risks associated with the new venture.

   4.1. A security system is established according to the identified financial risks.

   4.2. Emergency procedures are established according to the evaluated safety and security risk.

   4.3. The most suitable insurance scheme is selected based on investigated needs. (Insurance schemes refers to both short-term and long-term insurance.)

   4.4. A stock and business assets loss plan is developed according to the identified risk.

Note that the following critical outcomes are also developed and assessed in an integrated manner, as part of this learning module:

1. Identifying
2. Collecting
3. Communicating
4. Science and Technology

Keep these learning goals in mind throughout your work related to this module.

There is an opportunity for self-assessment and a progress check at the end of this learner guide. Make time to assess yourself and ask the facilitator, assessor, your workplace mentor or coach for help if you are unsure of the answers.

Section 3: Resource Mobilisation

Learning Goals and Pathways

In order to start operating a business effectively, you will need to know which resources to mobilise at what point.

This section will help you to work through a step-by-step methodology of resource mobilisation planning.

This section is presented in chapters 1-3 of the guide.

The learning goals for this module includes:

1. To identify and utilise available resources.
2. To evaluate the contribution of resources to effective business performance.
3. To seek and utilise professional advice to supplement competencies.

Chapter 1
Identify and Utilise Available Resources

Resources in an Agribusiness Venture

As custodians of much of a nation's land, the farming community has many responsibilities, including:

- To provide an immediate income from the farming enterprise.
- To plan for a long-term income from the farming operation.
- To consider the effects of the farming operations on the rest of the society today.
- To use the land wisely so that it will still be able to produce for future generations.

In the long run, the last responsibility is the most important. From the viewpoint of today's society, the third is most important, while the first and second may be of the greatest importance to the farmer and those dependent on the farming operation for their livelihood.

Realistically, however, many decisions must necessarily be based on providing immediate income to the farming enterprise. The most obvious reason for operating any business is to make money and to provide income for the owner and for the employees of the enterprise. This means that every decision cannot always serve all the responsibilities of the farmer. The reality is that the farming operation must generate enough income each year to pay operating costs, land lease costs and machinery and equipment purchases, meet debt payments, cover insurance costs, and maintain farm infrastructure.

While the above costs must be covered each year if the enterprise is to stay in business, the other responsibilities must also be considered in making day-to-day decisions. Extensive investigation and planning has to form the basis of any new planting to ensure that all the responsibilities are considered.

Natural Resources

definition

Natural resources

Natural resources are the various elements in any given farming environment which will contribute to the production of a quality product on a profitable and sustainable basis, without detrimental effects on the environment.

Natural resources in the farming environment include:

- Soil
- Water
- Climate
- Indigenous vegetation

- Landscape and topography
- Infrastructure
- People

Climate

Climate is an integral part of the climate-soil-culture complex and the factor that mostly determines the yield in citrus production. It is also the overriding factor influencing the type and quality of citrus that can be grown for export in a particular area.

definition

Climate

Climate is the average weather, usually taken over a 30 year period, for a particular region and time period. Climate is not the same as weather but is the average pattern of weather for a particular region. Climatic elements include precipitation, temperature, humidity, sunshine, wind velocity, phenomena such as fog, frost, and hail storms, and other measures of the weather.

Weather

Weather is the specific condition of the atmosphere at a particular place and time. It is measured in terms of factors such as the wind, temperature, humidity, atmospheric pressure, cloudiness, and precipitation. In most places, weather changes from hour to hour, day to day, and season to season.

Microclimate

Microclimate refers to the climate of a small site. It may differ from the climate of the large area due to aspect, tree cover (or the absence of tree cover), or exposure to winds.

Climatic Conditions

Worldwide, citrus is produced almost exclusively in the band between 20 and 40 degrees north and south of the equator, being in sub-tropical regions. Fruit of higher quality and better appearance are produced in environments that are more subtropical than tropical in nature. Fruit colour development tends to be a problem in tropical climates.

In South Africa, commercial citrus production is confined to areas with mild and almost frost-free winters and where temperatures seldom drop below -2 degrees Celsius. Factors limiting citrus production in some areas are:

- High spring or summer temperatures
- Low relative humidity
- Water stress during critical growth periods due to poor availability
- Hail

- Wind, which causes external blemishing

Climatic conditions that play a role in citrus production include:

- Temperature
- Wind
- Rainfall
- Hail

information

Temperature

Temperature is the most important factor that accounts for observed differences in vegetative and fruiting characteristics. It is, however, difficult to separate the influence of temperature from that of other

Extreme heat during the blossom and fruit set periods can cause a severe drop of blossoms and fruitlets, which will have a direct effect on the crop yield. During the November drop period, severe heat can cause a moisture deficit in the tree which also leads to an excessive drop of fruitlets.

Very dry and hot periods during the early development stage of the fruit lead to smaller fruit and which will impact directly on income.

Very low temperatures which may include frost very seldom damages trees or cause crop losses in the citrus producing areas of Southern Africa.

information

Wind

In Southern Africa, citrus is produced inland and near the coast in a variation of climatic regions, all with varying degrees of wind. Production for the export market demands high standards in terms of cosmetic appearance of the fruit. Wind blemish is one of the main cull factors and causes of losses, with as much as 70% having been recorded in more windy areas.

Extremely windy conditions also detrimentally affect tree growth, tree development, and yield. Windy conditions hamper orchard management practices such as spraying and irrigation.

In the establishment of any production unit, prevailing winds and the possible effects thereof on orchard development and subsequent income has to be considered carefully.

Rainfall

Sufficient rain to ensure enough water for irrigation purposes is one of the main requirements for successful citrus production. The effect of too much or too little rain can, depending on the intensity, vary from negligible to catastrophic.

information

Prolonged dry periods, which occur in most of the citrus producing areas, can have a severe effect on yield and fruit size, and subsequently profitability.

Prolonged rainy spells in the summer rainfall areas during the spring and summer hampers spray programs and can result in heavy pest and disease infestations. Late summer or autumn rains can also have a negative effect on internal fruit quality, which in turn influences export pack-out percentage and shelf-life, and reduces income.

Rain during the harvest season, which occurs regularly in the winter rainfall areas, hampers harvesting, affects fruit quality and increases the potential for postharvest decay.

Hail

Hail damage is a real threat in the northern production areas. Hail causes extensive damage to both the crop and trees.

It is prudent to examine the incidence of hail in any of the northern areas before developing a new production unit. The information on the incidence in the various areas is available from the crop insurance companies, who can also provide information on costs of insurance against hail damage.

Analysing Local Climatic Conditions

The Institute for Soil, Climate and Water has a central website for the weather station network in South Africa, where the climatic information collected throughout the country can be accessed. The web address is www.155.240.219.9/agric/ver1 and e-mail address is opsroom@arc.agric.za. To establish which weather station is the closest to the farm, the exact geographical position of the farm should be known.

The type of information which is required for enterprise selection and planning for as long a period as possible is the following:

- Average rainfall
- Relative humidity
- Average, maximum and minimum evapotranspiration
- Average, maximum and minimum wind speed and direction
- Average, maximum and minimum temperatures

All the above are available on an hourly, daily, monthly and yearly basis and the information can be accessed at all times.

Indigenous Vegetation

South Africa is ranked as the third most biologically diverse country in the world, mainly due to the richness of plant life. It is important to know the indigenous vegetation of the area in which the farming enterprise is going to be established and identify the possible effects of such development on the environment.

There are two types of vegetation that one should be aware of when involved in agriculture, being indigenous and invasive vegetation.

Indigenous vegetation refers to trees, understorey plants, ground cover and plants occurring naturally in a specific area. Examples of such vegetation in South Africa are proteas, fynbos, rhino veld, disas, a wide variety of succulents, afro-montane and coastal forests, broad-leaved forests in the Lowveld, and grasslands.

Generally, the indigenous vegetation types in citrus production areas are as follows:

- Western Cape - Fynbos
- Eastern Cape - Grassland / Savannah
- KwaZulu-Natal - Savannah / Bushveld
- Mpumalanga - Savannah / Bushveld
- Limpopo - Bushveld

Invasive vegetation is alien plants that have been brought into South Africa for their beauty, economic value, or for an ecological purpose. Invasive plants often do not have natural enemies and therefore tend to proliferate, competing with indigenous vegetation for resources.

When planning a citrus planting, a careful study must be made of the naturally-occurring vegetation in the area, including a differentiation between indigenous and invasive vegetation. All land-users, and especially farmers have a responsibility of maintaining indigenous flora as far as possible and eradicating invasive plants.

Topography

Topography refers to the "lie of the land", or the physio-geographic characteristics of land in terms of elevation, slope, and orientation, such as:

- The shape and lie of the land
- Its relation to oceans and mountain ranges
- Its climate
- Its geographical history
- Its slope and directions
- Its location in terms of longitude and latitude

An understanding of topography is critical for a number of reasons. In terms of environmental quality, agriculture, and hydrology, understanding the topography of an area enhances the understanding of watershed boundaries, drainage characteristics, water movement and water quality.

Understanding topography also aids in soil conservation, especially in agriculture. Contour ploughing, which is the practice of ploughing along the topographic lines, is an established practice of enabling sustainable agriculture on sloping land.

When planning orchards, an understanding of topography is important when deciding on placement of the orchard and row direction, keeping the effect of irrigation runoff and storm water management in mind. In the Western and Eastern Cape, the fruit in orchards on east-facing slopes will be earlier than on west-facing slopes. In windy areas, an orchard at the top a hill facing the prevailing winds will suffer much more wind damage than one on the lee side of the hill.

Topography is also important in determining weather patterns. Two areas in fairly close proximity may differ radically in climatic characteristics, such as rainfall, because of elevation differences or position relative to a nearby hill or mountain range. It is also well known that topography influences occurrence of hail, with the incidence of hail on two farms relatively near to each other differing greatly.

Knowledge of the possible effects of the topography on the development of a specific orchard or farm can, therefore, have a strong bearing on the eventual profitability of the plantings.

Although topography refers to a wide range of factors, the factors that are most important in terms of enterprise selection are the lie of the land, and its slope and direction.

The slope of a surface can be described as the degree of deviation from the horizontal. It can be nearly level, gently sloping, strongly sloping, undulating or rolling. Soils with similar texture can differ a lot with regard to water absorption and erosion as a result of differences in slope. The danger of erosion normally increases as the slope of the land increases.

The relationship between slope and suitability of land for crop production is determined by the relative importance of surface drainage, erosion, infiltration, and cultivation. Other factors which influence the effect of slope on production potential are the type of crop, stability of the topsoil, intensity and duration of rainfall, as well as method and type of irrigation.

Water

Irrigation in agriculture is dependent on water of a suitable quality. Water quality is judged by the potential problems which can develop as a result of long-term use. The level of potential problems varies and is determined by soil, climate and crop, as well as skill and knowledge of the water-user. Judicial use of good quality water normally does not result in any problems.

The National Water Act (Act 36 of 1998) states that the government is the official protector of the country's water. Water is seen as a communal resource and access to water use is based on obtaining permission in the form of a permit. Farmers, therefore, have to register their water use with the Department of Water Affairs as an individual or through the local Water Users Association.

In practice, however, a very large proportion of problems experienced in citrus production are directly related to water use and quality. The quality of the water used for irrigation can, for instance, vary greatly depending on the soluble salt content. Special management practices are necessary in this case to ensure acceptable yields.

In planning a citrus enterprise or orchard it is, therefore, most important to carefully assess the following aspects:

- The water source
- Irrigation capacity
- Water quality

The Water Source

There are three main sources of water, being rivers, dams, and boreholes. The permanence of all three water sources depends on the natural rainfall in the specific area and the underlying geological formations. The water source must be secure and guaranteed to deliver a sustained and sufficient volume for citrus production.

Mature citrus trees require between 7,000m3 and 10,000 m3 of water per hectare per year, with a peak requirement during the summer months. The water source must be able to provide a large enough volume of water to sustain the hectares under production. It is also good policy only to develop to within the capacity of available water and build in a safety factor for water supply.

Irrigation Capacity

Irrigation capacity and the sustainability of the water source are one of the main factors in determining the potential size of the orchards or farm which can be developed. Enough water must be available at all times for optimum growth and production throughout the year.

According to the National Water Act (1998), the fair distribution of water is of extreme importance, and water measuring is applied to verify the extraction of water against an allocation. Most water sources are managed by Water Users Associations, which has to see to it that only the quantity of water allocated to each specific farm is pumped by or delivered to the farm for irrigation purposes. It is the farmer's prerogative to utilise the allocated amount to the best of his ability through choice of irrigation system and good management.

The microclimate of the area is a determining factor in the design of any irrigation system. This includes factors such as:

- Whether it is a summer or winter rainfall area
- The average monthly precipitation
- The average minimum and maximum temperatures
- The frequency, velocity and seasonal distribution of wind

The type of soil should be taken into consideration to ensure that the volume applied does not exceed the infiltration capacity of that particular soil. The rate of application must be calculated to supply in the crop requirement for optimal growth and production throughout the year.

Water measuring, or determining of flow rate, is an aid for the effective distribution of water and is usually applied for the sake of legal or management requirements, or both. A wide variety of measuring devices are available commercially and at the onset of implementation of water measuring, the following must be considered:

- What functions must the measuring equipment be able to perform?
- Which level of operation is required?
- How much are they prepared to spend?

Possible functions include the measuring of flow-rate in cubic meter per hour. A number of registering devices are available, ranging from very basic to highly sophisticated.

Water Quality

The quality of the water from water sources varies depending on origin and has to be tested before use. Irrigation water is either pumped directly from rivers or boreholes or received from a central canal system for storage in the farm dams or for direct distribution in the orchard through an irrigation system.

Filtration of the irrigation water may be necessary, depending on the quality of the received water, and the irrigation system being used. The degree of filtration needed adds substantially to the initial cost of installation of a system.

Water quality should always be good enough to ensure production of acceptable volumes of high-quality fruit. If obtained from sources like rivers or boreholes, the salt and / or pollution levels should never rise above acceptable norms, as this will inhibit good agricultural practices.

Water quality can be tested by a number of laboratories. Crops differ in their sensitivity to high salt concentrations in the irrigation water. Citrus is generally classified as a salt-sensitive crop and water quality analyses should therefore always be included as one of the basic considerations in determining the potential of a farm for citrus production.

Soil

Soil is the result of soil formation processes over thousands of years. Soil types differ from one place on the surface of the earth to the other, as the result of the differences in the formation processes.

Selection of a farm or a land on which to develop citrus orchards should be preceded by a thorough exercise of land evaluation of the farm to determine which areas on the farm are suitable for citrus production. It should also include the potential for agricultural use of other areas on the farm as well as the management necessary to maintain and improve the immediately surrounding environment.

Soil Potential

definition

Soil potential

Soil potential refers to the ability of the soil to support plant growth and produce a good quality crop.

Soil potential is an important concept in agriculture. The soil potential determines the type of crop that can be grown in a specific soil and the volume and quality of crops that can be produced.

Soil potential is judged by the following criteria:

- Soil fertility
- Plant available water
- Soil permeability

These criteria are all influenced by the characteristics of the soil, specifically the soil texture. Soil fertility and plant available water is especially affected by the texture of the subsoil and topsoil, while soil permeability is affected mostly by the texture of the topsoil.

Soil Fertility

definition

Soil fertility

Soil fertility refers to the nutrient content of the soil and its resultant ability of the soil to sustain plant growth.

Plants absorb sunlight, oxygen and carbon dioxide from the air, and water and nutrients from the soil. Soil fertility can simply be referred to as the amount of food that the soil can supply to the plants.

information

Essential elements

Plants need seventeen elements for normal growth. They are:

- Carbon, hydrogen and oxygen, which come from air and water.
- Nitrogen is the major essential nutrient element, and also a major plant constituent. Although the atmosphere contains 78% nitrogen, it is not directly available for plant use from the air. In citrus production, nitrogen is taken up from the soil.
- The other thirteen essential nutrient elements come from the soil and are iron, sodium, calcium, phosphorous, potassium, copper, sulphur, magnesium, manganese, zinc, boron, chloride, and molybdenum.

Under normal circumstances, the nutrients naturally available to plants from the soil vary with clay content: the higher the clay content, the higher the soil fertility. Clay particles tend to, however, bind nutrients strongly, making fewer nutrients available to the plant.

Plant Available Water

There is a considerable variation in the capacity of soils to store and release water for plant use. This is referred to as the water holding capacity of the soil. In some clay soils, water holding capacity may be as high as 25mm water per 100mm soil, while it can be as low as 6mm per 100mm soil in sandy soils.

Although clay soils can store more water than sandy soils, the water may not be available to the plants during periods of fast growth. Sandy soils retain less moisture, but the water is more readily available to plants.

The water absorption capacity of a soil must be taken into consideration at all times when preparing land for planting or planning an irrigation system.

Soil Permeability

The ease with which air, water, and roots can penetrate soils is determined by the number and size of the open spaces, or pores, in the soil. Clay soils have a large number of pores, but they are very small. Such soils do not allow air, water or roots to move freely through it. Sandy soils have less but larger pores, and air and water movement is much quicker.

As a result, the infiltration rate of water varies between soil types. The infiltration rate of sandy soils is relatively fast and could cause difficulty in ensuring even distribution with irrigation. The density of clay soils slows down water penetration. Water movement within the soil is also closely related to the soil structure.

Soil Characteristics

The differences in soils that are found in different areas are associated with suitability for crop production, mainly as result of differences in the following characteristics:

- Texture
- Structure
- Layering, or stratification
- Chemical and mineral composition
- Depth

These factors determine to a large extent the depth of the effective root zone of the crop, and therefore the production potential of the soil. They also indicate the possible dangers related to crop cultivation and irrigation.

information

Texture

Texture relates to the ratio between the different sized particles, being sand, silt, and clay, in the soil. Many soil characteristics determining the suitability for specific crops are directly and indirectly related to texture. In general, the finer and more clayey the soil texture:

- The more difficult a soil is to work or till
- The greater the water holding capacity
- The slower water will enter and move through the soil profile
- The more difficult plant root penetration
- The more readily surface soil will crust
- The more nutrient-rich the soil

information

Structure

Soil structure refers to the manner in which all the soil particles, including organic material, are arranged to form structural units. Good structure of the surface soil is promoted by an adequate supply of organic matter.

Soil structure results from the natural aggregation of all the various particles that can be separated from each other by weakness planes. The primary particles include the amount and type of clay and organic material, and sand, gravel, and stones. Factors that determine the soil structure include factors such as absolute amounts and ratios between exchangeable and soluble nutrient elements, wetting and drying cycles, soil depth, tillage practices and a number of other factors.

Structure is a characteristic of soil that can, therefore, be changed by farming practices. Soil structure has an influence on the movement of air, water and roots in the soil, as well as erosion, ease of cultivation and effective soil depth.

Growing plants also change the soil structure as they send their roots into the soil for mechanical support and to gather water and nutrients. Since plant roots move through the same channels in the soil as air and water, good structure allows extensive root development whereas poor structure discourages it.

Layering or stratification

It takes about 1,000 years to form a 25mm layer of soil. When soil is being formed, soil particles are separated and accumulate at different depths. Soils are also carried and deposited by water and wind to form layers with different soil properties.

Layers have an influence on the potential of the soil. Roots do not grow and water does not move easily from one layer to another if the properties, especially the texture, differ too much. The sub-surface soil layers must also be such that it does not prevent the flow of sub-surface water.

Determining the soil layers requires an intensive soil survey beforehand to ensure that all possible barriers to sub-surface water movement are addressed during soil preparation.

Chemical composition

The chemical composition of soils is mainly determined by the original material from which it developed, its age, its drainage, the climate, micro-organisms that are present in the soil, and the quality of irrigation water.

information

Chemical composition plays an important part in the production potential of soil. In irrigated areas, this characteristic can be viewed as adjustable as it can be altered through leaching and chemical supplementation.

Soil depth

Soil depth influences root growth and the water-holding capacity of the soil. Plants that can develop deep root systems grow better than plants with restricted root systems. Deep soils normally have more available water and nutrients than shallower soils.

The soil depth for optimal root development can be improved by deep ploughing during soil preparation or ridging in areas where subsoil layers cannot be utilised or in cases of poor drainage.

Environmental Impact Considerations of Resource Mobilisation

Land use, and therefore citrus farming, alters the natural environment and has already been the cause of tremendous environmental degradation in South Africa. A very small percentage of natural land areas are conserved in nature reserves and national parks, and the rest are on private land. Conservation of the environment, including indigenous vegetation, water sources, and the soil, is therefore largely dependent on landowners.

The Impact of Citrus Farming on the Environment

Prior to developing land, it is important to survey the area to be planted to establish whether it may endanger the surrounding environment and what should be done to do an ecologically sensitive development.

The environmental pattern for a specific land area includes types of soils that are on the farm, microclimate of the area, water and water sources, types of animals that naturally occur, how the land is formed in the area, and the people, buildings and activities that happen in this area.

Citrus cultivation has the potential to impact most significantly on soil, water sources, and ecosystems.

