

## Chapter 1 revision memorandum

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### Question 1

- 1.1 A ✓ - selling price equals the production cost
- 1.2 B ✓ - it looks attractive
- 1.3 C ✓ - testing new materials; regular inspections at various stages of production, prescribing detailed specifications for the product
- 1.4 D ✓ - ensure that there is enough money for raw materials
- 1.5 A ✓ - production cost

### Question 2

- 2.1 consumer ✓
- 2.2 comparative ✓
- 2.3 receipt ✓
- 2.4 high quality ✓
- 2.5 A competitive edge ✓

### Question 3

- 3.1 Capital, passion, product or service; price ✓
- 3.2 appropriate for target group; design of packaging; labelling; quality of raw materials used, quality of storing ✓

### Question 4

- 4.1 Keep it short and simple ✓  
 Be specific and accurate in your description ✓  
 Plan the layout carefully ✓  
 Place attention grabbers so that they highlight the best features of your product ✓  
 Use a font that is easy to read ✓  
 The message must be easy to understand and be informative and sincere. ✓ (max 5)
- 4.2.1 Market research helps to identify a specific target market. ✓  
 It helps build a specific identity for the product ✓  
 It helps determine the strategy for making ✓, marketing ✓ and advertising the product. ✓  
 Helps plan the product specification ✓ and packaging ✓ e.g. different packaging and materials would be used for children's toys compared to paint for a home. ✓  
 It ensures that the correct labels are designed and used on the product. ✓  
 It identifies the price range and quality of the product that is most suitable for the target market. ✓ (max 8)
- 4.2.2 Financial feasibility study calculates the start up capital; ✓ the production costs ✓ and identifies the mark up that the business would like. ✓ This will be used to calculate the selling price. ✓  
 A financial feasibility study also develops a basic cash flow projection or budget. ✓ (max 4)
- 4.3.1 The entrepreneur is a person who invests their own money ✓ to start a business. ✓  
 A person who sees a gap in the market or business opportunity and follows this through. ✓  
 A person who is a risk taker, ✓ is creative and committed to seeing a business idea through. ✓

- He/she has the ability to manage a business on their own. ✓  
 A person who makes and/or sells products or a service. ✓  
 A person who starts a business in order to make more profit ✓ that he would have received interest if he invested the same money in another investment. ✓ (4)
- 4.3.2 The target market is the specific group of people ✓ that you will sell your product or service to. ✓ (max 2)
- 4.3.3 Break- even point is the calculation ✓ to identify the number of products that must be made and sold ✓ in order for the income to match the costs. ✓ i.e. no profit or loss is made. ✓ (max 2)
- 4.3.4 Start up capital is the total amount ✓ needed to start a business ✓ and keep operating ✓ until the business is able to sustain itself. ✓ (max 3)
- 4.4 Product, ✓ price, ✓ place, ✓ promotion, ✓ people ✓ (5)

### Question 5

5.1

	Variable costs (R1 510 x 5 days) ✓	✓ 7 550	
	Fixed costs	✓ 1 250	
	Total production costs	✓✓ 8 800	(5)

- 5.2 Total production costs R8 800 ✓ ÷ 160 ✓ = R55 ✓✓ (4)
- 5.3 Unit price R55 ✓ + (55 x mark up 60% ✓) = (R55 ✓ + 33 ✓) R88 ✓✓ (6)
- 5.4 Calculating break-even point will help Joshua to identify exactly the number of products he must make and sell to break even. ✓ He can then work out his sales target for each week ✓ to ensure he makes the required profit. ✓ (3)
- 5.5 Joshua must know what the specifications of his product are ✓ so that each time he reproduces the same quality. ✓  
 He must know who his target market is ✓ so that he can meet their specific needs with his product. ✓  
 He must control his costs and keep them as low as possible without sacrificing quality ✓  
 He must use a budget or cash flow projection ✓ to control his finances. ✓  
 Joshua must put in place quality checks at different times or at different stages of production to ensure the quality is correct. ✓  
 He must ensure that the raw materials are of the correct quality. ✓ (max 8)

**Total marks: 70**