Cultivation impacts on the soil both when a new farm or planting is established and on an ongoing basis through production practices, such as fertilisation and irrigation.

The greatest danger that the establishment of a new farm or planting poses to soil is causing or accelerating soil erosion, which occurs when soil is removed through the action of wind and water at a greater rate than it is formed.

Water erosion causes two types of problems, being the on-site loss of agricultural potential, and the off-site effects of downstream sedimentation, causing flooding and the silting up of reservoirs. The main forms of water erosion are sheet erosion, rill erosion (channel erosion), and gully erosion.

Wind erosion occurs when the land surface is left bare in regions that are arid enough to allow the soil to dry out, and flat enough to allow the wind to carry the soil away over several consecutive days.

There are various factors determining soil erodibility, the most important being slope, soil texture, soil structure, terrain unit, organic material, and vegetation cover.

It is important to develop the farm in such a way that it will not endanger water supply in any way.

If a citrus farm is developed in an area where a specific veld type occurs, it is important to identify all actions which could endanger the natural ecosystem and to develop an action plan with the help of soil conservation committees or the Department of Agriculture, Forestry and Fisheries.

Physical Resources

The category of physical resources covers a wide range of operational resources concerned with the physical capability to deliver on a new (or existing) strategy. Physical resources, which include facilities, equipment, land, and other assets, are utilised in the process of delivering products and services and, depending on their dependability and "fit-for-purpose" can improve institutional effectiveness. These include:

Production facilities	Location of existing production facilities (premises or offices) investment and maintenance requirements
	Current production processes – quality, method, and organisation
Marketing facilities	Marketing management process
	Distribution channels
Information technology	IT systems
	Integration with customers and suppliers (B2B computer systems – Business to Business)
Vehicles	Suitability for business functions (such as delivery, cooling, and passenger needs)
	Efficiency of use (maintenance, abuse)

Infrastructure Development Considerations

Infrastructure is the support structure necessary for successful establishment of a citrus farm or planting.

Infrastructure is not a determining factor when a decision is taken to develop a citrus farm, but it plays a very important role in the planning process.

For external infrastructure, access roads, the locality of the farm, communication systems, and the availability of service providers and community services must be investigated.

Internal infrastructure includes fencing farm roads, irrigation and water supply systems, electricity supply, and farm buildings.

The most common types of fencing are security fencing, cattle fencing, and game fencing. The type and location of fencing depends on the needs of the farming enterprise.

Roads must be located to provide easy access to the main buildings on the farm while limiting movement in and around the orchards.

Irrigation infrastructure includes dams, pumps and pump houses, and in-field irrigation, and the system must be designed and installed by a qualified irrigation engineer.

Electricity infrastructure includes the main supply and the reticulation system and must be designed and installed by a qualified electrical person.

Farm buildings include housing, stores, offices and, in some cases, packhouses. Buildings must be placed so that they can be easily accessed but still provide security and control.

When an existing farm is purchased, the infrastructure must be evaluated against the planned activities on the farm.

Existing infrastructure that must be evaluated includes fencing, housing, water supply, electricity, and roads.

Analysing Stock Requirements

The stock that is required in a citrus production enterprise refers to two types of stock. Firstly, it refers to the different cultivars of citrus fruit, and secondly to the production stock that is required.

information

The concept of "stock" on a citrus farm

- Citrus is classified in four groups being oranges, soft citrus (mandarins), grapefruit, and lemons.
- The production stock required on a citrus farm is plant material, agrochemicals, tools, machinery and equipment, maintenance items, fuel, and other consumables.

information

- The choice of cultivar and rootstock is one of the most important decisions that must be taken when planning a citrus planting.
- Plant material must be purchased from a nursery that is accredited by the Citrus Improvement Programme (CIP) and that can supply trees that are true-to-type and of high quality. Each consignment of trees must be certified in terms of GlobalGAP requirements.
- The tools, machinery, and equipment required depends on production practices and the size of the farm.
- Agrochemicals are chemical products that are used in pre- and postharvest agricultural production processes and include chemicals for soil preparation, fertilisation and crop protection, and postharvest processes.
- Maintenance items include lubricants, spare parts, tyres, irrigation emitters, pipes, and other items that are needed to maintain the vehicles and equipment and the irrigation system on the farm.
- Fuel refers to the diesel and petrol that is required to operate the vehicles and equipment on the farm.
- Other consumables include items such as protective clothing, cleaning material, and all other items required for the management and administration of the business

Citrus Cultivars

Cultivar research and development is an ongoing process with numerous new selections constantly being tested. Only those that meet all the production and market requirements are eventually recommended to be planted commercially.

Choosing the correct cultivar or cultivar mix is essential to the success of a citrus farm. The choice depends mostly on the conditions, of which the climate is the most important, and on the market demand for the cultivar.

In the table below is information regarding the commercially recommended cultivars grown in South Africa, and an indication of the major production regions of South Africa in which they are grown. The characteristics of the cultivars are also described.

information

Please Note

This list of cultivars is not in any way exhaustive as new cultivars are constantly being developed. The split between the regions also changes from year to year as trees are removed and replaced in different proportions with different selections. The aim is to provide an idea of the classification of cultivars, the major cultivars in each group, and the major production areas for each.

In the table below we refer to the week numbers in which fruit is marketed. The week numbers can be found in any standard diary. As an example, and for the sake of easy referencing, a calendar with week numbers for 2006 is provided at the end of this chapter.

Table: Commercial Citrus Cultivars of South Africa

Cultivar	Description	Origins	Harvest Period	Marketing (Week No.)
		Oranges		
Production Areas	**Navels** • Eastern Cape: 30% • Limpopo Province: 25% • Mpumalanga: 20% • Western Cape: 25% **Valencias** • Eastern Cape: 20% • KwaZulu-Natal: 3% • Limpopo Province: 50% • Mpumalanga: 17% • Western Cape: 10% **Midseasons** • Limpopo Province: 70% • Mpumalanga: 30%			
Navels	Medium to large seedless fruit with small embedded navel at the stylar end of the fruit. Easily peeled with soft-fibred segments. The world's premier dessert fruit.	Originally from China. The Washington navel was the first commercially recognised navel. Many selections now exist.	March to June	15-30
Late Navels	Late ripening selections of navels.	Selections derived from the Navel	End May to end July	22-35
Tomango	Small but good quality fruit. Largely seedless with tender juicy flesh.	Unknown	May and June	22-32

Shamouti	Medium to large size. Oval in shape. Distinctive fragrance and flavour.	Israel	June and July	25-35
Midknight	Large fruit and virtually seedless. Good internal quality. Bears more fruit inside the tree canopy.	Sundays River Valley in the Eastern Cape, South Africa	Mid-July to mid-August in hot areas, and from August to mid-September in colder areas	33-43
Delta Seedless	Medium-sized, seedless fruit of good quality with a smooth rind.	South Africa	Mid-July to end August in hot areas and end July to early September in colder areas	30-42
Valencia	Medium to large fruit, roundish in shape with a well-coloured, moderately thin rind of smooth, sometimes finely pebbled texture. The relatively high acid content and high sugar content to produce a delicious taste. This variety is ideal for juicing.	Portuguese Azores	July to end September in hot areas and mid- July to mid-October in colder areas	30-49
		Soft Citrus (Mandarins)		
Production Areas	• Eastern Cape: 43% • Western Cape: 50% • Other: 7%			
Satsumas	Earliest ripening of all soft citrus varieties. They are seedless and very easily peeled. Flavour can only be described as average to poor.	Japan	March to end April	12-20
Novas	Medium to large fruit, with a rind that does not peel easily and has a distinctive aroma. The flesh is deep orange. The segments are juicy, tender and sweet.	Florida	April to mid-May in hot areas and May to Mid-June in colder areas	15-25
Clementine	The world's premier mandarin. They are easy to peel and, if grown in single blocks away from other cross-pollinating varieties, the fruits are seedless. When mature, the peel turns bright orange. The fruit has a distinctive sweet taste and flavour.	Thought to be China. Numerous selections have been discovered or developed in Spain, Corsica, Italy and Morocco.	Mid-April to end June	17-34

Minneola	A hybrid of grapefruit and tangerine, they tend to have big fruit with a distinctive nipple at the stem end of the fruit. The mature fruit turns a deep orange colour. It is juicy, aromatic and has a good tangy flavour.	Florida	Mid-May to end June in hot areas Mid-June to end July in colder areas	24-36
Tambor	Generally difficult to peel, the pulp is tender and extremely juicy. The fruit is of medium size and slightly flattened at the stylar-end, where a small navel often forms.	Jamaica	End June to early August	28-40
Nadorcott	Easily peeled, the rind turns deep orange at maturity. Seedless when grown in separate blocks away from other cross-pollinating varieties. Late maturing. Internal quality is excellent with high sugar levels.	Morocco	June-August	26-43
		Grapefruit		
Production Areas	• Eastern Cape: 3% • KwaZulu-Natal: 12% • Limpopo Province: 15% • Mpumalanga: 35% • Swaziland: 35%			
Marsh	The fruit is large, white and virtually seedless. Marsh is suitable for fresh consumption in segments and for juicing.	Lakeland, Florida	End March to mid-June	17-35
Rosé	This fruit has a pale-pink flesh, and the skin is yellow with a red blush.	Texas	Mid-April to end June	19-35
Star Ruby	Rind is thin and a deep golden yellow to red. The flesh is deep red and the fruit rarely has more than one or two seeds. Very high juice content and sweet flavour. Well suited to those who find other grapefruit too sharp in taste.	Weslaco, Texas	Mid-April to end June in hot areas	19-35
		Lemons		

Production Areas	• Eastern Cape: 35% • Western Cape: 15% • KwaZulu-Natal: 3% • Limpopo Province: 15% • Mpumalanga: 30% • Swaziland: 2%			
Eureka	The rind is smooth and has a thin to medium thickness. This lemon has a high acid level and high juice content. It rarely has more than 5 seeds per fruit and is often seedless.	California in 1858	Mid-February to mid-July in hot areas and mid-March to mid- August in colder areas	12-44

Production Stock

The production stock that is required on a citrus farm is as follows:

- Plant material
- Agrochemicals, including plant protection products and fertilisers
- Tools, machinery, and equipment
- Maintenance items
- Fuel
- Other consumables

Plant Material

Although plant material as such is not really a stock item, the process of buying and handling is – as in the case of the other items – prescribed in the Good Agricultural Practices (GAP) for fresh fruit production. Registration for GAP, of which GlobalGAP is the most important, is a requirement for entry into most fruit markets and will be dealt with where applicable in the following chapters.

GlobalGAP sets out a framework for Good Agricultural Practices (GAP) on farms and defines essential elements for the development of best agricultural practice for global production of horticultural products.

The correct choice of cultivar is one of the most important decisions that a grower must make. Producing high-quality fruit, which will satisfy consumer preference in the various markets, is of utmost importance in achieving and maintaining profitability.

Choice of the best rootstock also forms an integral part of the planning of any new orchard development. The rootstock directly influences tree performance and fruit quality, and this means that rootstocks can be used to partially offset the effect of limiting soil or environmental factors. Some of the factors which influence the choice of cultivar and rootstock include:

- Locality, in terms of the microclimate

- Soil and water quality and availability
- The need to produce good yields of fruit of good quality and size
- Market demand for a specific cultivar
- Existing cultivar spread on the farm
- Packhouse capacity and its effective utilisation

Trees can be purchased from any of a number of accredited citrus nurseries. Before ordering, it is important to establish whether the nursery is accredited by the Citrus Improvement Programme (CIP) and to ensure that the nursery will supply trees that are true-to-type and of a high quality.

Orders must be placed at least 18 months prior to planting. On ordering, it must be specified that only certified bud-wood from the Citrus Foundation Block (CFB) should be used and that the trees must conform to the minimum standards specified under the CIP. The physical requirements for certification of citrus nursery trees are as follows:

- All trees must be healthy with a good nutritional status.
- The trees must be free of pests and diseases.
- The stems of all trees must be straight.
- The bud union must be at least 200mm above soil level.
- Trees must have healthy, well-developed root systems, free of any harmful pathogens and nematodes.
- Trees must comply with the basic tree size standards as specified in the CIP scheme.

The above requirements should be discussed in detail and agreed to by both the buyer and seller on ordering the trees. The nursery should be visited periodically during the period that the trees are being grown to ensure that the correct practices are being applied.

At delivery, certificates issued by the CIP should accompany each consignment of trees, certifying both the health as well as the origin of the bud-wood. This is a requirement for GlobalGAP registration.

Agrochemicals

definition

Agrochemicals

Agrochemicals are all chemical substances utilised in pre- and postharvest processes to produce horticultural products for fresh consumption. Agrochemicals include substances for soil preparation, fertilisers, and crop protection and postharvest chemicals.

GlobalGAP requirements for handling agrochemicals are explicit and most compliance criteria are not considered as negotiable. All chemicals must be handled according to the parameters set out in the registration certificate.

Chemicals banned in the European Union cannot be used on crops destined for sale in the European Union.

Recommendations for the use of agrochemicals must be made by technically responsible persons able to demonstrate competence to determine types and quantities to be applied. All products must be applied appropriately for the target recommended on the product label. Persons handling the products must be trained in the correct and safe handling procedures

Application of all chemicals must be recorded indicating crop name and variety, application date, product trade name and active ingredients, as well as that the required pre-harvest interval (PHI) has been observed. Residue testing must be carried out prior to shipment to ensure that the maximum residue restrictions of the target markets are met.

Chemicals must be stored in a safe place in such a manner that no contamination will take place. The stock of chemicals must be controlled carefully and records must be kept from which the current stock levels can be easily determined. Empty containers must not be re-used and must be disposed of in a manner that avoids exposure to humans and contamination of the environment.

Tools, Machinery and Equipment

The type and quantity of the tools, machinery, and equipment that is needed on a citrus farm depends on the production practices that are employed and the size of the farm.

Tools, machinery and equipment must be stored in a secure facility and proper control and management is required to ensure that these items are not lost or mislaid. A maintenance plan is required to ensure that the items are properly maintained and that their lifespan is prolonged as far as possible.

Tools, machinery and equipment must never be used for a purpose that they are not designed for, and only authorised, trained personnel should be allowed to use it.

Maintenance Items

Maintenance items include lubricants, spare parts, tyres and other equipment held in a workshop to maintain vehicles and equipment on the farm. It also includes pipes, fittings, and micro-jet or drip emitters to maintain the irrigation system and water supply to the farm structures and housing.

Holding too many of these items constitutes dead capital lying in the stores and it is important to maintain a good balance of the quantities held without jeopardising the farming operation.

All these items must be stored safely on shelves in secured stores with proper control on issuing for maintenance to avoid misuse and to have ongoing information on the level of items in the stores.

Fuel

Fuel refers to the diesel and petrol that are required to operate the vehicles and equipment on the farm. Most farms have fuel tanks on the farm, to which fuel is delivered in bulk from time to time. Tractors and other vehicles are filled from the storage tanks.

Fuel must be stored in appropriate containers to ensure that it is secure, and to prevent contamination of the environment. Preventative measures must be in place to ensure that any spillage can be handled in an ecologically sensitive manner.

Records must be kept of the fuel that is dispensed to all vehicles and machinery, and provision must be made to ensure that sufficient fuel is available at all times, especially during times of high production activity, such as during harvesting or spraying.

Other Consumables

Other consumables include items as protective clothing, cleaning material, and items that are used in the administration and management of the business. The types and quantities of consumables that are required depend on the size of the production unit. Consumables are usually purchased from local suppliers.

Analysing Production Cycles in Consideration of Resource Mobilisation

The production cycle for citrus is a year-round process and is closely related to the annual growth cycle of the citrus tree. This cycle is discussed shortly in the introduction to this learning material. The production cycle is designed to provide the tree with what it requires to optimally support the current growth stage.

example

Production cycle of a valencia orange

Using the annual cycle in the introduction, the production cycle is related to the growth stages of the tree as set out in the table below.

Please note that the approximate phenology of a Valencia orange tree was used to develop the production cycle that is reflected in this table, and that the phenology of various types and cultivars of citrus fruit can differ slightly.

Month	***Cell Processes***	***Fruit and Flower Development***	***Production Processes***					
			Fertilisation	**Pest and Disease Control**	**Irrigation**	**Pruning**	**Harvesting**	**Packing**
July	Flower Initiation	Flowering						

example

August	Cell Division	
September		
October		Fruit Set
November		
December	Cell Enlargement	
January		Fruit Growth and Maturation
February		
March		
April		
May		
June		

Reporting and Recording Observations and Actions

The size and quality of the fruit at harvest is determined by a large number of factors. Each of these can cause a poor size or quality fruit which will eventually result in lower income.

It is, therefore, important to observe and record all factors which can influence the outcome. A system of recording all these factors must exist on every citrus farm. Record-keeping is a way of monitoring external and internal factors, as well as procedures which can influence the outcome of the production process.

It is important to develop a formal record-keeping system which is kept up to date and can be referred to at any time. It should be designed in such a way that the information will also conform to GAP norms.

GAP certification and registration has become a requirement for exporting fruit to most countries. In order to be certified and registered farmers should be able to demonstrate their commitment to:

- Maintaining consumer confidence in food quality and safety.
- Minimising the detrimental impact of farming practices on the environment, whilst conserving nature and wildlife.
- Reducing the use of chemical crop protection products.
- Improving the efficiency of natural resource use.

- Ensuring a responsible attitude towards worker health and safety.

The record-keeping system must be such that it is possible to trace back fruit received on the market to its origins, meaning to where it was produced in the orchard. All the production processes and actions employed in the production of the fruit must be open to scrutiny.

It is important that all employees are aware of the importance of recording all the necessary actions and observations during the production process, as well as why the information is necessary. Actions and observations that must be recorded include the following:

- Blossom dates of all cultivars
- Weather data
- Irrigation scheduling
- Details of fertiliser applications
- Details of pest and disease control application

Blossom Dates

Blossom dates vary from year to year and influences phenological development of fruit up to the time of harvest. Comparing the date of full blossom with those of previous years is an indication of the picking date relative to the previous years and can be utilised in planning the harvesting and picking process. Spray recommendations quite often also refer to days after full bloom.

Weather Data

Weather data includes:

- Rainfall
- Daily maximum and minimum temperatures
- Humidity
- Evaporation

Analyses of trends in weather data are used to determine fruit growth patterns, which indicate the fruit size spectrum at harvest. This information is used in crop prediction and plays an important role in marketing, as the markets vary in their fruit size preferences.

Irrigation Scheduling

The irrigation manager prescribes the irrigation scheduling. The actual implementation of the planned scheduling must be recorded to ensure that scheduling was complied with. Irrigation reports also include details of problems that may have been encountered with the irrigation system.

Fertiliser Applications

This information is utilised in combination with production statistics to formulate the fertiliser recommendations for each year. It must also be available for inspection for qualification under the GlobalGAP system. All instructions to employees indicating time of application and quantities must be given in writing and the actual application per orchard must be recorded as one of the requirements for traceability.

Pest and Disease Control Application

All details of the pest and disease control programme must be recorded for GlobalGAP qualification. This should include verification that the person recommending the programme is qualified, all instructions to employees, safety precautions, and training records.

Marketing Resource Mobilisation Planning

Marketing of citrus can be done by the producer himself, through a cooperative, or through market agents in both the local and overseas markets. The fruit can also be sent directly to juice processing factories. The fresh fruit markets generally yield the highest income and only the sub-standard fruit are juiced.

The local and export markets for fresh fruit, as well as buyers within each marketing sphere, have different standards for the internal and external quality of the fruit. Knowledge of the market requirements for the specific kinds of citrus fruit, as well as individual cultivars, is most important to ensure maximum proceeds and a profitable farming enterprise.

Having established the target markets and the various standards to which the fruit must comply, the producer must ensure that the final product conforms to these standards.

It must be possible to produce the desired fruit quality of the chosen cultivar in the specific micro-climate in which the farm is situated. Choice of cultivar is, therefore, one of the most important decisions to ensure profitable returns on the farm. It is for instance not possible to produce quality grapefruit in the colder Mediterranean climate of the Western Cape, or navels in the Lowveld of Limpopo or Mpumalanga.

Most markets insist on traceability of all processes to which the fruit was subjected from the orchard up to the point of sale. This can only be achieved through constant quality management and recording throughout the production process in the orchard, harvesting, packing process and the rest of the supply chain.

Resource Mobilisation Considerations for Harvest Planning

The harvesting of citrus fruit is the final process in the production cycle, and one of the most important. If the harvest is not well-planned and well-managed, it may lead to damage to fruit that has been produced at high cost.

The basic requirements for preparing of the harvesting process are:

- Crop estimates
- Management
- Equipment
- Workforce

Crop Estimates

The basis for calculating the management, equipment, and labour needed to harvest the crop within the normal picking period of each cultivar is an accurate crop estimate.

The estimate must, apart from crop volume, also indicate projected fruit size spread per cultivar, external quality and time of ripening. Internal quality development towards harvest must be monitored from about six to eight weeks before estimated harvesting date to confirm or adjust earlier predictions.

Plant and Equipment Considerations

All the equipment needed for the planting, crop production, and picking process must be checked beforehand to ensure that it is in good condition and that it is sufficient. Equipment includes:

- Tractors
- Picking trailers
- Bins
- Ladders
- Clippers
- Picking bags
- Picking gloves

Care must also be taken to ensure that sufficient ablution facilities are available for the additional workers that are employed during the harvesting period.

Resource Mobilisation Considerations for Post-Harvest Practices

- Proper packing material and well-trained employees are essential for postharvest practices and packing.
- Postharvest practices include receiving fruit, product identification and traceability, decay control, the wash line, grading, labelling, sizing, packing and marking, and palletization.
- It is essential that all fruit must be traceable to its origins, and therefore each trailer or bin should be clearly marked with the name of the grower, the orchard, the variety, the date picked, and must carry the supervisor's signature.
- Care must be taken to ensure that fruit is not damaged during the picking process. Other measures and treatments are used to control postharvest decay.
- The wash line includes wet or dry dumping, high-pressure descaling, brushing, drying, and fungicide application.
- Grading is dependent on the human element and can be influenced by a number of factors, and must be monitored very carefully.
- The correct labels must be used to comply with market requirements.

- Carton erection must be monitored to ensure that the cartons are not damaged and that sufficient glue is used.
- The packing of fruit must be monitored regularly to ensure compliance with market requirements.
- Cartons must be palletised in such a way that the pallets are stable and can withstand handling.
- Health and hygiene principles must be applied carefully in the packhouse, while quality standards must be maintained at all times.

Basic Requirements for Postharvest Processes

Packing Material

Packing material includes a variety of cartons, wrappers, labels, bags, trays, and so on. The packing material used for packing specific fruit destined for a specific export market is determined by the requirements of that market.

Packing material must conform to the required quality standards to ensure that the fruit is safe and protected from injury. Packing material should be checked on delivery to the packhouse.

Postharvest Treatment Chemicals

The chemicals required for postharvest treatments depend on the requirements of the market for which the fruit is destined. Chemicals must be stored and handled in accordance with GAP and health and safety standards.

Employees

A safe and healthy environment must exist at all workstations and all employees must wear appropriate protective clothing. All employees must be adequately trained for their specific job and must be aware of all the rules, regulations and hazards.

Packhouse Practices

Once fruit has left the orchard, it is subjected to a number of processes, being:

- Receiving fruit at packhouse and product identification
- Decay control practices
- Wash line
- Grading
- Labelling
- Sizing, packing and marking
- Palletisation

Receiving and Product Identification

Fruit arriving at the packhouse, and at any subsequent point, should be traceable back to the particular orchard, picking team and date of harvest. Each trailer or bin received should be clearly identified, indicating:

- Grower name
- Orchard
- Variety
- Date picked
- Supervisor's signature

Monitoring and Verification of Receipt

Time and date of arrival from the orchard, as well as tipping on the packing line, must be recorded as proof of receipt. Quality checks are done to ensure that the fruit complies with export requirements.

Cull Factor Analysis

Analysis of cull factors provides information about the extent and nature of external quality defects, presence of phytosanitary pests, and the decay potential arising from mechanical or insect damage to the fruit. From this and estimated export, percentage can be determined.

A random sample of the consignment is inspected for the following:

- Harvest defects, such as injuries, long stems, plugged and buttonless fruit. Buttonless fruit are fruit from which the little structure where the fruit meets the stem, called the button, has been removed during harvesting. Plugged fruit are fruit where white flesh can be seen under the skin where the button has been removed. Buttonless and plugged fruit are more susceptible to disease and infection and therefore pose a food safety hazard.
- Other decay factors, such as false codling moth and fruit fly damage
- Blemish factors, such as wind, thrips, and red scale
- Internal quality

Decay Control

Packhouse treatments cannot eliminate all postharvest decay and effective pre-harvest control measures are also a prerequisite for successfully controlling postharvest decay.

It is not possible to totally exclude injuries in the picking process. The fruit must, therefore, be delivered to the packhouse for treatment as quickly as possible after picking. If the fruit is not going to be packed on arrival at the packhouse, it is advisable to drench the load with chlorinated water before storage.

The entire packing line should be checked regularly for sharp objects which may damage the fruit. Graders and packers should wear gloves.

Pressure injuries (oleocellosis) to the fruit in the packing line should be eliminated through careful management of areas where it could occur, for instance in the high-pressure descaling unit, with too high temperature in hot water baths, with high roller speeds, and wax accumulated on conveyer belts, guides and aluminium rollers.

The most effective fungicide treatments must be applied, and the concentration must be correct and be monitored and recorded on a regular basis. Fruit which has been washed or dipped in a water bath must be properly dried before entering a fungicide tank or the area where fungicide is sprayed on in water or in wax.

Low temperatures stop or delay the development of fungi. The packed fruit must, therefore, be placed in cold storage as soon as possible after packing.

Wash Line

The wash line is defined as the area encompassing all the processes from tipping the fruit (wet or dry) at the entrance of the packhouse to after the wax drying tunnel. The effectiveness of these treatments only becomes apparent once the product has left the packhouse and has arrived at the marketplace. Careful monitoring of the following key points on the wash line must, therefore, be carried out on a regular basis:

- Wet or dry dumping area
- High-pressure descaling area
- Brushes
- Drying tunnels
- Fungicide application area
- Waxing area

Grading

This operation is the most difficult to control because it is entirely dependent on the human element. Many factors influence the effectiveness of grading, including the following:

- External fruit quality
- Design of the grading table
- Fruit colour and size, because poor colour can for instance mask blemishes
- Presence of developing factors such as oleocellosis and black spot
- Level of training and capability of graders
- Number of fruit handled per minute by graders
- Shift duration and rest intervals
- Supervision and commitment of personnel to quality

The monitoring and verification of grading is the most specialised quality control function in the packhouse. It requires trained and experienced personnel who have intimate knowledge of both local and export standards for all categories of fruit.

Monitoring is done by drawing random samples of fruit from the line at regular intervals after each grading operation. Each sample is then graded to the applicable standard to which the product must comply.

The findings are documented and if necessary, changes or training of graders immediately implemented.

Labelling

The following aspects of the labelling process must be controlled:

- The correct labels must be used for variety and size
- Sufficient fruit of the desired counts must be labelled
- Only one label must be applied per fruit

Sizing, Packing, and Marking

In most packhouses, machinery is used for automated sizing of fruit. The type of packing material in which the fruit is to be packed determines sizing requirements. Within each count or size category, carton-fill and mass are in turn determined by the actual size of the fruit.

The type of controls required is determined by the equipment in use. It is nevertheless important to measure fruit of all sizes from randomly drawn samples throughout the packing day.

Packed cartons are weighed on a regular basis, assessed for carton fill and the packing patterns checked. Detail of the monitoring process must at all times be recorded for regular inspection by the packhouse management and supervisors.

Cartons are stored and erected in a separate area. Three aspects of carton erection affect quality or acceptability of the end product, being:

- Inadequate glueing and loose flaps
- Damage to carton components by the sealing machine
- Non-compliance with carton manufacture specifications

All three must be monitored throughout the packing day and non-conformance or problems must be documented.

Palletisation

The following aspects require attention to ensure that pallets are stable and can withstand the handling required to reach the final destination:

- Compliance with pallet specifications
- Application of spot glue where appropriate
- Stacking pattern
- Strapping

The frequency of monitoring the palletization process is determined by the daily volume of fruit packed. All inspection results must be recorded and corrective action must be taken where necessary.

Financial Resources

Financial resources concern the ability of the business to "finance" its chosen strategy. For example, a strategy that requires significant investment in new products, distribution channels, production capacity and working capital will place great strain on the business finances. Such a strategy needs to be very carefully managed from a financial point-of-view. An audit of financial resources would include assessment of the following factors:

Existing funds	**Cash balances**
	Bank overdraft
	Bank and other loans
	Shareholder's Capital
	Working capital (stock, debtors) already invested in the business
	Creditors (suppliers)
Ability to raise new funds	Strength and reputation of the management team and the overall business
	Attractiveness of the market in which the business operates (is it a market that is attracting investment generally?)

Human Resource Development Considerations

Human Resources

Human Resources are the heart of a business – this relates to the skills-base of the business. What skills does the business already possess? Are they sufficient to meet the needs of the chosen strategy? Could the skills-base be flexed / stretched to meet new requirements? An audit of human resources would include assessment of the following factors:

Existing staff resources	Numbers of staff by function, location, grade, experience, qualification, remuneration
	Existing rate of staff loss (attrition)
	Overall standard of training and specific training standards in key roles

	Assessment of key "intangibles" such as morale, company culture
Changes required to resources	What changes to the organisation of the business are included in the strategy (change of location, new locations, new products?)
	What incremental human resources are required?
	How should they be sourced? (Alternatives include employment, outsourcing, joint ventures, temping)

Work Force

The number of harvest workers and supervisors required is calculated on the basis of the crop estimate, taking into account the period in which the harvesting must be completed for each cultivar.

Training

All supervisors and workers must be trained before harvesting to ensure that the correct methods are used during the picking process. It is important that both the supervisors and workers are at the same level of understanding of why the picking process must be done in a certain manner and what the negative effects of deviation would be.

Health and Safety

The Occupational Health and Safety Act of 1993 (OHSA) provides for the health and safety of persons at work and when using plant and machinery. It also provides for protection of persons other than those at work against hazards to health and safety arising out of activities of persons at work.

Employers

According to the OHSA, employers have the basic duty towards employees to provide and maintain a working environment that is safe and without risk to the health of the employees.

The matters to which these duties refer include the following:

- ❖ Providing and maintaining systems of work, plant, and machinery that are safe and without risk to health.
- ❖ Taking steps to eliminate or diminish any hazard or potential hazard to the safety or health of employees.
- ❖ Identifying the hazards to the health or safety of persons attached to any work which is performed, and devising and applying any necessary precautionary measures.
- ❖ Providing such information, instruction, training and supervision as may be necessary to ensure the health and safety of his employees.

- Not permitting any employee to do any work unless the precautionary measures which may be prescribed have been taken.
- Ensuring that the work is performed under the general supervision of a person trained to understand the hazards associated with it and who has the authority to ensure that the precautionary measures taken by the employer are enforced.

Employees

Employees also have a responsibility under the OHSA, as follows:

- Take reasonable care for the health and safety of himself and of other persons who may be affected by his / her acts or omissions.
- Cooperate with his / her supervisor to comply with any health and safety measures.
- Carry out any lawful order given to him / her in the interest of health and safety.
- If any unsafe or unhealthy situation comes to his / her attention, report it as soon as possible to the supervisor and / or employer.
- If he / she is involved in any accident which may affect his / her health, to report the incident as soon as possible.
- Cooperate with safety committees whenever required.

Hygiene and Food Safety

A hygiene risk analysis encompassing, amongst others, harvesting procedures, should be carried out prior to harvesting and processing.

All identified actions should be communicated to all persons involved in the harvesting process through training and must be strictly enforced by supervisors and management. All such actions must be documented and monitored throughout.

The following applies:

- Only healthy people must be involved in the harvesting process.
- Workers must have access to clean toilets and hand washing facilities in the vicinity of their work area.
- Basic verbal and written instructions in hygiene must be given before handling fruit, including personal cleanliness, washing of hands after meals and ablutions, wearing of jewellery, fingernail-length, and personal behaviour.
- Workers must be made aware of the importance of wearing of and caring for, protective clothing.
- All subcontractors and visitors must be aware of the relevant demands on personal hygiene.
- A trained person in first aid must be available whenever on-farm activities are carried out.

- The accident and emergency procedures must be clearly understood by all workers.

Intangible Resources

It is easy to ignore the intangible resources of a business when assessing how to deliver on a new (or existing) business strategy - but they can be crucial to the success of the business.

information

Intangibles

Intangibles include:

Goodwill	The difference between the value of the tangible assets of the business and the actual value of the business (what someone would be prepared to pay for it)
Reputation	Does the business have a track record of delivering on its strategic objectives? If so, this could help gather the necessary support from employees and suppliers.
Brand recognition	Strong brands are often the key factor in whether a growth strategy is a success or failure.
Intellectual Property	Key commercial rights protected by patents and trademarks may be an important factor in the strategy.

In order to ensure that intangible resources are optimised, you should consider establishing systems to manage quality and optimise brand recognition.

Systems Resource Development Considerations

Quality Management

Systems must be devised to monitor that the fruit is harvested with the correct internal and external quality standards. This dictates that fruit samples must be taken and analysed from well before harvesting, and the quality standards must be monitored up to picking.

The internal quality parameters that are measured are juice percentage, total soluble solids (TSS), acid content and TSS/acid ratio. Picking can only commence once the minimum levels stated in the market specification are reached, as they generally do not change after picking. Colour development is the main external quality factor monitored at this stage.

The actual picking process must be done as prescribed and must be carefully monitored.

Harvesting Systems

Two harvesting systems are commonly used in the South African citrus industry, being bulk bins (400kg capacity) and picking trailers (1.6 to 2.5-ton capacity).

Both systems have advantages and disadvantages. The decision on which type to use is usually based on the production area within which the farm is located and the variety being picked.

Pre-Harvest Actions

The pre-harvest actions include the following:

- Final estimate of total crop per cultivar as well as fruit size spectrum
- Comparing internal and external fruit quality with marketing standards
- Sourcing and training of supervisors and pickers
- Medical examination of all workers to be involved in the picking operation
- Issuing protective clothing to all pickers
- Preparing and cleaning picking equipment

Picking Process

The following actions are involved in the picking process:

- Decide which picking method to use, being clippers or snap-picking.
- Inspect the cleanliness and condition of ladders, clippers and picking bags daily.
- Inspect the fingernails of pickers, which must be short to prevent injuries to fruit.
- Ensure that enough drinking water is available.
- Monitor hygiene standards, for instance, washing of hands after meals and ablutions.
- Ensure that fruit that are wet are not picked to prevent pressure bruising, called oleocellosis.
- Monitoring of general picking and handling of fruit from tree to bin or trailer by supervisors.
- Ensure that picking bags are emptied carefully so as not to cause injuries to the fruit.
- Ensure that fruit do not have long stems after picking.
- Ensure that bins or trailers are not overfilled before transporting.
- Monitor the removal of all fallen and decayed fruit from orchards after picking.

Transport to Accumulation Point or Packhouse

In preparation for harvesting, all orchard roads must be graded. Rough roads cause unnecessary wear and tear on transport vehicles and equipment, and can lead to injuries and bruising to the fruit.

Fruit must be transported from the orchard and to packhouse at a moderate speed to prevent injuries or bruising. Transport at high speeds on gravel roads also causes dust to settle on the fruit, which leads to injuries. At high speeds, fruit in the top layers moves up and down, which also cause injuries. These small injuries can lead to infection by pathogens and result in decay.

Systems Establishment for Quality Standards

Internal Quality Standards

Harvesting fruit at optimum maturity is an important factor that determines the shelf-life of the final product. Each cultivar has a unique set of internal standards, which develops with ripening and reaches optimum levels at its normal picking time. The length of the normal picking time can vary from four to ten weeks between cultivars.

A number of parameters, including rind puffiness, rind-colour, and acid and sugar levels, are used to measure fruit maturity. The parameters are monitored from about four to six weeks before the anticipated date of harvest to confirm that the predicted fruit maturity coincides with the packing period indicated on the crop estimate.

It is essential that the internal fruit quality complies in all respects with the export requirements before harvesting. The packhouse has no control over internal fruit quality and non-conforming fruit has to be discounted at much lower prices to inferior markets.

External Quality Standards

External standards at the time of harvest refer to rind colour, skin blemishes, deformed fruit, insect damage, and diseases. Injured fruit – sustained during picking and transport process – are also monitored and removed at the packhouse.

Rind colour develops further after picking and can be enhanced through de-greening or delaying the fruit before processing at a higher temperature. Practices like these will, however, detract from shelf-life and marketing potential. It is, therefore, best practice to only harvest fruit with fully developed rind colour.

Blemishes are caused by wind, hail, and insects and are normally more severe at an early stage of fruit development. A certain level of blemishes is allowed on export and local market fruit, but obviously, non-conforming fruit must be graded out and sent for juicing.

Pests and Diseases

Blemishes caused by insects like bollworm and thrips are caused long before harvest. Such fruit are culled at the packhouse. Numerous postharvest diseases often result from pre-harvest infections. This can be reduced or eliminated by the following orchard practices prior to harvest:

- Spraying trees with fungicides
- Removal of dead wood inside trees
- Pruning trees to prevent fruit contact with soil
- Removal of fallen fruit
- Control of fruit fly, false codling moth, mealy bug and other insects which may damage fruit

The level of postharvest decay is also influenced by picking and transport practices, fruit maturity, pruning of trees, fertilisation and irrigation practices. Correct management of these practices is therefore of primary importance to deliver a highly marketable fruit to the packhouse for processing.

Using Resources outside the Business

In today's competitive environment, everyone's focus has become to concentrate on the business' core specialisation and core-competency areas and outsource the non-core functions. Many companies and organisations have come to realise that by outsourcing non-core activities, not only are costs minimised and efficiencies improved but the total business improves because the focus shifts to the key growth areas of the business activity.

The only way to get ahead and stay ahead of your competitors is to focus all of your attention on those tasks that need your specific expertise while outsourcing the rest of your repetitive operational jobs to others who are experts in those activities.

Such non-core activities could include:

- Information Technology (IT)
- Engineering
- Accounting
- Legal services
- Auditing
- Book Keeping
- Company stationery
- Cleaning
- Security

This essentially implies the transfer of non-core services to third parties who specialise in providing such services. It can cover a wide range of components depending upon the core competency as well as the requirements of the business.

definition

Business *p*rocess *o*utsourcing

(BPO) may be defined as the delegation of one or more intensive business processes to an external agency, which in turn owns, administers and manages the selected process based on definite and measurable performance. The term BPO is used in reference to work that does not require the core technical skills of the outsourcing company. When the outsourced entity is based in another country the practice is sometimes called off-shoring.

The main motive for outsourcing these activities is to allow a company to invest more time, money and human resources to its core activities without losing the quality of these tasks or damaging its own reputation.

Outsourcing IT (Information Technology)

Information Technology Outsourcing or ITO is a company's outsourcing of computer or internet-related work, such as programming, web-site development and maintenance, server maintenance, back-ups, virus protection, and software management to other companies who specialise in this work. The reasons for IT outsourcing could be lack of technical resources, cost reduction, and efficiencies.

Outsourcing Engineering

Engineering services may be outsourced for reasons such as cost and the ability to get better quality, through a vendor qualified in, and focused on a specific engineering service domain. Engineering services delivery revolves around technical skills, domain expertise and good engineering judgment (or Professional Registration and its concomitant legislative accountability). Most engineering services outsourced are related to design services associated with patented products, manufacturing process design or product design specifications.

Outsourcing Accounting

Accounting and bookkeeping often takes much time away from core business activities because of its importance in the overall functioning of an enterprise. The level of accounting outsourcing can range from merely preparing the annual financial statements, to keeping of the monthly salary roll, to entirely managing the accounting, which would include purchasing, payment and tax activities (and even managing the bank accounts).

Outsourcing Legal Processes

Legal Process Outsourcing (also known as LPO services) refers to the practice of a non-law firm or corporation obtaining legal support services from an outside law firm or legal support services company. Such services could deal with professional indemnity insurance support, legal advising, Intellectual property management, in-depth contract management and litigation (where required).

Outsourcing Audit Services

Outsourcing audit services may be beneficial to an institution if it is properly structured, carefully conducted, and prudently managed. To do this, management should ensure that there are no conflicts of interest and that the use of these services does not compromise independence. Potential conflicts of interest may arise if the outsourced auditing firm performs IT audit functions in addition to other audit services, such as providing an independent financial statement or serving in an IT or management consulting capacity. The board of directors of an institution remains responsible for ensuring that the outsourced internal audit function operates effectively and complies with all regulations governing such arrangements.

It is important to outsource this resource because it needs to be done perfectly; a small business can have an accountant internally but cannot also have the accountant doing the audits because he may not evaluate his own work.

Conditions, Procedures, Costs and Information Required to Access Resources

	Financial Resources	Human Resources	Physical resources	Intangible Resources
Conditions required to access	If you are considering getting financial support from a bank via a loan you need to have an operating history in order for them to consider an application from the business and you need to be credible. A solid business plan is also a common requirement to accessing financial support for the business as this states the current state of the business and projects its future expectations. An overdraft facility may require sureties, a credible financial history with the financial institution and the preparation (and maintenance) of relevant FICA documentation.	People are one of the most important resources in the production of goods and services, playing a critical and indispensable role in ensuring business success. The successful entrepreneur will have an informed understanding of the human aspects of business and be able to manage people effectively for success. HR is not just about the administration of personnel (although this is a very important part of HR management), it is also about the effective management of personnel to attain their best performance (you need to manage them in a way that you can get your highest "return-on-investment" from them). Effective management will also ensure a happy workforce that will stay with you and always give their best (low staff turnover and high staff retention).	Financially fit and capable of maintenance of assets, equipment and or land and buildings Be able also to manage the further financial burden of insurance for these items. Do your homework and ensure that the item you are buying will be "fit-for-purpose" for example do not buy a low volume printer when you need a printer that can rapidly print high volumes. Ensure that you are able to replace items when they reach the end of their usefulness – an important asset that is suddenly lost, damaged or stolen, can cause large financial losses if it is crucial to the operation of the business.	Building up a good reputation takes time. Remember, unhappy clients tell lots of people, whilst happy clients tell very few. One mistake can harm a business's reputation irrevocably. Be trustworthy, keep an open mind, meet obligations, have clear documentation, be respectful. "If you have integrity, nothing else matters. If you do not have integrity, nothing else matters." - Alan K. Simpson. Ensure that everyone in your firm has the same "Vision" and values. Keep these in mind when managing HR (who you decide to hire), when managing your "Brand", when purchasing assets such as vehicles – it does not help to state that you are an eco-friendly company when all the company cars are Landcruisers – known for being gas-guzzlers!.

	Financial Resources	Human Resources	Physical resources	Intangible Resources
Procedures required to access	Preparing all the relevant documents needed to access the resources such as business plan, balance sheets, and cash flow projections. FICA documentation may include: ID documents of owners, shareholders, staff members; proof of physical address of business (such as an electricity or rates and taxes account), last audited financial statements, company organogram, shareholder certificates, company registration documents, any accreditations.	The process of accessing human resources includes: • Defining the HR need, • Placing of adverts or advertising relevant position, • Receiving of applications, • Selection of most capable or promising candidates, • Planning interviews, interview panel and procedures, • Deciding on most appropriate (in terms of qualifications and experience and skills) candidate, • Appointment of most suitable candidate, • Preparing for the incumbent; administration such as employment contract, registering for UIF, PAYE and SDL, credit card, and business cards, office space, stationery. • Induction of incumbent, • Regular performance assessments.	There are a number of systems used to gain access to physical resources in a business. Some methods include: Requesting 3 quotations from capable suppliers, Procuring over the counter or Putting a construction requirement out on tender. Ensure that the asset is essential to the business's operation. Investigate various insurance options and costs. Ensure that the purchase will be in line with the company values and vision.	Some industries have generic codes of conduct or professional standards that need to be upheld. Having an internal code of conduct provides uniformity in the values kept and upheld in a business – at all levels of an organisation. Ensure that clients are aware of grievance/complaint procedures – invite feedback regularly. Celebrate customer service excellence.
Costs required to access	These may include having the business plan compiled, or having an accountant assist with the development of the cash flows and other relevant financial	Sourcing the appropriate candidates for your business can turn into an expensive exercise if not done well. Costs will include advertising costs, interviewing costs (time-related	The purchase of any new company asset or vehicle or equipment must be done keeping in mind the cash flow capabilities of the company.	Building a brand takes time, but it does not necessarily mean at great expense.

	Financial Resources	Human Resources	Physical resources	Intangible Resources
	information such as ROI (Return on investment), liquidity ratios. Keep interest rates in mind when borrowing money – try and pay off the debt as quickly as possible to incur the lowest costs as possible. Do not use credit cards as a source of cash – if credit cards such as garage cards are necessary, ensure that the amount owing is automatically paid every month. If you are nervous that you may forget to pay an important bill, organise a debit order for that account.	costs), and then direct employment related costs such as organising for PAYE, UIF, pension. Please note that a high staff turnover because of unsatisfactory working conditions can result in huge recruitment expenses – since staff shortages can lead to poor service delivery. Thus, if you are going to spend money on recruiting suitable candidates then you should spend a good amount of time keeping them happy in your business. Similarly, the appointment of the wrong candidate – someone who does not fit into your company culture, or someone who does not have the right qualifications or experience (or enthusiasm) - may result in poor work performance. Remember, South African legislation makes it easy to hire people but very difficult to fire them.	Depending on the liquidity of the company a decision can be made to purchase utilising cash or whether a hire purchase or instalment purchase may be preferred. Look at whether renting would be a more prudent option (renting office space instead of purchasing office space – or renting a copy machine instead of purchasing one). With any hire purchase or instalment purchase, the cost of interest must be taken into account. Also, take into consideration any additional insurance costs that will need to be met.	Building customer loyalty can be achieved with friendly, efficient, excellent service – it does not necessarily rely on fancy signage, posters, or a fancy reception area. The cheapest way to build a brand is through a good service and / or product. However, if you want to build "brand awareness" the best way to do this is to ensure that everything about your brand speaks to each other element within the brand – the lettering, the colours used, the slogans used, how staff are dressed, how the product is presented, how your adverts appear. Add small, useful items to your service or product that will remind your customer of you – make sure it is in keeping with the brand and the "values" that you wish to portray.
Information required to access	Look at the various offerings of different financial institutions	Potentially you will need to determine the current industry price for the expertise you are requiring. It does not help to advertise a	Make sure that you have all the information regarding the item you wish to purchase. Compare makes, models, capacities,	Find out what your customer's want and then give it to them – do they want a reliable, inexpensive product or do they want a flashy, fashionable

	Financial Resources	Human Resources	Physical resources	Intangible Resources
	before deciding which product to access. Do not feel obliged to stay with your current financial institution if you can get a better deal elsewhere – remember, there is no such thing as being penalised for taking your business elsewhere – "Business is business". It is often more convenient from an administrative point of view to stay with your current financial institution – however, show them the deal you could get elsewhere and see whether they can beat that offer to retain your business.	position at a rate that is not market-related. Think of other ways that you can sell your business to prospective candidates. This may include a country location, good schools nearby, the excellent team spirit, the flexible work hours. Ensure that your budget can afford to fill the position – investigate alternatives such as bursaries, internships, workplace experience and apprenticeships to finance all or part of the incumbent's salary. Prepare well for the interview. Take the interview panel through a practice run to ensure that the interview is well structured. Prepare interview sheets for each panel member.	sizes, colours, and prices. If it is a high-value item, suppliers are often willing that you test the model for a period of time before making the purchase (read the fine-print carefully with such agreements). If you are purchasing the item with instalments ensure that you are clear on the repayment period, the monthly instalment, the interest rate. When insuring the item, make sure that the item is covered for the relevant types of claims – such as fire and theft and not snow and insect damage.	statement? Knowing which customers you are serving will assist you to present the service or product to them with the relevant branding attached – one may be understated and reliable, the other may provide ego-boosting in itself (Prada, Tommy Hilfiger, Chanel). Obtain regular feedback through customer satisfaction surveys. Ensure that your company is customer-centric in everything it does. Some large companies take part in "brand awareness" surveys to see how their brand is performing in relation to others.

Application Forms and Documents to Access the Relevant Resources

Financial Resources Forms and Documents

Waiting for a loan approval can feel like an eternity. The good news is that there are things you can do to expedite the process. Preparing all the documents you will need is one way to move the process along. Here are some documents to collect for your application:

- **Business profile.** This document describes your business, including annual sales, number of employees, length of time in business, and ownership. Also include documents such as company registration documents, tax clearance certificates, shareholder certificates, ID documents of shareholders, BEE scorecard, any registrations and accreditations, and any other documents that can show the bank that you are a serious, committed business who has taken effort to ensure legislative and professional compliance.
- **Business plan.** A business plan is particularly important for new businesses (because new businesses lack a track record for lenders to go by). Your plan should convey all the important facts about your business in a concise manner. Your business plan may range anywhere from 5 to 20 pages, plus financial projections. Learn to Write a Winning Business Plan. Taking a slower approach to starting your business will give you the time to think through all the hurdles and challenges that can and do arise. A business plan is a useful tool to help you through this thinking process. Start working on a business plan as soon as your ideas begin to come together, then develop and modify your plan as your ideas develop and change. Remember: a business plan is never cast in stone. It is there to ensure that you know what you are aiming at and that you have thought about how you will get there. The plan, it is said, never survives the first battle! So you need to keep updating it.
- **Loan request.** This should detail the amount of money requested, how the loan funds will be used, the type of loan, and the amount of working capital you have on hand.
- **Collateral.** Describe what will be used to secure the loan, including equity in the business, borrowed funds, and available cash. Review the information in "Should You Personally Guarantee a Loan to Your Small Business?" (Appendix A)
- **Personal and business financial statements.** You will likely need to provide financial information for anyone who owns 20 percent or more of the business, including owners, partners, officers, and stockholders. Lenders will want to see a complete schedule of current debts with balances, payment schedules, maturity, and collateral used to secure other loans.

You may also be asked to provide:

- **Balance sheets** from the last three years.
- **Profit and loss statements** from the last three years.
- **Cash flow projections** indicating how much cash you expect to generate

- **Accounts receivable and payables ageing**, breaking your receivables and payables into 30-, 60-, 90- and past 90-day-old categories.
- **Personal financial statements** listing all personal assets, liabilities, and monthly payments, as well as your personal tax returns for the past three years.

Lenders may also require additional documents during the loan process, such as:

- Articles of incorporation
- Proof of taxpayer ID number
- Legal descriptions of real property
- Leases
- Equipment inventories with serial numbers
- Proof of insurance for collateralised items

There are other documents that may improve your chances of getting approved. Some of those are:

- Letters of intent from commercial accounts stating their intent to do business with you.
- Market data showing demand for your type of business.
- Research on competitors, including information on their customer base and price points.

Collecting this additional information is a good idea, but do not submit it with your application unless your loan officer requests it. Too much information can be overwhelming and actually hurt your chances of getting a loan.

Human Resources Forms and Documents

Employees require a certain minimum level of administration. Remember, this administration is not only for the benefit of the business, very often this administration is vital to the financial security and peace of mind of the employee.

The following documents are required during the recruitment process:

- Employee application forms
- Curriculum Vitae of applicants
- Interview form completed for each applicant
- Letter of regret sent to each unsuccessful candidate
- Letter of appointment sent to successful candidate explaining terms of the offer of employment.
- Letter from successful candidate accepting employment and terms of the offer of employment.

The following documents need to be completed whenever a new employee joins the enterprise:

- The employee needs to be registered for PAYE (If the employee does not have an individual tax number – he/she must be assisted to apply for one)
- The employee needs to be included on the Skills Development Levy roll.

- The employee needs to be registered with the Unemployment Insurance Fund.
- The employee needs to be included in the list of employees of the company registered at the Compensation Commissioner (Worker's Compensation).
- Every employee needs to receive a salary slip at the end of each payment period.

Further documents that should be kept for each employee include:

- A personnel file for each employee.
- The employment contract (including job description, agreed salary, agreed leave allowance, key performance indicators, period of employment (whether permanent or contract appointment), any other rules and conditions pertaining to the employment of the individual).
- The employee's personal details such as:
    - Name
    - Surname
    - ID number (and copy of ID book)
    - Next of kin to notify in case of emergency
    - Address
    - Curriculum Vitae
    - Educational qualifications
    - Copies of any certificates (such as courses attended, degrees)
    - Banking details
    - Telephone no.
- Leave forms (sick leave, maternity leave, family responsibility leave and / or vacation leave taken by the employee).
- Copies of any training that the employee undergoes during his employment.
- An employee could also receive the following documents as an introduction to the enterprise (Called the induction process):
- Enterprise Policy Manual (Which includes details on):
    - The company history, values, mission and vision
    - Conditions of Employment
    - Employee Benefits
    - Internal Policies
    - HIV/AIDS, Smoking and Substance Abuse policies
    - Code of Conduct
    - Recruitment, Selection and Appointment Policy
    - Standard Operating Procedures
    - Standard Forms

- Organisational Structure
- Report templates
- Business cards

Physical Resources Forms and Documents

Whenever a new asset is purchased several documents come into play. These include:

- Quotations from different suppliers for the same or similar products
- Brochures providing specifications of range of same or similar products
- If a loan is required the loan documentation (as explained under financial resources above) such as the lease agreement
- Invoices for each item purchased
- Add the item to the company asset register
- Ensure that the item is included in the insurance register (and its premium paid)
- Maintenance and use booklet (should be stored in a safe, accessible place)
- Any guarantees or warranties that come with the item (should be stored in a safe place – and activated if required)

Intangible Resources Forms and Documents

To build a reputation the following documents may be useful:

- Code of Conduct
- Customer Promise
- Grievance Procedure
- Quality Management System (ISO accreditation)
- Accreditations and registrations with professional bodies
- Clear branding
- Customer feedback questionnaires (satisfaction surveys: both internal and external to the enterprise)

practical

Complete the following formative assessment:

F114590.1 – Team Research Worksheet and Mind-map

Chapter 2
Evaluate the Contribution of Resources to Effective Business Performance

Potential Performance of Resources

Each resource that the business has or needs has the capacity to perform to a certain level in order to reach planned targets or reach the business's objectives. We have learned of objectives and have stated them in our business plans. These objectives are goals that are set for the business to reach. Business resources are the tools that are used to attain these goals. If the objective of the business is to have a profit of R 100 000 by the end of the financial year then each resource should have an impact in trying to reach this objective.

Return on Investment

A useful tool to use to determine whether your business resources are contributing to your overall business objective is the concept of Return on Investment (ROI).

What Does Return On Investment (ROI) Mean?

ROI is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

information

Formula for calculating ROI

The return on investment formula: $$\text{ROI} = \frac{(\text{Gain from Investment} - \text{Cost of Investment})}{\text{Cost of Investment}} \times 100$$

Return on investment is a very popular metric (measure) because of its versatility and simplicity. That is, if an investment does not have a positive ROI, or if there are other opportunities with a higher ROI, then the investment should not be undertaken.

Keep in mind that the calculation for return on investment and, therefore the definition, can be modified to suit the situation -it all depends on what you include as returns and costs. The definition of the term in the broadest sense just attempts to measure the profitability of an investment and, as such, there is no one "right" calculation.

For example, a marketer may compare two different products by dividing the revenue that each product has generated by its respective marketing expenses. A financial analyst, however, may compare the same two products using an entirely different ROI calculation, perhaps by dividing the net income of an investment by the total value of all resources that have been employed to make and sell the product.

This flexibility has a downside, as ROI calculations can be easily manipulated to suit the user's purposes, and the result can be expressed in many different ways. When using this metric, make sure you understand what inputs are being used.

Financial Resources

As we have mentioned these may include:

- Cash balances
- Loans
- Shareholder's Stock
- Capital

Each of these financial resources must contribute towards the business objective.

example

Calculating ROI in different industries

Let us say a hair salon manages to get start-up capital in the form of a loan of R 50,000.

The monthly loan repayment instalment is R 1,500 for 50 months.

According to its Business Plan, the start-up expenses to operationalise the salon is R 45,000.00 (buying products, machinery, and mirrors).

In the first month of operation, a profit of R 10,000 is generated.

Thus, it can be argued that the loan of R 1,500 per month contributes to the realisation of R 10,000 profit for that month.

That is a Return on Investment of 566% (Using the ROI calculation above)

This ROI can also be described as the performance of the loan in contributing to the objectives of the business.

If the ROI calculation had provided a negative result – then this is a clear indication to the entrepreneur that this business would be a poor investment.

example

Calculating expenses on resources such as vehicles

Purchase price: 100 bags of cement = R 6,000

Fuel R 600

Vehicle Service R 1,000

Labour cost = R 800

Total expenses: R 6,000 + R 600 + R 1,000 + R 800 = R 8,400

Income:

R 100 x 100 = R 10,000

Profit:

The total profit made because of access to the vehicle is the income minus expenses: R 10,000 – R 8,400 = R 1,600.

This means this vehicle has the potential to bring R 1,600 worth of profit to the business monthly.

Physical Resources

These may include:

- Premises / Infrastructure
- Vehicles
- Computers
- Telephones
- Furniture

Each of these has a role to play in reaching the business's objectives. For example, the telephone is used to call and contact ten government departments per month in order to make sure that the business is registered on their databases. Thus, the potential exists that the business could be invited by one or several of these departments to tender for potential business (Obviously, a fax or e-mail could also be the "tool" used to establish this communication – the question then becomes – which is the most "cost effective" resource to use?).

A vehicle may be used to collect products to be sold. For example: if the vehicle collects 100 bags of cement per month in Port Shepstone and the vehicle uses a total amount of R 600 worth of fuel for the trip. If each bag is bought for R 60 and sold for R 100 per bag, how much money does this resource (the vehicle) help to generate? The calculations are as follows:

Human Resources

Each person in the employ of the business must contribute to the success of the business enterprise. Sometimes it is difficult to quantify (in monetary terms) the contribution of an individual to the profit generated by a business, because:

- Some people may work in teams to attain an objective or to complete a task.
- Some people have very little "income generating" responsibilities – they are support staff (such as the administrative or cleaning staff) and are included in the "overheads" of the enterprise.

Whether the individual has a direct or indirect impact on the profit generated by an enterprise, their contributions need to be quantified in some manner. This will ensure that no person employed in a business is redundant (useless), or has nothing to do. The easiest way of doing this is to identify performance targets and indicators that clearly illustrate "HOW" each person contributes to the profit. These "HOW"s could include each person's contribution to:

- Bringing in income (whether directly making sales, or getting contracts, or supplying the tender documents for the technical staff to respond to), or
- Saving on expenses (using cleaning materials efficiently, not wasting paper, purchasing the best quality inputs for the best price).

Clarifying these targets and indicators assists to improve the motivation and enthusiasm of all staff since they are clear on how they can excel in their own position and they will feel proud to be able to share in the success of the enterprise.

Measuring Resource Contribution

Sometimes business resources do not perform to their ultimate potential when it comes to reaching planned targets. As much as they have their potentials there are factors which sometimes contribute to the resources performing badly or under-performing. But, how would you know how these resources are "performing"?

In each business, there should be performance indicators in place for each resource. Return-on-Investment (discussed at the start of this chapter) is a financial performance indicator. Each type of business resource has appropriate performance indicators which can be used to analyse whether the resource is being used efficiently and whether it is contributing to the success of the enterprise.

These indicators are often different for each business type. For example, key performance indicators of different industries are shown below:

example

Examples of common performance standards

Manufacturing

Productivity of staff expressed in terms of:

- Raw material utilisation
- Number of units produced over a given period
- Machine capacity loading
- Downtime reduction

Service organisations

- Number of service calls made
- Average value per transaction
- Add-on sales made

- Feedback from customer satisfaction surveys
- Reduction of call backs due to poor workmanship
- Word-of-mouth referrals by customers
- Number of customers becoming regulars

Retailers

- Sales per staff member
- Average transaction value
- Sales per square meter of floor space
- Feedback from customer satisfaction surveys
- Reduction in shrinkage and breakages
- Reduction in obsolete stock

Direct sales

- Number of cold calls converted to leads
- Number of leads converted to orders
- Number of returns
- Value per transaction
- Number of customers who place repeat orders

Hospitality industry

- Feedback from customer satisfaction surveys
- Number of regulars
- Word-of-mouth referrals by customers
- Average transaction value
- Number of meals served
- Reduction in shrinkage and breakage

If each employee is given the responsibility to measure a series of **KEY performance indicators** and report on them on a regular basis (for example monthly or weekly), then performance over a period of time can be plotted on a graph and inconsistencies and trends (upward trend or downward trend) can be identified. If problems are identified through this process then it is possible to seek potential solutions to rectify those problem areas in a timely manner.

For example, if a vehicle is old, it may be constantly breaking down or is in constant need of maintenance. If regular petrol consumption and maintenance cost breakdowns are compared to the amount of travel (mileage), and this is plotted weekly or monthly, then it will be possible to see when the vehicle should be replaced, in other words when it becomes a drain on other resources such as financial or human or reputation resources and is no longer "earning its own keep".

If you do not measure these indicators from the records you keep and compare them over time you will most probably not know when a resource is underperforming. This will lead to expensive waste.

Evaluating Alternative Resources

As shown in the section above, if you measure the KEY performance indicators of different resources of your enterprise and you compare them over time, you will be more likely to pick up problems before they become catastrophes (KEY in this context means "most important"). If you keep up-to-date on these analyses and you find resources that are underperforming or that are costing your business, then it may be necessary to:

- Fix the problem, or
- Replace the resource, or
- Look at alternatives

For example, if you have an employee that has a bad attitude that is chasing away customers, then that person may need to undergo disciplinary action, retraining or retrenchment. Alternatively, you may think of replacing that person with a temp or hiring a new permanent staff member. If a vehicle is using fuel inefficiently and its maintenance costs are high, it may be necessary to purchase a new vehicle, or alternatively, hire a vehicle only when needed.

Ensure that the solution or replacement or alternative will improve the situation and not make it worse. The only way to ensure this is to compare the costs and the convenience of the various proposed strategies.

example

Examples of cost to convenience comparisons

For example, you may need to compare costs and convenience as shown in the following table:

Cost of Current Situation	Cost of Alternative 1	Cost of Alternative 2
The interest rate at your current financial institution	The interest rate at an alternative financial institution	The interest rate if you use an alternative savings vehicle
Old Vehicle monthly fuel efficiency	Hired vehicle monthly fuel efficiency	New vehicle monthly fuel efficiency
Staff cost to company	Hiring Temp Cost to company	New employee cost of recruitment
Staff cost re-training	Hiring Temp (with existing skills) - Cost to company	New employee (with existing skills) - Cost to company
Convenience of Current Situation	**Convenience of Alternative 1**	**Convenience of Alternative 2**
Effort required to motivate a difficult staff member	No need to motivate the temp because she is self-motivated.	Find a new employee with the right "fit" to company culture.

Effort required to conduct proper termination procedure (disciplinary hearings, written warnings, and verbal warnings)	An employment contract is not entered into.	Effort required to recruit a new employee.

practical

Complete the following formative assessment:

F114590.2 – Team Discussion with Key Notes

Chapter 3
Seek and Utilise Professional Advice to Supplement Competencies

Looking for Advice

Sometimes it will become necessary to seek outside opinions on various matters regarding your business. Then it is always prudent to seek professional or specialist advice. Some of these have been mentioned previously under "outsourcing" and can include:

- Information Technology (IT)
- Engineering
- Labour specialist
- Accounting
- Legal services
- Auditing
- Book Keeping
- Company stationery
- Cleaning
- Security

You can choose the level or degree of services you want to procure from these specialists. For example, you may need an accountant to do all your financial record-keeping, or you may merely require some advice regarding whether you should register to become a VAT vendor. Similarly, you made need an IT specialist to assist with linking you to the internet, or you may need an IT service provider who can manage the computer system in your entire operation including your websites, domain name and e-mail functionality. The degree to which you use a specialist will depend on the resources you have available within your organisation and the cost involved in procuring the services of an outside specialist.

What Advice do you Need?

Most professionals or specialists are expensive and their costs are often associated with time. To ensure that you pay as little as is possible for their services you will need to be very clear about the advice that you are seeking.

Recording the Advice for Future Reference

Because the advice from professionals or specialists is expensive, one would not want to forget or lose the advice. Very often, professionals or specialists will provide you with a written record of their advice, either in the form of a letter or a report. Make sure that you keep these results in the appropriate section of your record-keeping system. For example advice regarding tax can be kept with your financial records, advice regarding labour issues can be kept with your personnel files.

It may even be prudent to incorporate the advice into your business policies or procedures. For example, if a labour consultant provided you advice regarding how you should word your employment contracts, you should actually capture that information in your Human Resources policies as well as renew all your employee contracts to incorporate the changes (ensuring that each employee agrees to the amendments).

Negotiating Professional Fees

Because professionals and specialists are expensive it is wise to first ask for a quotation for their services before contracting them. Always make it clear that you will only accept their services once you have provided them with a written letter of appointment or contract which clearly articulates your needs and the fee that will be charged. Most professional associations have fee guidelines where you can assess whether you are being overcharged for a service. Obviously, these norms are only guidelines and the professional may ask you whatever he or she wishes (within reason). You must then obviously make a decision regarding whether you will utilise that professional or not.

Also, as with any service provider, you should always try and negotiate a better deal for yourself. Some professionals may refuse to reduce their rates. However, others may be more than willing to give you a discount because of your SMME status. If you do not ask, you will not receive!

practical

Complete the following formative assessment:

F114590.3 – Team Brainstorming Session and Role-play

Section 3: Self-Assessment and Progress Check

Identify and utilise available resources.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The resources available to own venture are identified and explained in terms of the role each will play in the business venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Different institutional sources of expertise are identified relevant to the venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Conditions, procedures, costs and information required to access resources are investigated to determine whether or not they are affordable.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Application forms are completed and relevant documents are prepared to access the relevant resources.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Evaluate the contribution of resources to effective business performance.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Potential performance of resources is evaluated against stated business objectives.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Actual contribution of resources to achievement of business objectives is evaluated against stated business objectives.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Alternative resources to ineffective or inefficient resources are evaluated for practicality, cost, and desired outcome.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Criteria for evaluation of improvement are identified as per objectives.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

Seek and utilise professional advice to supplement competencies.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The resource areas where advice is required are identified and the objectives described for intervention.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Available professional advice is identified and categorised according to specific requirements of own venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
The brief for the professional advice is specified according to desired outcomes of own business.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Records of the advice given are recorded and kept for future reference.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Professional fees are negotiated in line with best business practices.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

Section 4: Action Plans

Learning Goals and Pathways

Once you have polished your business writing skills, made sure you understand the concepts surrounding accurate spatial planning and measurement and you have considered all the resource mobilisation needs of your business, it is time to draft some action plans to get started.

This section will help you to work through the elements of drafting a detailed action plan.

This section is presented in the chapters 4-7 of the guide.

The learning goals for this module includes:

1. Design an action plan for a new venture.
2. Set up business premises and operational systems.
3. Implement business financial systems.
4. Identify the risks associated with the new venture.

Chapter 4
Designing Action Plans

Planning Actions

If you have a business idea, and you have checked its viability (either through the development of a feasibility study or business plan), what are those things that you MUST do first to establish the business?

This will depend on:

- What type of business you are starting. Are you starting a restaurant where equipment and furniture is important, or are you starting a service industry, which merely requires that your labour be available?
- How urgent the implementation of the business idea is. Do you have an alternate source of income which allows you to take the implementation of the new business idea slowly or, is the market opportunity of short duration – for example, the FIFA World Cup?
- Whether capital is available to implement the actions of the business. Do you first need to find the finances before you do anything else or, is capital already available to start with important actions, purchases or appointments?
- Whether you need licences or accreditations before you open the business. For example, you may need a liquor license to open a restaurant which serves wine.

In order to consider all those things that need to be done, and to ensure that you do the most important things first (or in the correct order), it is useful to develop an ACTION PLAN and then to PRIORITISE the action items.

Action plans can vary in complexity, depending on the size and needs of the business. At their simplest, they are a list of what you will do, when. A more complex version might include details of:

- What the action will be (Define each action)
- What it aims to address (Purpose of the action)
- How you will know when it has been actioned (Indicator that it is complete)
- When the action will begin, and when it will be completed (Time-frame or Deadline)
- Who will deliver it (internal staff or external person) (Whose responsibility is it?)
- How it will be monitored (Indicator of reaching certain deadlines or milestones or completion)
    - Who will check that it has been done (Whose responsibility is it?)
    - How much it will cost (Resource availability)
    - How it will be implemented and / or sustained (Resource availability)

Remember, for anything which is "planned", you should be able to determine whether it is planned to occur in the short, medium or long term. You may have different timescales for this, but usually "short-term" relates to the next six months, "medium-term" the next twelve months and "long-term" within the next three years. These can be put into your action plan.

Then you need to look at the areas where action is needed and determine what actions you are going to take.

example

Action plan template

A good template to use to organise your action items is shown below:

What needs to be done?	Who will do it?	By When?	What is needed?	How will I know when I am done?

example

Examples of typical actions identified for the list

The best way to ensure that you do not miss an important action item is to brainstorm. If you are alone you may wish to get a few friends and family involved in this brain-storm – they can help you think of the most logical things that you should remember to do.

Here are some actions that a new entrepreneur may come up with during brainstorming:

- Choose and register a business type
- Open a bank account
- Determine how you will record and manage your finances (cash flow, budget, salary roll)
- Develop company policies and procedures (extracted from the Business Plan)
- Develop your operational systems (record-keeping, filing)
- Purchase necessary equipment
- Find suitable business premises
- Set up the communication system (telephone, e-mail)
- Design prototype of product
- Manufacture 100 samples of product to test market interest
- Find financing (capital)
- Identify the risks associated with your business and put procedures in place to minimise your risk (for example, insure your equipment, work out an emergency evacuation procedure for your premises)
- Organise the transport logistics of your product to the market
- Find the right staff

- Establish your brand

As mentioned previously, the most important things that need to be done will vary from one business to another.

Prioritising Actions to Establish a Business

Sometimes it is necessary to plan which of the important action items you should do first, second and so on. Perhaps an important action must be preceded by another action. In other words, you must first do "A" and only then can you do "B". Or, you may not be sure which alternative of a specific action you should choose to do – for example, one way to procure a printer may be cheaper than another method. This process of prioritising may be a logical process. However, sometimes:

- There are so many things to do that you are overwhelmed by all the possibilities and EVERYTHING begins to seem equally important.
- You are starting the business with several colleagues and each of you has a different idea about what is most important and should be done first. This may lead to conflict even before you start your business!

In situations such as these mentioned above, it is then useful to use a Priority-Setting Tool to help you organise your thoughts.

Priority setting helps guide the decision-making process, allows a better use of resources (time and money) and it helps to reach consensus on business start-up objectives (if there are more than one person starting the business together).

Priority setting is a logical, consistent, and formal approach to identifying the most important possible activities. It is a process of arriving at the best possible set of relevant and realistic activities.

Although no method can pretend to be a substitution for experience and knowledge, using a structured method is indispensable, particularly, to solve conflicting demands (on time and resources) and to systematically apply the experience and logic of the entrepreneur.

A large number of priority-setting tools are available.

Some of the most commonly used include:

- checklist
- congruency analysis
- scoring methods
- cost-benefit analysis
- "Going out of town" method
- A-B-C-D-E method

Checklist

This is the simplest of all tools. A list of criteria for action selection is elaborated. Then each action is checked against each criterion. Examples of criteria used are the following:

- Will the action require resources that are not available at present?
- Is the action dependent on another action occurring first?
- Does the action require time (how much?)
- Does the action require money (how much?)
- Do you have the skill to implement the action?
- Do you need to obtain advice or information from elsewhere before the action can be implemented?
- Do you need to appoint a service provider to implement the action?

example

Action plan template

Your checklist could then look like this:

	Open bank account	**Choose and register a business type**	**Find suitable business premises**	**Determine how you will record and manage your finances (cash flow, budget, salary roll)**
Will the action require resources that are not available at present? Yes or No	No	No	Yes	No
Is the action dependent on another action occurring first? Yes or No	No	No	Yes	No
Does the action require time - in days?	1	30	5	4
Does the action require money - in Rand?	0	R 1,000-00	R 2,000-00	0
Do you have the skill to implement the action? Yes or No	Yes	Yes	Yes	Yes
Do you need to obtain advice or information from elsewhere before the action can be implemented? Yes or No	No	No	No	Yes
Do you need to appoint a service provider to implement the action? Yes or No	No	No	No	Yes

When you analyse the checklist above you will see that "Registering the business" takes the most time, needs some money, but you have the skill to implement it. "Finding business premises" requires the most money and you need to gather some information before you can implement it. "Opening a bank account" and "Developing your financial system" are the simplest things to do because you have all the skills to do these actions, they do not cost money and they will take the least amount of time.

Keeping in mind that company registration takes a long time it may be prudent to choose the business type and register your enterprise (making it "Priority 1") so that you have submitted your documents for registration, then tackle "Opening a bank account" (which becomes "Priority 2") and "Developing a finance system" (which becomes "Priority 3"), and lastly "Finding business premises" becomes "Priority 4" because you need to do some research into available business premises before you can select the right one.

Can you see how the checklist tool can assist you in this priority-setting and decision-making process?

Congruency Analysis

In congruency analysis, the importance of an action depends on the size of one indicator. The higher the indicator the more important it is. In the example above such an indicator could be "time" or "money". If you chose "time" as the indicator, "Registering the business" becomes "Priority 1" since it will take the most time. If you chose "money" as the indicator, "Finding business premises" becomes "Priority 1" because it will cost the most money.

How you choose your indicator is up to you and will depend on your own particular circumstances.

Scoring Methods

Scoring methods represent a more sophisticated version of the checklist. They also start with a list of criteria, but answers to the questions are assigned numerical values (scores). Weights can also be attached to the criteria and then the scores can be multiplied by the corresponding weights. Weighting criteria can include time (if you are in a hurry) or money (if you are waiting for funding to be approved). The (weighted) scores for the different criteria are summed and this enables the entrepreneur to calculate a final action score. These are then used to rank actions according to their score. As with checklists, scoring allows consideration of multiple considerations, including the time it will take, money required, and skills required.

Below is the same checklist example as above, but this time using scoring. Note that all your scores should move in the same direction. Things that are positive must add to the score, things that are negative will subtract from or add less to the score.

example

Scoring template

	Open bank account	**Choose and register a business type**	**Find suitable business premises**	**Determine how you will record and manage your finances (cash flow, budget, salary roll)**
Will the action require resources that are not available at present? No = 2 Yes = 0	2	2	0	2
Is the action dependant on another action occurring first? No = 2 Yes = 0	2	2	0	2

Does the action require time - in days (negative)	-1	-30	-5	-4
Does the action require money - in Rand divided by 100 (negative)	0	-10	-20	0
Do you have the skill to implement the action? Yes = 2 No = 0	2	2	2	2
Do you need to obtain advice or information from elsewhere before the action can be implemented? No = 2 Yes = 1	2	2	2	1
Do you need to appoint a service provider to implement the action? No = 2 Yes = 0	2	2	2	0
Total scores	9	-30	-19	3
Priority score	1	4	3	2

When you analyse the checklist above you will see that "Registering the business" takes the most time, needs some money, but you have the skill to implement it. It scored the lowest (mainly because of the time – which is given a negative value). "Finding business premises" scored the second lowest (mainly because of the cost – which is also given a negative value). "Opening a bank account" scored highest and "Developing your financial system" scored second highest – this was because you have all the skills to do these actions, they do not cost money and they will take the least amount of time. Thus, they are the simplest things to do and can be done first.

However, keep in mind that the company registration takes a long time. This is where your logic and experience comes in. It may be prudent to choose the business type and register your enterprise (making it "Priority 1") so that you have submitted your documents for registration, then tackle "Opening a bank account" (which becomes "Priority 2") and "Developing a finance system" (which becomes "Priority 3"), and lastly "Finding business premises" becomes "Priority 4" because you need to do some research into available business premises.

Cost-Benefit Analysis or Return on Investment

Priorities can also be determined for different alternatives of an action by using a cost-benefit analysis - also known as "return on investment". This tool will not help you to decide which action to do first or the subsequent order of your actions, but it can be used when you have various alternatives for a specific action. For example, the decision to rent business premises versus purchasing a business premises or whether to rent a printer versus whether to purchase a printer.

What Does Return On Investment (ROI) Mean? ROI is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

information

Formula for calculating ROI

The return on investment formula: $\text{ROI} = \frac{(\text{Gain from Investment} - \text{Cost of Investment})}{\text{Cost of Investment}} \times 100$

Return on investment is a very popular metric (measure) because of its versatility and simplicity. That is, if an investment does not have a positive ROI, or if there are other opportunities with a higher ROI, then the investment should not be undertaken.

Keep in mind that the calculation for return on investment and, therefore the definition, can be modified to suit the situation -it all depends on what you include as returns and costs. The definition of the term in the broadest sense just attempts to measure the profitability of an investment and, as such, there is no one "right" calculation.

example

ROI calculation

Let us assume that you are planning to start a small printing company. Your main business is to print advertising pamphlets and leaflets. You have a choice regarding how to obtain your printing equipment.

- To purchase a high-throughput printer would cost R 25,000. The printer needs to be replaced every two years and its maintenance costs R 1,000 every year.
- To rent one would cost R 1,500 per month (this includes a maintenance charge).

Your printing company already has orders to print 2000 pamphlets per month for a local restaurant. Your income from this order will be R 4,000 per month. If all other costs (paper, ink) are equal, which alternative would give you a better ROI?

ROI for the purchase a printer option:

= (Gain from investment = R 48,000 (per year) – Cost of investment = R 13,500 (Per year)) x 100

Cost of investment = R 13,500 (per year)

= 34 500 / 13 500 x 100

= 256 %

ROI for the renting a printer option:

= (<u>Gain from investment = R 48,000 (per year) – Cost of investment = R 18,000 (Per year)</u>) x 100

Cost of investment = R 18,000 (per year)

= 30 000 / 13 500 x 100

= 222 %

From the calculation of ROI above it is clear that purchasing your own printer will provide you with a higher ROI than renting a printer. This calculation thus provides you with an objective way in which to make your decision.

"Going Out Of Town" Method

Setting short-term priorities begins with a pad of paper and a pen. Sit down, take a deep breath, and list all the tasks you need to accomplish. Although there is never enough time to do everything, there is always enough time to do the most important things.

Once you have listed your tasks, ask yourself this question: "If I were to be called out of town for a month and I could finish only one thing on this list, which one thing would it be?" Think it through, and circle that one item. Then ask yourself: "If I could do only one more thing before I was called out of town for a month, what would it be?" This is the second thing you circle.

Continue with this exercise until you have sorted out the highest priorities on your list. Then number each according to its importance. You are now ready to begin working effectively toward the achievement of your major goals.

A-B-C-D-E Method

Another good way to set priorities once you have determined your major objectives is with the A-B-C-D-E method. You place one of those letters in the margin before each of the tasks on your list.

- "A" stands for "very important; must do; severe negative consequences if not completed."
- "B" stands for "important; should do, but not as important as my "A" tasks, and only minor negative consequences if not completed."
- "C" stands for "nice to do; but not as important as "A" or "B," and no negative consequences for not completing."
- "D" stands for "delegate or assign to someone else who can do the task in my place."
- "E" stands for "eliminate if possible."

When you use the A-B-C-D-E method, you can easily sort out what is important and unimportant. This will focus your time and attention on those tasks that are most essential.

Choosing the Right Priority-setting Tool

There is no right or wrong tool; only a tool appropriate to each circumstance. The choice of a priority-setting tool should be based upon the following:

- The accuracy of available data (for example, are you comparing the same printers in the ROI calculation above?)
- The time available to make decisions
- The resources available, including your analytical skill
- The degree of participation desired (perhaps if you are starting the business with others – decision-making normally improves when the ideas and knowledge of several people are brought together)
- Simplicity (Methods that are easy to apply can be used more frequently)
- Theoretical logic
- Discriminating potential (the method should clearly distinguish good options from bad)

Final Thoughts on Action Plan Design

Make it a living tool	Action plans are supposed to be active tools, not static documents. Make it a living tool. Items should be constantly added and later removed when they have been addressed. You can always add an action point stating that you will need to revisit a section or area again at a specific point in time, for example when planning to build a new factory.
Implementation	You also need to work out the details of the implementation of your action plan. Spare some thought to what you are going to do if you come up against a block for a specific action? Have you thought of alternative strategies to solve a potential problem? To help you think about things that could go wrong and how you would address them consider adding a measure for "risk" or a section for "Plan A" and "Plan B" scenarios to your action plan.
Diversions and Distractions	Once you can clearly see the one or two things that you should be doing above all others, just say no to diversions and distractions and focus single-mindedly on those priorities.
The effect of prioritising	Much of the stress that people experience comes from working on low-priority tasks. The amazing thing is that as soon as you start working on your highest-value activity, your stress disappears. You begin to feel a continuous stream of energy and enthusiasm. As you work toward the completion of something that is really important, you feel an increased sense of personal value and inner satisfaction. You experience a sensation of self-mastery and self-control. You feel calm, confident, and capable.

practical

Complete the following formative assessment:

F263534.1 – Team Discussion, Poster, and Class Presentation

Chapter 5
Set Up Business Premises and Operational Systems

Establishing Business Premises

What Is a Lease?

A lease is a generally binding agreement between a landlord and a tenant. Leases are generally the most popular choice when it comes to starting a new business. Leasing premises allows the new business owner to rent a shop or business space based on obligations and conditions outlined by the landlord in the lease agreement.

Why Lease?

Leasing is an option if you want to increase or decrease the size of your premises or if you want to relocate to a better location. Leasing is not necessarily a long-term financial commitment, which is beneficial if you are starting a new business. The length of time that you will lease the premises can be defined by the lease agreement.

Understanding the advantages and disadvantages of both leasing or purchasing a business premises will assist you with your decision-making process. The advantages and disadvantages of both options are shown in the table below.

information

Lease or Buy Decisions

LEASING		BUYING	
Advantages	**Disadvantages**	**Advantages**	**Disadvantages**
No capital required.	Because you are subject to a lease you are also subject to variations in rent, including increases. This is despite how well your business is doing.	In times of inflation, real estate is a good investment. Rising rents become an asset rather than a danger to the owner	Ownership of premises generally ties up capital which may be better invested elsewhere in the business.
If the business is terminated, the tenant may be able to sublet, so the financial loss is minimised.	The landlord may decide to sell the premises. As a result, you may be forced to move your business elsewhere. Disruption and loss of customer base may ensue.	Any improvements to the premises become the owner's property and add to the value of the owner's investment.	You are tied to one spot. You cannot move easily, especially if you find the market is not there or the area changes.

The tenant may not responsible for property tax, fire insurance, maintenance, and repairs.	You do not have an investment in the property.	Mortgage loans may be used to finance the purchase so that the actual monthly cash needed from the business may not be that much greater than a lease.	
If the premises become unsuitable, they can be abandoned on expiry of the lease, with no further commitment.		An owner may deduct capital costs on the building as well as maintenance and repair expenses.	

Identifying a Suitable Location and Premises

Every business has its own particular location and premises needs. A retail store will need to be located in an area that is easily accessible to its target customers. A factory may need to be located within an industrial area and it must be large enough to accommodate the machinery required. Things such as noise levels must also be taken into consideration. For retail premises the issue of parking may be important, or whether a customer will be able to load their goods into their vehicles.

Let us determine some of the other considerations that may be of importance.

Establishing Operating and Communication Systems

Every business must be able to communicate with the outside world. The outside world includes clients, service providers, input suppliers, and other stakeholders. Furthermore, every business has a need for a certain amount of record keeping (whether it be client information, employee information or financial information). Keeping these two issues in mind, it is interesting to note that these two areas of administration are given so little attention, planning and thought in small businesses.

Communication Systems

The Information Technology functions of a business require specific skills and resources which your company may not possess. For example, the following resources, tools, skills, and equipment may be needed for the communication system of your company to function:

- Computers
- Computer networks
- Computer software
- Internet (telephone lines)

- Installation of computer software, anti-virus software and repair of damaged computers, virus infected computers and networks and setting up of networks
- Cell phone (cell phone networks)
- Photocopying machines
- Fax machines
- Printing machine (printer)
- Telephone
- Computer technician(s), software developer, web developer, networker

If you do not have the skills to set up these systems yourself, contract a service provider to do it for you. Your communication system is vitally important in today's business world.

Recordkeeping

Recordkeeping is the process by which a business collects, organises, and categorises their records to facilitate their preservation, retrieval, and use. Records should be kept accurately and stored in a convenient and accessible location and format. It is of no use to keep records if one cannot find the information you are looking for thereafter.

Records should be complete. Incomplete records are worse than not keeping records at all. They must be updated regularly, with accurate information, in other words, do not forget about it, and then fill in some figures you thought up on the spur of the moment. Keep only those records that will be useful to you. The records must be plain, clear, easy to read, and must be kept continuously, for example, do not only keep records in the first week of the month.

Different Types of Recordkeeping

There are many different methods that can be used to keep records. You do not have to have a computer with a fancy printer to be able to keep records. It is up to the entrepreneur to decide which is most suitable for his/her purposes. The following can be used very successfully:

- Notebooks (record values on site for example, when in the factory, boardroom or office)
- Punch cards (for time-keeping of staff starting and ending work)
- Ring-binder files with plastic filing sleeves
- Tapes (Talking into a tape recorder so that a secretary or PA can type up the minutes of a meeting, or a letter that you have dictated)
- Film (if you would like to record a specific process in your business, perhaps to train future new employees)
- Wall charts and diagrams (perhaps to schedule activities or Standard Operating Procedures)
- Computer programs

The success of the record keeping exercise does not depend on the type of system used, but on the accuracy of the records that are maintained. If you accurately hand write your records into a notebook, they can be of more value than inaccurate records typed into the most sophisticated computer system.

The financial management of a business allows the owners, managers and operators of the business to understand whether they are making a profit, where the money is being spent, how to save on expenditure, how they are earning their income, and ways to improve the overall profitability of the business. Financial records are the means that the business uses to understand these issues.

Financial records also allow a business to substantiate their costs and incomes and finally profit to the auditors and the South African Revenue Service (The South African Revenue Service – SARS - is the business that collects taxes from South African individuals and businesses. This money is then used by the government to run the country.) Individuals and companies pay taxes in proportion to their incomes and profits. If a business (or an individual) does not keep adequate records of their business dealings, the SARS may consider their tax assessments (how much tax they should pay) illegal which may result in imprisonment or fines.

Every business has everyday record-keeping requirements. Whether you choose to keep records in hard copy or electronically is a matter of choice, but may also be dictated by space limitations and your level of skill.

information

Factors in developing record-keeping systems

When developing your administrative and record-keeping systems keep in mind that it must be:

Dependable	Greater dependence on PCs (personal computers) has made reliability a top concern for businesses of all sizes.
Secure	Protecting user data is a key objective for businesses. Business data should always be handled confidentially.
Responsive	Today's business users demand a system that can scale to meet the demands of the most thorough tasks. You want to be able to expand the system as your business expands.
Simple to use	Everybody in the business must be able to access and use the system when required by their responsibilities within the business.
Easy to manage and deploy	Managing the system and keeping things in order should not incur huge expenses in time or money.

Establishing a Brand or Corporate Identity

Although corporate identity is more than just a snappy catchphrase and exciting branding (it is the entire WAY in which you do business), you need to be able to attract customers to your store or to your service. The design of your corporate identity must solve a problem, namely a non-verbal communication problem. The prime function of your corporate identity is to attract customers by communicating your company's name, product, personality, and status in your brand. Over time, these efforts will develop into a recognisable brand, and distinctive branding associates your product or service with status.

Remember that your branding is much more than just a logo on your letterhead. It must lend itself to applications ranging from business stationery to the sides of trucks, from large advertising signs to the interior of your store or the reception area of your professional practice.

Do not try and base your brand design on your own personal likes and dislikes. The money spent on acquiring the services of a good designer will provide a quality design which will ensure that your message comes across in the marketplace. The amount of money you spend on a good logo design early on will be a mere fraction of your overall marketing budget.

You can save a significant amount of money by formulating precisely what you want to achieve with your corporate identity design. To do this you need to prepare a comprehensive brief for the design studio.

Establishing Legal and Safety Regulations

Legislation Affecting your Business

No activity within a business is allowed to be illegal. You are also not allowed to give an employee of any business an instruction that would result in that person doing anything illegal. Every company will have laws with which they should be familiar. Saying that you did not know is no excuse. If you break the law you are liable to a fine or imprisonment, depending on the offence.

Rules are there to protect the consumer and producer or business person. Not all people are knowledgeable about the dangers around us. The government and regulatory bodies make some rules to reduce the incidence of harm.

Some of the rules and regulations that affect businesses are listed below. (Copies of legislation are available from the Government Printer in Pretoria or from attorneys. The Government Gazette can be checked for new or amended legislation. Check your local municipality or regional council for local or regional legislation).

example

State and Local Government

- Business Names Act, 1960 (as amended)
- Companies Act, 1972 (as amended)

example

- Copyright Act, 1978 (as amended)
- Environment Conservation Act, 1982
- Finance Acts (Annual)
- Income Tax Act (amended annually)
- VAT Act, 1991 (as amended)
- Licences Act, 1962
- Maintenance and Promotion of Competitions Act, 1979 (as amended)
- Merchandise Marks Act, 1941 (as amended)
- Patents Act, 1978 (as amended)
- Price Control Act, 1964 (as amended)
- Protection of Businesses Act, 1977 (as amended)
- Road Transportation Act, 1977 (as amended)
- Stamp Duties Act, 1968
- Trade Marks Act, 1963 (as amended)
- Local fire and other regulations

Employees

- The Basic Conditions of Employment Act, 1997 (Act No. 75 or 1997)
- Employment Equity Act, 1998 (Act No. 55 of 1998)
- Education and Training Act, 1979 (as amended)
- Skills Development Act, 1998 (Act No. 97 of 1998)
- Factories, Machinery and Building Work act, 1941 (as amended)
- Income Tax Act, 1962 (as amended)
- Labour Relations Act, 1995 (Act No. 66 of 1995)
- Occupational Health and Safety Act, 85 of 1993
- Manpower Training Act, 1981 (as amended)
- Registration for Employment Act, 1945
- Wage Act, 1957 (as amended)
- Workmen's Compensation Act, 1941 (as amended)

Customers

- Advertising on Roads and Ribbon Development Act, 1940 (as amended)

example

- Bills of Exchange Act, 1964 (as amended)
- Credit Agreements Act, 1980
- Foodstuffs, Cosmetics and Disinfectants Act, 1972 (as amended)
- Limitation and Disclosure of Finance Charges Act, 1968 (as amended)
- Prescription Act, 1869
- Standards Act, 1982
- Trade Metrology Act, 1973
- Trade Practices Act, 1976 (as amended)

Other

- Rent Control Act, 1976
- Rent Acts and amendments

Remember, laws have been created to prevent people harming themselves and others. If you do not obey the law you could go to jail! Always make sure that you know what the regulations are before undertaking a practice that is potentially harmful to yourself, others or the environment

Establishing Safety and Security Systems

Safety in the Business Environment

Every business should be aware that the safety of everyone who enters their business is their responsibility.

Entrepreneurs should consider the safety issues of:

- Their business premises (For example: Is the structure sound? Are there loose planks on the floorboards? Where is the nearest exit? What are the procedures in case of emergency?)
- The equipment within their businesses (For example: The correct way to operate heavy machinery or an oven. Maintenance of dangerous equipment.)
- Criminals entering the business premises (For example: A bank teller may need to be separated from the public by bullet-proof glass, or the bank manager may have access to a concealed "panic button".)
- Legislation pertaining to business premises (For example: Requirements of the Occupational Health and Safety Act which requires that you have fire extinguishers, an escape plan, first aid kit and OHSA officer in your business.)

Remember, as an entrepreneur you are your own boss, and if you get hurt, you cannot run your business. This means extra costs for yourself and the potential of losing your income. It is always better to be safe than to be sorry. Take care of yourself and others in your business! Always try and imagine the worst possible scenario and then take the action required to prevent that scenario from ever happening. Never assume that people who you work with, or who come into your business know the safety precautions of your business. Always put up signs, or tell people where to be careful and what to be careful of.

Your safety and the safety of those around you – IS YOUR RESPONSIBILITY!

information

Extract from internet article

Why it is more dangerous to be a farmer than a policeman in SA –

Crimes against farming communities threaten food security and rural economies. With people living and working on farms almost four times more likely to be murdered than the average South African, it is time for government to act, argues Dr Johan Burger, a senior researcher at South Africa's Institute for Security Studies.

- Are farmers more at risk from violent crime than most other South Africans?
- Are farming communities "uniquely" targeted by criminals?
- And is there a sinister political and racial motive behind farm attacks in South Africa?

It is a complex matter and one that continues to provoke controversy and heated debate.

In 1997 – in response to government's view that farmers were being "uniquely" targeted for violent and murderous attacks - South Africa's then minister of safety and security, Sydney Mufamadi, established a joint task team made up of members of the police, defence force, and organised agriculture to develop a plan to improve security on farms. It became known as the Rural Protection Plan (RPP).

Two years later, a "priority committee on rural safety" was established to ensure that rural crime prevention strategies were managed as a national security priority. In 2001, at the urging of Mufamadi's successor, Steve Tshwete, police established an independent committee of inquiry into farm attacks chaired by a retired provincial director of public prosecutions.

Nearly 90% of cases motivated by robbery

One of the spin-offs of the inquiry was that from the 2001/02 financial year until 2006/07 the police included separate statistics for farm attacks and farm murders in their annual reports. (It was a practice that was abruptly stopped after the 2006/07 annual report. No explanation for this has ever been given)

The committee of inquiry published its findings in 2003. Key among them were that 89,3% of attacks against farms were motivated by robbery.

See more at: http://africacheck.org/2013/11/06/why-it-is-more-dangerous-to-be-a-farmer-than-a-policeman-in-south-africa/#sthash.YKhyq79i.dpuf

Procuring Resources

Business resources can usefully be grouped into several categories:

Financial Resources

Financial resources concern the ability of the business to "finance" its chosen strategy. For example, a strategy that requires significant investment in new products, distribution channels, production capacity and working capital will place great strain on the business finances. Such a strategy needs to be very carefully managed from a financial point-of-view. An audit of financial resources would include assessment of the following factors:

Existing funds	Cash balances
	Bank overdraft
	Bank and other loans
	Shareholder's Capital
	Working capital (stock, debtors) already invested in the business
	Creditors (suppliers)
Ability to raise new funds	Strength and reputation of the management team and the overall business
	Attractiveness of the market in which the business operates (is it a market that is attracting investment generally?)

Human Resources

Human Resources are the heart of a business – this relates to the skills-base of the business. What skills does the business already possess? Are they sufficient to meet the needs of the chosen strategy? Could the skills-base be flexed / stretched to meet new requirements? An audit of human resources would include assessment of the following factors:

Existing staff resources	Numbers of staff by function, location, grade, experience, qualification, remuneration
	Existing rate of staff loss (attrition)
	Overall standard of training and specific training standards in key roles
	Assessment of key "intangibles" like morale and company culture
Changes required to resources	What changes to the business of the business are included in the strategy (change of location, new locations, new products?)
	What incremental human resources are required?
	How should they be sourced? (Alternatives include employment, outsourcing, joint ventures, temping)

Physical Resources

The category of physical resources covers a wide range of operational resources concerned with the physical capability to deliver on a new (or existing) strategy. Physical resources, which include facilities, equipment, land, and other assets, are utilised in the process of delivering products and services and, depending on their dependability and "fit-for-purpose" can improve institutional effectiveness. These include:

Production facilities	Location of existing production facilities (premises or offices) investment and maintenance requirements
	Current production processes – quality, method, and business
Marketing facilities	Marketing management process
	Distribution channels
Information technology	IT systems
	Integration with customers and suppliers (B2B computer systems – Business to Business)
Vehicles	Suitability for business functions (such as delivery, cooling, and passenger needs)
	Efficiency of use (for example maintenance, abuse)

Intangible Resources

It is easy to ignore the intangible resources of a business when assessing how to deliver on a new (or existing) business strategy - but they can be crucial to the success of the business. Intangibles include:

Goodwill	The difference between the value of the tangible assets of the business and the actual value of the business (what someone would be prepared to pay for it)
Reputation	Does the business have a track record of delivering on its strategic objectives? If so, this could help gather the necessary support from employees and suppliers.
Brand recognition	Strong brands are often the key factor in whether a growth strategy is a success or failure.
Intellectual Property	Key commercial rights protected by patents and trademarks may be an important factor in the strategy.

Outsourcing Non-Core Business Functions

In today's competitive environment, everyone's focus has become to concentrate on the business's core specialisation and core-competency areas and outsource the non-core functions. Many companies and organisations have come to realise that by outsourcing non-core activities, not only are costs minimised and efficiencies improved but the total business improves because the focus shifts to the key growth areas of the business activity.

The only way to get ahead and stay ahead of your competitors is to focus all of your attention on those tasks that need your specific expertise while outsourcing the rest of your repetitive operational jobs to others who are experts in those activities.

Such non-core activities could include:

- Information Technology (IT)
- Engineering

- Accounting
- Legal services
- Auditing
- Book Keeping
- Company stationery
- Cleaning
- Security

This essentially implies the transfer of non-core services to third parties who specialise in providing such services. It can cover a wide range of components depending upon the core competency as well as the requirements of the business.

definition

Business process outsourcing (BPO)

May be defined as the delegation of one or more intensive business processes to an external agency, which in turn owns, administers and manages the selected process based on definite and measurable performance. The term BPO is used in reference to work that does not require the core technical skills of the outsourcing company. When the outsourced entity is based in another country the practice is sometimes called off-shoring.

The main motive for outsourcing these activities is to allow a company to invest more time, money and human resources to its core activities without losing the quality of these tasks or damaging its own reputation.

Outsourcing IT (Information Technology)

Information Technology Outsourcing or ITO is a company's outsourcing of computer or internet-related work, such as programming, web-site development, and maintenance, server maintenance, back-ups, virus protection, and software management to other companies who specialise in this work. The reasons for IT outsourcing could be lack of technical resources, cost reduction, and efficiencies.

Outsourcing Engineering

Engineering services may be outsourced for reasons such as cost and the ability to get better quality, through a vendor qualified in, and focused on a specific engineering service domain. Engineering services delivery revolves around technical skills, domain expertise and good engineering judgment (or Professional Registration and its concomitant legislative accountability). Most engineering services outsourced are related to design services associated with patented products, manufacturing process design or product design specifications.

Outsourcing Accounting

Accounting and bookkeeping often takes much time away from core business activities because of its importance in the overall functioning of an enterprise. The level of accounting outsourcing can range from merely preparing the annual financial statements, to keeping of the monthly salary roll, to entirely managing the accounting, which would include purchasing, payment and tax activities (and even managing the bank accounts).

Outsourcing Legal Processes

Legal Process Outsourcing (also known as LPO services) refers to the practice of a non-law firm or corporation obtaining legal support services from an outside law firm or legal support services company. Such services could deal with professional indemnity insurance support, legal advising, Intellectual property management, in-depth contract management and litigation (where required).

Outsourcing Auditing

Outsourcing audit services may be beneficial to an institution if it is properly structured, carefully conducted, and prudently managed. To do this, management should ensure that there are no conflicts of interest and that the use of these services does not compromise independence. Potential conflicts of interest may arise if the outsourced auditing firm performs IT audit functions in addition to other audit services, such as providing an independent financial statement or serving in an IT or management consulting capacity. The board of directors of an institution remains responsible for ensuring that the outsourced internal audit function operates effectively and complies with all regulations governing such arrangements.

It is important to outsource this resource because it needs to be done perfectly; a small business can have an accountant internally but cannot also have the accountant doing the audits because he may not evaluate his own work.

practical

Complete the following formative assessment:

F263534.2 – Paired Case Study, Mind Map, and Class Presentation

Chapter 6
Set Up Bank Accounts

Selecting a Bank and Opening Bank Accounts

Every business should choose a financial service provider to assist with the management of the income of the operation. The choice of a bank depends on the types of services they can provide. For example:

- What types of bank accounts can they offer?
- What loan products can they provide?
- What assistance do they provide to start-up businesses?
- What are the costs of their various products?
- What are the convenience benefits of their various products?
- Are they accessible for assistance? (helpful)

Every business should have at least one bank account. A bank account is not only a place where you can store your business income. If used correctly a bank account also becomes an excellent recordkeeping system.

Bank accounts and their various facilities vary greatly. Choose the type of business bank account based on the practical needs of your business. Examples of different types of bank accounts include:

Current Accounts

Current accounts are the most widely used form of business banking and are ideal for the management of day-to-day payments and receipts. When looking at a current account it is important to consider whether there are any charges for entering the overdraft and whether any interest is applied when the account is in credit.

Foreign Currency Account

This type of account is mostly suitable for businesses that trade abroad. This form of business banking is particularly useful if transactions to your business are often made in foreign currencies. It can help to keep costs down but more importantly, it is an excellent way to manage foreign transactions.

Instant Access Deposit Accounts

These frequently used by businesses to hold finances at a good interest rate that are not needed for day-to-day spending. Typically they allow funds to be transferred from the current account for safe keeping, although they can be accessed at any time.

Term Deposit Accounts

Term deposit accounts are fundamentally the same as any other deposit account, although unlike the instant access variety, account holders must wait a period of time before having access to their funds.

Merchant Accounts

Merchant accounts are most often used by shop owners and restaurants. Essentially these act much like a current account but allow a business to process transactions from debit and credit cards. It can be extremely useful for companies in a range of industries.

Opening and Using a Bank Account

For the purposes of this example, we are going to use a cheque account at Standard Bank.

Things to learn include:

- The name and number of the account
- The signatories of the account
- Opening the account
- How the account works
- Putting money into the account
- Taking money out of the account
- The bank statement

Opening the Account:

The Name and Number of the Account

The cheque account is your account at the bank. Each account at the bank has a name and a number. With businesses, the name of the account is usually the name of the business. In this module, we are looking at Frank's Caterers as an example. Frank's Caterers account is called: FC.

Whenever FC puts money into their account or takes money out of the bank, they must tell the bank the name and number of the account. The name and number of the account tells the bank which account to put money into or take money out of.

When you open an account, the bank will give you an account number. Each account at the bank has its own number. When FC opened an account, the bank gave them the account number 071 405 123.

The Signatories of the Account

The name and number of the account are two ways of making the account safe. However, these two ways are not enough. The bank cannot just give money from your account to anyone who knows the name and number of your account.

The bank will give money to a few people whom they know are allowed to sign for money. The owner / manager of your business decides who is allowed to sign for the money.

The people who are allowed to sign for money are called signatories. They are the only people that can withdraw money from the account.

The job of a signatory is an important and responsible one. They are called signatories because it is their signatures that are important.

Once you have decided on your signatories, your business bank account can be opened.

Filling in the Forms

When you open a new account, someone will have to go to the bank to see the bank manager or a sales consultant. The signatories are the ones that go to open the account.

At the bank, you will have to fill in forms. The sales consultant will give you the correct forms and will help you fill them in. You will have to tell the consultant some things about the account you want. He / she will ask:

- What kind of account do you want?
- What is the name of the account?
- Who are your signatories?

When FC opened their account, they said:

- The type of account we want is a cheque account
- The name of the account is Frank's Caterers
- The signatories are:
  - The Owner / Manager - Ms Frankie Mahlangu
  - The HR Manager - Mr Aphane
  - The Financial Manager - Mrs Bitu
  - Any two of these people can sign for the money

After you have filled in the bank forms, the bank official will ask each signatory for specimen (sample) signatures. A specimen signature is an example of your signature. The bank keeps the specimen signature so that when people sign for money, the bank can compare the signature to the specimen signature.

The bank official will ask each signatory to write their full name on a sheet of paper and then to sign three times next to their name. After your account has been opened, you will have to wait a few days to get the chequebook. In the meantime, you can put money into the account.

How the Account Works

Bookkeeping shows three things:

- Income
- Expenditure
- The balance

Let us see how these three things work together with the cheque account.

Income

The income is all the money that comes into the business.

A cash box or a cash register is a safe place to keep money collected over a period of time (usually a day). Both of these can be locked.

When the money in the cash box or cash register reaches a certain limit (to be decided based on the petty cash flow needs of the business) this money should go into the cheque account. Also, if cheques arrive as payments to the business, they should also be deposited into the bank account. This should be done regularly because it is not safe to keep large amounts of money on the business premises or on your person.

Putting the money into the bank account is called depositing money. We say that we can deposit our income into the account. Anyone can deposit into an account, not just the signatories.

Expenditure

The business money can be spent on many different things. Money is used to pay salaries, to buy stock, to pay rental, telephone, vehicles, and stationery.

Withdrawing money: When the business intends to spend money, it will have to take the money out of the account. Taking money out of the account is called withdrawing money from the account.

The chequebook can also be used to withdraw money out of the account. When you draw money out of the account, you will need to fill in a cheque and sign it. Only the signatories can sign a cheque because only signatories can take money out of the account.

Cheques (or cash) can be used to pay bills like rent, electricity or telephone, and to pay for things you buy at shops. Cheques are usually used for payments over one hundred rand (R 100-00).

When the business uses a cheque to pay someone it owes money to (a creditor), it is called a cheque payment.

Cheques are money orders. The signatories sign a cheque, which serves as an instruction to the bank where the business's account is held, to pay the payee whatever amount is written on the cheque. It is important to look after this chequebook. Should the chequebook land up in the wrong hands, theft of the businesses can occur. This is called fraud.

When you get money, that money is called income.

You deposit it into your business current account. When you spend money, those expenses are called expenditure.

You use a cheque to withdraw money from your current account. It is called a current account because it shows how much money is currently available for immediate cheque withdrawals.

Deposits and Withdrawals:

Putting Money into the Account

Putting money into the account is called depositing money. All the income is deposited into the account. When people give the business money they can give you cash or cheques. Both cash and cheques are deposited into the account.

When you deposit money, you must fill in a form called a deposit slip.

Credit means depositing money that goes into the business's account. This income goes into the business's current account.

You will find current account deposit slips at the tables in the bank. You can also ask the bank for a deposit book. A deposit book contains current account deposit slips. The deposit book has carbon paper; some books are self-carbonated.

The top sheet that you write on is called the original deposit slip. The bottom sheet is called the duplicate. The original slip is kept by the bank. It is kept for the bank's bookkeeping so that they can record the deposit made into the business's bank account. The duplicate slip is for the business to keep. You must keep it safe in a file. It is for your business's bookkeeping so that it can have a record of all the monies deposited.

The deposit slip can also help you check the bank statement to make sure the bank deposited the money into the business's account. The duplicate slip looks exactly like the original.

How to Fill in the Deposit Slip

FC's manager has cash and a cheque that she wants to deposit. She has R320-50 in cash to deposit and the cheque was for R 3000-00 for catering they did for the local municipality.

To fill in the deposit slip, the manager has to follow these steps:

- Write the date
- Write the account number
- Write the account name
- Write the details of the cash
- Write the details of the cheque. The drawer's name is Greater Kokstad Municipality. The bank / branch number is 123456. The amount is R3,000-00.
- Write the total credit – this is all the money deposited. It is R 320-50 and R 3,000-00 = R 3,320-50.
- Sign the deposit slip

Electronic Banking (Transfers)

This type of banking is the most modern, fast and convenient method. The term "electronic banking" or "e-banking" refers to both computer and telephone banking. This is enabled by access to the internet and registration and activation of an internet banking facility on one's bank account or business account. Both computer and telephone banking involve the use of passwords which give access to your account on the internet.

The advantage of this method is that you have access to your bank account 24 hours a day and you can check all the transactions that are going on in your account at any time. The only disadvantage is that if you need to withdraw money you must still go to the bank or the Auto Teller Machine. This system differs from one bank to the next but one must make sure that you understand how to use the system properly so that you do not end up losing you money. You must also understand the charges involved in using this system.

Withdrawing Money from the Account

Taking money out of the account is called withdrawing money. Businesses withdraw money to get cash and to pay for things. The business manager or anyone who handles the finances of the business should keep accurate records of such transactions. Withdrawal can be done in the form of cash or cheque. There are three ways of withdrawing money from the bank account:

- Using the ATM
- Withdrawing from inside the bank

Using a cheque either to pay a creditor or to draw cash

Use the ATM in preference to withdrawing money inside the bank. This is cheaper since the banks charge extra for handling cash. In all other cases use a cheque to pay for things. It is safer than carrying cash around, and you can also keep a record of how the money is spent if you manage your chequebook correctly.

There are two ways of using cheques to take money out of your account.

- A cheque can be used to get money out of the bank. This is called a cash cheque.
- A cheque can be used to pay a supplier (a company or individual supplying goods or services to the business) directly.

Cash Cheques

The manager wants to take R 350-00 out of the bank for petty cash. Here is how the cheque is filled out.

- The manager writes: (1) the date, (2) cash, (3) the amount, (4) the signatures. On the stub (counterfoil), he writes the date, the details, and the amount.
- The cheque goes to the bank, but the stub stays in the chequebook. The stub is a record that reminds you what the cheque was used for, and what the amount was. All this information is for recordkeeping.

Cheque Payments to Suppliers

FC has ordered and received supplies from a local wholesaler. Now the manager needs to pay R 1,000 to the wholesaler. FC does not allow cash cheques for more than R 500-00, so she decides to send them a cheque. The most important difference between a cash cheque and a cheque made out to a creditor is that the creditor's cheque has been crossed. To cross the cheque, the manager drew two lines across the left corner and wrote "NOT TRANSFERABLE" and crossed out "or bearer / of toonder". The words "NOT TRANSFERABLE" must be clearly legible (readable).

Crossing a cheque makes it safer. When a cheque is crossed, the bank will not pay the R 1,000-00 in cash to any supplier. They will only pay the money into the account of the wholesaler. In this way, no one can steal the money directly. The money can only go into the bank account of the wholesaler. Never send a cheque that is uncrossed by post. Cash cheques must not be crossed.

If a cheque without the words "NOT TRANSFERABLE" is lost in the post, new bank laws (2001) will hold the business responsible for any fraud. Funds lost in this way will not be refunded by the banks.

Mistakes on a Cheque

If you make a mistake on a cheque, you must cancel the cheque and write out a new one.

The Bank Statement

Once a month you will receive a bank statement. If the bank does not send you the statement, it is probably waiting for collection at the bank. A signatory will need to collect the bank statement if this is the case. Ask for all bank statements to be posted to the business if this is more convenient.

There are usually six columns in a bank statement.

- **Details**. In this column, the kind of transaction is recorded. Where there are automatic payments, these are listed as ACB Debits.
- A monthly service fee is also charged by the bank to the business. These are recorded as Service Fee.
    - There are also other descriptions like credit interest.
- **Service Fee.** In this column, the bank charges for each transaction are listed one-by-one.
- **Debits.** In this column, the amounts that were taken out of the account are listed.
- **Credits.** In this column, the amounts that were deposited into the account are listed.
- **Date.** This is the date on which the bank recorded money that was put into the account or money that was withdrawn.
- **Balance.** The balance after each withdrawal or deposit is listed. This is called a running balance because it runs down the side of the bank statement and provides the real cash in the account after each transaction.

Bank Charges

Using a bank is not free. The bank charges you for services it provides. Banks provide businesses with:

- Cheque books

- Administrative services like depositing and withdrawing
- Cheque processing involving cheque clearance
- Bank statements on a monthly basis

Examine the bank statement – there are charges called service fees. An example of a service fee is when a cash deposit is made at the counter. Usually, banks charge extra for the handling of cash.

The service fee for transactions is paid the following month. It is automatically withdrawn from your account. Avoid unnecessary banking activity! Each transaction will cost you money and if you are not careful, you could land up using all your money just on service fees.

Interest

When we have money in a bank account, the bank pays us interest for that money. Interest is an amount of money that the business's money earns in the bank. On the bank statement, you will see "interest", which means that the bank is paying the business interest. The amount will be recorded in the credit and it will increase the amount of money in the business's bank account.

Keeping Money in the Bank

There are several advantages of keeping money in the bank. Some of these advantages are as follows:

- It is safe from loss and theft.
- Control on spending that money is good because it is not always available on hand.
- When you keep your money in the bank you build up a history of how you manage your money, which gives you a better chance of gaining access to loans and other financial services.
- Money that is kept in a savings account earns interest.
- Bookkeeping can be improved.

The best way to save money is to keep it in the bank and avoid unnecessary spending.

practical

Complete the following formative assessment:

F263534.3 – Paired Research Presentation

Chapter 7
Establish Financial Systems and Recordkeeping

Establishing a Financial System

Every business must have financial rules and policies in place that will assist to eliminate fraud, ensure efficient control of money, debtors, creditors cash-flow and the budget of the business. Policies and rules help to establish a financial system through the establishment of a record-keeping system. Several documents assist in this financial recordkeeping. Some of these will be introduced here.

Delivery Note

When we order goods for the business, a delivery note is sent with the goods. This source document is a record of the delivery. It records:

- The different types of items
- The number of each item that is delivered

The delivery note is important because it is a written record of the items delivered to your business. You need to compare the items recorded on the delivery note with the items that are delivered to check that everything has been delivered.

Invoice

An invoice is the source document that tells us how much we owe for the goods we have purchased. The invoice details:

- Each item
- The cost for the different items
- The total amount owing

Statement of Account

The statement of account that you receive at the end of the month is a list of all transactions that have occurred between your business and the business concerned. This account tells you how much your business still owes the other business. It also records the invoice number for each purchase.

Salaries

A salary is the cash reward paid to staff members by the business for the work done over a period. Usually, salaries are paid monthly. They are a big part of a business's expenses and must, therefore, be managed carefully.

This section provides an overview of salaries and the most common deductions. Your business needs to work out salary scales and policies relating to salaries.

What is a gross salary?

The gross salary of an employee is the total monthly salary package. It is the amount of income to which an employee is entitled before any deductions are made. Deductions are amounts that are subtracted from the salary to pay for certain items.

What is net salary?

The net salary is the actual amount a staff member receives each month. It is the "take-home pay". To calculate the net salary you need to subtract the deductions from the gross salary.

Deductions from the gross salary include items such as the following:

- Employee tax called PAYE
- Unemployment insurance fund (UIF)
- Medical aid
- Pension fund

Employee tax and UIF are deductions that are compulsory in terms of the law. Some businesses may offer their staff medical aid and / or pension schemes, in which case a portion of the salary is deducted for these benefits.

Deductions do not belong to the employer (the business). The amounts are deducted by the employer and are forwarded to the relevant parties, like the medical aid company and the tax office.

Salary Deductions:

Employee Tax – PAYE (Pay As You Earn)

PAYE is a system that the South African Government uses to collect tax from working people. This means that whenever employees are paid a salary, an amount must be subtracted from their earnings for income tax. Employees, therefore, pay their tax as they earn their income.

The larger the salary, the greater the amount of tax the employee has to pay. The employer deducts this amount from the employees' salaries every month.

The business only acts as a collector of taxes from the employees and then forwards the money to the government. The government department, which receives these taxes, is called the South African Revenue Service (SARS). Revenue means income.

If your business has salaried staff, you need to write to SARS to register your business as an employer. SARS will send you a book of tax tables. These tax tables indicate the amount of tax that should be paid by each employee, depending upon:

- The gross salary each person is paid
- The number of dependents they have
- Allowances they receive from the business (travel or housing)
- Any additional income they may receive from other sources.

Employee tax must be deducted from the gross salary of each staff member at the end of each month. These calculations can be quite complicated. At the beginning of the financial year or when a new staff member is employed, your business should ask an accountant or experienced bookkeeper to assist you in calculating the employee's tax for each staff member.

Once this has been calculated, you need to complete the Employees Tax Remittance Return Form, also known as IRP4 form. This form will be sent to your business by SARS each month. Employee tax has to be sent to SARS before the 7th day of each month. SARS charges a penalty for late payments.

As a business which employs staff, your business has the following obligations:

- Register as an employer with SARS.
- Notify SARS of any change in address as well as when you stop being an employer.
- Keep a record of remuneration paid to each employee. Keep records of employee's tax deducted from remuneration. These records must be kept for five years, from the date of the last entry and must be available for inspection by officials of SARS.
- Deduct the correct amount of employee's tax from employee's remuneration.
- Pay the amounts of employee's tax deducted to SARS within seven days after the end of the month during which amounts were deducted.
- Provide each employee who has been paid a salary, and from whom tax has been deducted, with an employee's tax certificate (IRP5) for the tax period. The tax year starts 1 March and ends on the last day of February in the following year.
- Provide SARS with reconciliation statements within 60 days after the end of the tax year. The tax year ends on 28 February each year.

The Unemployment Insurance Fund (UIF)

This is a government fund that was set up to assist employees when they become unemployed. Each month contributions are made to the UIF by employees and their employer.

If a staff member becomes unemployed, she / he can claim a certain amount from the fund for a maximum of six months. The benefit that can be claimed is calculated at a certain rate of their monthly earnings during the last period of employment, and during which they were making a contribution to UIF.

The amount that has to be paid each month for each employee is a percentage of their gross monthly salary. Of this amount, the employer pays an equal portion to the staff member's contribution. The employee's contribution is, therefore, a deduction from her / his gross salary.

Register with the UIF

When your business employs staff, you need to write to the UIF office to inform them that your business has become an employer. You need to give them the names and identity numbers of each employee. This is compulsory by law.

Contributor's Record Card – a Form

The UIF will send you a form called Contributor's Record Card for each employee. The employee's name and identity number will be on the form, as well as the registration number of the business. Your business will need to put the following information onto each form:

- Your business's name and address
- Date on which the employee started contributing UIF
- The amount of money that the employee is earning

Each contributor's record form must be kept by the business until the employee leaves its employment. When an employee leaves, you need to fill in the date on which she / he is leaving, the amount that she / he was earning at the time of leaving and sign the form. The form is then given to the employee so that they can claim Unemployment Insurance.

Once your business has registered with the UIF, they will send you a form each month where you must record the total amount payable to the fund. The amount paid is 2% of the total salaries paid to salaried staff.

When you pay UIF, you need to calculate:

- The amount each employee must pay
- The amount your business must pay for UIF
- The total amount to be paid to the UIF at the end of each month

Pension Fund

If your business has joined a pension fund then every employee contributes to the fund so that when they retire they will receive a lump sum of money, plus monthly payments towards their living expenses.

Employees contribute a certain percentage of their salary to the fund each month. Pension fund is, therefore, a monthly deduction from the employee's salary.

Keeping Records of Salaries and Deductions

Salary Slip

An employee salary slip should be given to each salaried staff member. This is a full record of the gross salary and all deductions. This is given to the staff member at the end of every month or whenever he / she is paid.

Leave days can also be recorded on the salary slip.

Salary Record

On the back of the staff salary card, we need to record details of leave. Your business needs to develop policies about leave. There are different types of leave that you need to develop a policy for. For example, annual leave, sick leave, compassionate leave, unpaid leave.

Sick leave is usually calculated at ten working days per twelve months. Sick leave can be accumulated from one year to the next, up to a three year period.

Time taken off as sick leave and annual leave is not deducted from the salary. However, if the amount of time taken off exceeds what the employee is entitled to during a specific period, then a deduction can be made.

Salary Book

A salary book is a record of salaries paid to staff members. It is prepared each month and it records gross pay, the amounts for each deduction and the net pay for each staff member.

The same information on the salary slip given to staff members is listed in the salary book. The business uses a salary book to record the details of every salary paid for each month.

After the business has calculated the net pay for each staff member, it becomes easy to calculate the total amounts that have to be paid to SARS, UIF, medical aid and pension fund.

Recording Income

Receipts

Receipts are a record of income. Every time the business receives money as payment or donation, a receipt must be issued.

The receipt is a form that must be filled in. Each receipt has a number on it. This is called the receipt number. A duplicate of each receipt is behind the original.

Just like the deposit book, the duplicate provides a record of each receipt that has been given to people who have given the business money. It also provides proof of payment to these people or having received goods.

We keep the duplicate in the receipt book. It is our record of the money we received and of who gave it to us. Receipt books and each receipt must have the name of the business on them. You can get a rubber stamp made (with the name of the business) to stamp each receipt, or you can get receipt books printed for your business. Although this is expensive, it is the safest way of preventing fraud.

For example, FC completes a function for a local individual. He gives R 1,000-00 in cash. The manager receives the money and places it immediately in a safe place. A receipt is completed.

On the receipt, the manager fills in:

- The receipt number (if none is available)
- The date
- Who the money was received from
- The amount in words and numbers
- What the money was for
- A signature

The words "cash" to show that FC received cash of R 1,000-00.

Sometimes money can be received for two or more things. Then a receipt for each item needs to be written out.

Remember to give the original to the person who gave money to the business and you must leave the duplicate in the receipt book. This is important for recordkeeping.

In the same way, as you cancel a cheque with mistakes on it, you must cancel a receipt if you make a mistake. You must leave the cancelled receipt in the receipt book.

Money that is received from people for various reasons must be deposited in the bank as soon as possible. It cannot be used as petty cash.

Petty Cash

Recording Petty Cash Expenditure

How does petty cash work?

- The person who is responsible for financial administration draws R 150-00 out of the bank with a cash cheque.
- This money is put into the cash box and locked. The box is stored safely.
- If someone needs money to pay for something for the business, the manager will give it to them.
- All the petty cash that is spent must be recorded.

The receipts or invoices or cash slips that you get when you pay for something must be kept. These slips should be attached to the petty cash vouchers.

To keep records of petty cash we need two things:

- Petty cash vouchers
- A petty cash book

Petty Cash Vouchers

The petty cash voucher does not usually have a number on it. However, in order to make sure that vouchers are used in a way that prevents fraud, you will have to number the vouchers yourself. We do not use duplicates for petty cash.

The cash slip from the post office or the shop must be stapled onto the back of the petty cash voucher. Cash is the easiest form of money that is most commonly misused in businesses.

The manager is responsible for the control of the petty cash and for the replacement of all cash amounts, which have been spent for which no slips or invoices is available.

The Simple Petty Cash Book

- The petty cash book is used to record the income and expenditure of the cash kept at the business.
- It is completed once a month.

- The petty cash book can be very simple to use.

There are three main documents in a simple cash book: Income, Expenditure, and Balance.

- **Income.** Under this column, there are three sub-columns: date, cheque, and income.
- **Date** is when the money came into the petty cash. **Cheque** is the cheque number for the cash cheque, and **income** is how much was deposited into the cash box.
- **Expenditure.** Under expenditure, there are four sub-columns: date, voucher, details, and expenses. Voucher is for the number of the petty cash voucher, details is what the cash was used for, expense is for how much was spent.

Below is an example of a simple petty cash book filled in for the month of June 2016. This is computer version but the same can be done by hand in a petty cash book.

example

Example of a completed petty cash book

Petty Cash for June 2016

Income			**Expenditure**				**Balance**
Date	**Cheque**	**Income**	**Date**	**Voucher**	**Details**	**Expense**	
	Bf	50.00					
01.06	334	500.00	01.06	69	Milk	2.60	547.40
			02.	70	Screws	4.18	543.22
			02.	71	Hire Mac (drill)	80.00	463.22
			03.	72	Screwdriver	13.74	449.48
			05.	73	Postage	118.50	330.98
			07.	74	Stamps	3.00	327.98
			07.	75	Milk	2.60	325.38
			07.	76	Newspaper	2.50	322.88
			16	77	Transport	50.00	272.88
			20	78	Milk	2.60	270.28
			21	79	Coffee, tea	62.70	20758
			28	80	Toilet rolls	15.40	192.18
	Total	550.00			**Total Balance**	357.82	192.18

Each business needs to decide how much money it keeps in petty cash. Petty cash is kept in the cash box.

If your receive cash from funders or clients, this money does not go into petty cash. It is banked as soon as possible.

How to complete the Petty Cash Book

We take the petty cash vouchers and record them in the petty cash book.

The balance tells us how much money there was in petty cash at the start of month: R 192-18. We write b/f to show that it was brought forward from the last petty cash.

Balancing the Petty Cash Book

At the end of the month, we must close the petty cash book. To do this we must:

- Draw a line under the expenditure column.
- Add up the expenditure column to get a total. This is called the total expenditure. The total is R 366-69
- At the end of this month, the manager must put back into the petty cash box the money used during the past month. The total must be put back, in this example R 366-69.
- When the R 366-96 is put back, this is recorded under income. We record the cheque number under details and the amount (R 366-69) under income. Note: in this example, cheque 123 for R 357-82 has been written down not R 366-69. Because we have written petty cash for July 2016. When we bring forward the balance of R 183-31 into August 2016, a new cheque for R 366-69 will be written out to bring the petty cash back up to R 550-00 at the beginning of August 2016.
- Then draw a line under income and add up the income column. The balance brought forward from June 2016: R 192-18 plus cheque 381: R 357-82 = R 550-00. The total income for the past month = R 550-00.

example

Example of a sheet from petty cash book:

Petty Cash for July 2016

Income			Expenditure				Balance
Date	**Cheque**	**Income**	**Date**	**Voucher**	**Details**	**Expense**	
	Bf	192.18					
01.07	381	357.82	01.07	81	Milk	2.60	547.40
			03.	82	Newspaper	4.20	543.20
			03.	83	Copy paper	70.09	473.11
			05.	84	Tea, coffee	24.95	448.16
			05.	85	Groceries	163.90	284.26
			07.	86	Transport	30.00	254.26
			07.	87	Cakes	40.06	214.20
			07.	88	Milk	2.60	211.60
			18	89	Newspaper	4.20	207.40
			21	90	Stamps	7.50	199.90
			22	91	Office Plug	13.99	185.91
			27	92	Milk	2.60	183.31

example

	Total	550.00			**Total Balance**	366.69	183.31

- The balance is the total income minus the total expenditure.
- Therefore, the balance is the amount that is left in the petty cash box. We must always have the amount decided on for example, R 550-00, in the petty cash box at the start of the month.
- Remember to keep the petty cash box locked away safely so that no one can steal the money.

The Simple Cash Book

At the end of the month, all records (financial) we have been keeping during the month are recorded in one book. So far, we have learnt about:

- Deposit slips
- Cheques
- Receipts
- Petty cash

All of these are recorded in the cash book. There are two kinds of cash book used – the simple cash book and the analysis cash book.

To start off with we will look at the simple cash book. This is done at the end of every month. Deposit slips and receipts are the records of income. The cheque and the petty cash book are the records of expenditure.

The income and the expenditure are recorded in the cash book.

The simple cash book is an important book. It is big with many pages that are already ruled. Your business can buy a cash book at stationery stores.

The simple cash book is spread over two whole pages. It has two sides. An income side for all money received. This is called the credit side. On the other side is an expenditure side for all money that goes out of the business. The expenditure is called the debit side.

This is what a cash book looks like:

example

Example of a sheet of the simple cash book – INCOME (CREDIT) SIDE:

Income				
Deposit Number	**Date**	**Details**	**For**	**Amount**

When you buy a cashbook, there are no words on the pages – you have to write in the headings

A cash book is a record of all the money that moves in and out of the bank account. The money recorded in the cash book is:

- All the money deposited, transferred or credited to the bank account.
- All cheques that have been withdrawn out of the bank account and all amounts the bank had debited to your account.
- This is the business's records of all the cash moving in and out of the bank account.
- It is a way of checking the bank statement and at the end of the month, you can calculate the amount of money the business has left to spend.

example

Example of a sheet of the simple cash book – EXPENDITURE (DEBIT) SIDE:

Month: June 2016 Expenditure				
Cheque	**Date**	**Details**	**For**	**Amount**

On the first page of your simple cash book, write the name of the business. The next page is a double page. This is where you write in the cash book. At the beginning of each month, write the month and the year at the top of the page.

The Income Side

How to Enter Income in the Simple Cash Book

On the income side of the simple cash book, you must show all the money received by the business. To write up the simple income side, you will need the following financial records:

- Triplicate deposit slip
- The bank statement

The first column is for the deposit number. We write the deposit slip number in this column. The second column is for the date which we deposited the money in the bank. In the details column, we write who the money was received from.

If the money the business received was in cash for sales of goods – for example, meals - we write the receipt number in this column.

In the "for" column, we write what the money was received for. This column is different from the details column which tells us who the money was received from.

In the last column, the amount column, we write the amount that was received and deposited into the business's account.

Interest Received

This is the money that the bank pays you from time to time. If you leave the business's money in the bank account, it earns more money for you. Usually, the interest will only be a small amount because a cheque book account is frequently used and large amounts of money are not left unused in the bank for a long time. Below you can see how the interest is recorded in the cash book.

example

Example of Recording Income and Interest Received

Simple Cash Book: June 2016 - Income				
Deposit Number	**Date**	**Details**	**For**	**Amount**
34	10.06.2016	Payment from Peter Pan	5 meals	R 100-00
35	20.06.2016	Payment from GKM	For catering	R 2,000-00
	28.06.2016	Bank Interest	Interest	R 6-30
			Total	R 2,106-30

example

		Deposits made during June		
		Deposit 34: R 100-00		
		Deposit 35: R 2,000-00		
		Interest: R 6-30		

The Expenditure Side

How to Enter Expenditure in the Simple Cash Book

The second part of a monthly report is the expenditure side. We write all payments made by the business in this part.

To write the expenditure side, you will need:

- The chequebook with the cheque stubs (counterfoils)
- The bank statement of the month
- The cheque requisition on file

Cheque Stubs

You start recording from the first stub for the month that we are writing the cash book. For example, if we are writing the cash book for the month of June, we must find the first stub with a June date on it.

On the expenditure side of the cash book, we fill in the information from the cheque stubs like this:

- We write down the cheque number.
- We write the details of who the cheque was for in the details column.
- We write the amount of the cheque.
- We write what the cheque was used for in the "for" column.

example

Example of recording expenditure

The same is done for all stubs for the month of June, as in this example:

Month: June 2016 Expenditure				
Cheque	**Date**	**Details**	**For**	**Amount**
101	11.06	Typeface media	Printing brochure	R2,000-00
102	11.06	Preferred computers	Computer support	R 3,000-00
103	13.06	SPAR	Groceries	R 1,050-25
104	14.06	Johan Simple	Travelling Fee	R 50-00
105	22.06	Telkom	Telephone	R 500-00
106	22.06	Municipality	Water & lights	R 250-00
107	28.06	Petty Cash	Petty Cash	R 550-00
	30.06	Bank Charges	Bank Charges	R 188-65
			TOTAL	**R 7,588-90**

Balancing the Simple Cash Book

After we have recorded the income and the expenditure, we need to work out how much money is left over at the end of the month. The money left over at the end of the month is the balance.

To balance the cash book means that you must find the difference between the money you have received and the money you have paid out.

To balance the cash book, you need to:

- Add the amounts in the amount column on the income side.
- Write the total at the bottom of the column. Write total income along this figure.
- Rule a line above and below the total.

example

Example of balancing the cash book

Simple Cash Book: June 2016 - Income				
Deposit Number	**Date**	**Details**	**For**	**Amount**
		Balance brought forward: May 2016		R 3,000-00
34	10.06.2016	Payment from Peter Pan	5 meals	R 100-00
35	20.06.2016	Payment from GKM	Catering	R 2,000-00
	28.06.2016	Bank Interest	Interest	R 6-30
		Total Income	**Total**	**R 5,106-30**

On the expenditure side, the same needs to be done:

- Rule a line beneath the last amount written in the bank column.
- Add the amounts in the amount column on the expenditure side.
- Write the total at the bottom of the column.
- In the details column, write total expenditure.

The next step is to find the amount of money left over. So you need to:

- Subtract the smaller amount (total expenditure) from the bigger amount (total income) to find the difference which is called the balance.
- Write the answer on the expenditure side in the amount column, beneath the total payments.
- In the details column, write balance. The balance is the amount of money you have left in the bank account.

We now total the expenditure side:

- Underneath the balance, write the total of the total expenditure plus balance. This total must be the same as the total you wrote on the income side. If the totals are not the same, you have made a mistake and you need to check your calculations.

example

Example of balancing the cash book

Month: June 2016 Expenditure				
Cheque	**Date**	**Details**	**For**	**Amount**
101	11.06	Typeface media	Printing brochure	R 2,000-00
102	11.06	Preferred computers	Computer support	R 3,000-00
103	13.06	SPAR	Groceries	R 1,050-25
104	14.06	Johan Simple	Travelling Fee	R 50-00
105	22.06	Telkom	Telephone	R 500-00
106	22.06	Municipality	Water & lights	R 250-00
107	28.06	Petty Cash	Petty Cash	R 550-00
	30.06	Bank Charges	Bank Charges	R 188-65
		Total Expenditure	**TOTAL**	**R 7,588-90**
		Balance		**-R 2,482-60**
		Total expenditure **Plus balance**		**R 5,106-30**

You have completed writing up the cash book for the very first time! The balance of the cash book is probably not the same as the balance on your bank statement. We will look at the bank reconciliation later on.

Starting the Cash Book for the following Month

Each month we write up a new record of all transactions for the past month. In the new record, you need to show the money you received in the previous month but have not yet spent. This money is the amount of money left in the business's bank account. We call this amount the opening balance for the next month.

You must show this amount of money in the cash book for the beginning of the next month.

It is a good idea to write each month on a new page. Otherwise, if your cash book for a month is very short, rule a line underneath the completed month, and start the next month on the same page.

This is how you write the opening balance for the next month. Write the balance on the income side because it is money that you still have in your account.

example

Starting the cash book for the following month

Simple Cash Book: July 2016 - Income				
Deposit Number	**Date**	**Details**	**For**	**Amount**
		Balance brought forward: June 2016		-R 2,482-50
34	10.07.2016	Cash	Catering	R 50,000-00
	29.07. 2016	Bank Interest	Bank	R 170-55
		Total Income	**Total**	**R 47, 688-05**

Month: July 2016 Expenditure				
Cheque	**Date**	**Details**	**For**	**Amount**
101	1.07	SARS	Salary	R 6,785-90
106	2.07	Municipality	Water & lights	R 299-05
107	8.07	Game	Crockery	R 1,000-00
	9.07	Bank Charges	Bank Charges	R 200-65
		Total Expenditure	**TOTAL**	**R 8,285-55**
		Balance		**R 39,408-50**
		Total expenditure plus balance		**R 47,694-05**

Reconciling the Cash Book

The last step is to compare the cash book and the bank balance and see if they agree with each other. This step is called reconciling the balances.

We need to look at the cash book and the bank statement together to see why the two balances are the same.

In the next section, we will compare the cash book to the bank statement. We will prepare a statement which shows why the balance in the cash book is different to the balance on the bank statement.

The Bank Reconciliation Statement

A bank reconciliation statement is an internal control to show that there is an agreement between the record of amounts moving in and out of the business's bank account and the bank's record of our bank account.

This statement will show any difference between the two sets of records. The bank's record of our current account should show exactly the same transactions as those recorded in our cash book.

For example, if your cash book shows a withdrawal of R600-00, then the bank should also show a withdrawal of R600-00.

Bank reconciliation is a way of updating the bank statement. All the items that appear in the cash book, but do not appear on the bank statement, must be written in the bank reconciliation statement.

We write the bank reconciliation at the end of the month when we receive our bank statement. Usually, the balance at the end of the bank statement will not be the same as the balance of the cash book.

Comparing the Bank Statement with your Cash Book

When we compare the cashbook with the bank statement, we are looking for items that are recorded in the cash book but not in the bank statement. We, therefore, compare:

- All income in the cash book with all the credit entries in the bank statement, and
- All expenditure in the cashbook with all the debit entries in the bank statement.

practical

Complete the following formative assessment:

F263534.4 – Paired Flow Diagram with Key Notes

Chapter 8
Managing Risk

Planning for and Mitigating Risks

A risk is any event that could prevent the business from progressing as planned or hinder specific business tasks from successful completion. Risks can be identified from a number of different sources. Some may be quite obvious and will be identified prior to the start of the business.

Others will be identified during the business's operational lifecycle, and a risk can be identified by anyone associated with the business. Some risk will be inherent to the business itself, while others will be the result of external influences that are completely outside the control of the management team.

example

Financial systems risk

It is very important to have a backup plan or financial security system when you have identified the need to give credit, pay dividends, and decide to purchase something of high value, to pay salaries or to maintain assets such as buildings or vehicles. One of the best steps you can take to reduce the risks of loss is to take out the necessary insurance.

Taking out Insurance Policies

definition

Insurance

This is a form of risk management used to compensate for a loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium (fee), and can be thought of as a guaranteed and known small loss to prevent a large, possibly devastating loss. An insurer is a company selling the insurance. An insured or policyholder is the person or entity buying the insurance. The insurance rate is a factor used to determine the amount to be charged for a certain amount of insurance coverage, called the premium.

Any risk that can be quantified can potentially be insured. Specific kinds of risk that may give rise to claims are known as "perils". An insurance policy will set out in detail which perils are covered by the policy and which are not. Below are (non-exhaustive) lists of the many different types of insurance that exist. A single policy may cover risks in one or more of the categories set out below. For example, auto insurance would typically cover both property risk (covering the risk of theft or damage to the car) and liability risk (covering legal claims from causing an accident). A homeowner's insurance policy typically includes property insurance covering damage to the home and the owner's belongings, liability insurance covering certain legal claims against the owner, and even a small amount of coverage for medical expenses of guests who are injured on the owner's property.

Business insurance can be any kind of insurance that protects businesses against risks. Some principal subtypes of business insurance are (a) the various kinds of professional liability insurance, also called professional indemnity insurance, which is discussed below under that name; and (b) the business owner's policy (BOP), which bundles into one policy many of the kinds of coverage that a business owner needs, in a way analogous to how homeowners insurance bundles the coverages that a homeowner needs.

Financial Control and Auditing Systems

Managing Cash Flow

The goal of a financial management system is to ensure that a business can manage funds and maintain their operational needs, business obligations, and profit goals. Good financial management improves profitability and reduces the risks to which the firm is exposed.

Financial management determines a company's level of liquidity, its management of cash balances and short-term investment strategies. In some ways, managing cash flow is the most important job of business managers.

Large corporations collect funds from many different accounts into a single "Concentration Account" and invest excess funds in the "Money Market". Local accounts are frequently drawn down to zero funds every day. In disbursing payments to trade creditors, treasurers attempt to control the outflow of funds by timing payments with the receipt of invoices from trade creditors. This is a frequently used tool in financial management.

Companies suffering from cash-flow problems have no margin of safety in case of unanticipated expenses. They also may experience trouble finding the funds for innovation or expansion. Poor cash-flow makes it difficult to hire and retain good employees.

It is only natural that major business expenses are incurred in the production of goods or the provision of services. In most cases, a business incurs such expenses before the corresponding payment is received from customers. Employee salaries and other expenses drain considerable funds from most businesses. These factors make effective cash management an essential part of any businesses financial planning.

Cash is the lifeblood of a business and it is important to ensure that cash is available when required.

When cash is received in exchange for products or services rendered many small business owners, intent on growing their company and decreasing their debt, spend most or all the funds. But while such priorities are laudable, they should leave room for businesses to absorb lean financial times down the line.

The key to successful cash management, therefore, lies in making realistic expenditure and income projections, monitoring collections and disbursements and establishing effective billing and collection measures and adhering to budgetary restrictions.

The Need for Auditors

Financial controls and accurate recordkeeping work hand-in-hand with the requirements of auditors. Auditors are responsible for ensuring that the business accounting meets international best practice and that the income, expenditure and profits that are recorded by the business are true. The audit function is a requirement by law for several business types. This is how SARS ensures that businesses are paying the right amount of PAYE, UIF, Income tax, and VAT. Without audited financial statements, a business will not be able to prove to SARS that it has complied with their tax requirements.

Managing Bad Debts

The fundamental rule of good debtor management is to minimise the time between a sale and payment. In all credit agreements, you should set out all the terms of trade and state clearly when you expect payment. A problem can only be acted on once it is detected, that is why your business needs to keep a close eye on its debtors.

If you are having a customer who you always do business with and he or she requests a higher credit limit, base your decision on a formal customer credit history or the customer's payment record with you.

When you sign up a new customer (after checking their credit history), draw up an agreement that reflects the agreed payment terms. Ensure that your customer not only understands these terms but also practices and respects them. If you also want to achieve the best results, it is very important to establish and maintain a system that tracks the value of your customer's purchases versus payment performance and monitors adherence to agreed credit limits. This kind of information should be updated on a daily or weekly basis, so you can advise the customer when he or she approaches the agreed credit limit.

In some sectors, for example, construction, a company may do project work that can take months to complete. In such cases, it is necessary to ensure that you receive regular progress payments for work completed.

If you find a slow payer who has payments outstanding past the agreed timeframe, do not let it slide. Instead, you must call the customer and ask the reason for the late payment or delay. Unless there is an acceptable reason for the delay, insist on a firm date by which payment will be made. Make sure that you do not leave the customer without resolving the firm date by which payment will be done. Make sure to record all conversations and reminders and also on what has been agreed. If the payment has not yet been done on the day that you have agreed, make sure to call the person concerned and insist on speaking to the senior company representative. Explain the circumstances and request an immediate response.

It is up to you whether the customer's account should be suspended, pending receipt of payment. It is your right not to tolerate any further delays in payments. Legal action is an option if the client or customer is not paying. However, legal action will incur further costs.

It may happen that the customer is in financial difficulties but is making some effort to take care of the arrears. If you can afford to, you can agree to spread the payment out over a reasonable period while conducting new business on a cash-on-delivery basis.

Stock and Business Assets Loss Plan

A loss plan helps you to foresee risks, identify actions to prevent them from occurring and reduce their impact should they arise. It also helps you to monitor and control risks effectively, increasing the chances of achieving success. It lists all the foreseeable risks and their ranking and priority.

A loss plan:

- Helps to identify risks within your business (for example risk of theft, fire, or injury).
- Each risk can be categorised and mitigating measures can be put in place (for example burglar proofing, fire extinguishers, and a first aid kit).
- You can assess the likelihood of the risk occurring and if it does occur put contingency plans in place (For example insurance cover for theft, fire or worker's compensation).
- You can assess the impact if the risk does not occur (For example the annual cost of the insurance can be determined).
- A loss plan will help you to identify and manage your risks, boosting your chances of success and ensuring that you can continue with your business even if adversity strikes.

Establishing Emergency Procedures

All employees have the right to work in a safe and secure environment. The Occupational Health and Safety Act provides guidelines to employers regarding the necessary procedures that must be in place in specific businesses.

For example, an employer must take all reasonable steps to ensure that persons at work receive prompt first aid treatment in case of injury. Where more than five employees are employed at a workplace, the employer must provide a first aid box or boxes at or near the workplace which must be available and accessible for the treatment of injured persons.

At a workplace where a high-risk substance or toxic, corrosive or hazardous substances are used, handled, processed or manufactured, a first aid worker must be trained in first aid procedures that are necessary for the treatment of injuries that may result from such activities. Such treatment may include treating acute detrimental effects of exposure to such substances and the emergency procedures which are necessary in the case of accidental leakages or dumping of such substances. A notice or sign in a noticeable place at the workplace must indicate where the first aid box or boxes are kept, as well as the name of the person in charge of such first aid boxes.

Similarly, business premises must be equipped with fire hydrants or fire extinguishers. An escape route plan showing the way to the nearest exit must also be provided in the building.

Ensure that your business complies with the safety regulations required for your type of business.

practical

Complete the following formative assessment:

F263534.5 – Team Risk Management Plan

Self-Assessment and Progress Check

Design an action plan for a new venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Actions to be taken to establish a business are listed according to priority.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
An explanation is given of the reason for the priority assigned to each action.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Time frames are scheduled for prioritised actions.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Deadlines are determined for scheduled actions.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Set up business premises and operational systems.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
A comparison is conducted of the leasing or purchasing of premises by means of analysing the advantages and disadvantages of each option.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
A suitable location and premises are identified for the new venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Operating and communication systems are put into place for the new venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
A brand is established for a new venture. (Brand includes but is not limited to the professional image of the new venture.)	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

Legal issues and safety regulations for the premises are adhered to in terms of the relevant legislation.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Resources are procured according to the business requirement.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Resources include but is not limited to stationery.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Implement business financial systems.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
A banking scheme is selected which is most suitable to the new venture. (Banking scheme refers to bank systems and types of bank accounts.)	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Financial systems are established to eliminate fraud and to ensure efficient control of money, debtors, creditors, cash flow and the budget.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Financial control and auditing systems are applied in the financial system.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Screening procedures for debtors are established to ensure bad debts are eliminated or kept to a minimum.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Identify the risks associated with the new venture.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
A security system is established according to the identified financial risks.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment
Emergency procedures are established according to the evaluated safety and security risk.	❒ I have the answer and am ready to start with assessment	❒ I am still not sure of this and am not ready to start assessment

The most suitable insurance scheme is selected based on investigated needs. (Insurance schemes refers to both short-term and long-term insurance.)	❐ I have the answer and am ready to start with assessment	❐ I am still not sure of this and am not ready to start assessment
A stock and business assets loss plan is developed according to the identified risk.	❐ I have the answer and am ready to start with assessment	❐ I am still not sure of this and am not ready to start assessment