Financial Planning:

Making sure you're going to make a profit!

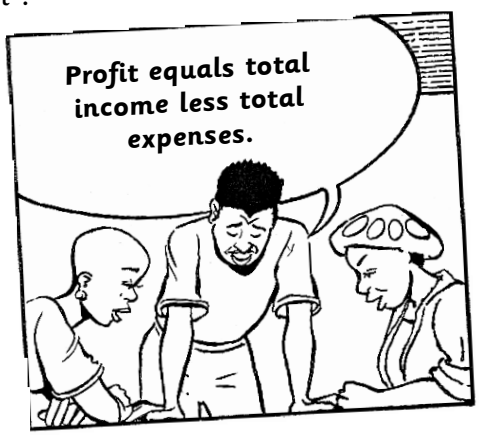
Many businesses, particularly very small businesses, operate without making a profit. These entrepreneurs work hard, year-after-year, making just enough to survive. But they never grow because they never make a profit!

To make sure that your business makes a profit and grows, you need to do some basic financial planning. You need to "look at the numbers"!

Mam'Langa is lucky that she has a son who has been on a basic bookkeeping course and can help her. But even if you have no training in bookkeeping or accounting, you can easily do the financial planning needed to make sure your business will make a profit. Here's how!

Working backwards

Do you remember how Vuyo explained 'profit'?



This sounds easy enough. All we have to do is look at both of these things separately: **total income** and **total expenses**. And, working backwards from these, we can see what our profit will be.

But before you start your business - while you are still planning it - you don't know what your income is going to be! So, how can you work out what your profit is going to be?

There's only one thing to do: You have to imagine (or predict) what your income is going to be. This is like writing a story about how you think your business is going to do in the future.

There are only two steps you have to think about:

Firstly, if profit equals total income less total expenses, the first thing we need to work out is: **What are our total expenses going to be?** This we can easily do because we have found out the costs of all the things we need for our business.

Secondly, once we know what our total expenses are going to be, we can work out **how much income we will need** (how much we need to sell and at what price) to pay all these expenses, and how much extra income we need in order to have money left over (to make a profit).

Work it out Monthly

Many of the expenses we have to pay, for our businesses and in our personal lives, are monthly expenses (telephone accounts, water and electricity, salaries, etc.). For this reason, most people do their financial planning on a monthly basis. The examples we use in this chapter are all calculated on a monthly basis.

Expenses

Typically, when people start thinking about a business, especially a trading business, they only think about the cost of the product they are going to buy, and then sell. For

example, they say to themselves that they can buy a pocket of oranges for R5.00 and sell those same oranges for R10.00 so, they think, they will have made a profit of R5.00.

But is this true? Is that R5.00 really their profit?

No, it is definitely not!

Why not? Because there are many other expenses that any business has to pay in addition to the cost of the product it buys (in the case of a trading business) or the raw materials it needs (in the case of a manufacturing business). For example, the person who buys a bag of oranges for R5.00 also has to think about expenses like transport costs to and from the place where she buys the oranges, the plastic bags she needs to pack the oranges for resale, etc.

Looking at Mam'Langa's business, we know that she has to pay rent to Mrs Ndlovu for the space to store her table and chair. She also has to pay herself a salary.

These costs are called **fixed expenses.** Because **they have to be paid every month**, they are fixed.

The other cost we know Mam'Langa must pay is the cost of buying her produce. This is called a **variable cost** because it will **change (vary) according to the amount of business she does**. The more she sells, the more she will have to buy.

So, fixed costs and variable costs are the two types of expense that a business has to think about.

But wait! Aren't there other fixed costs that we have forgotten about?

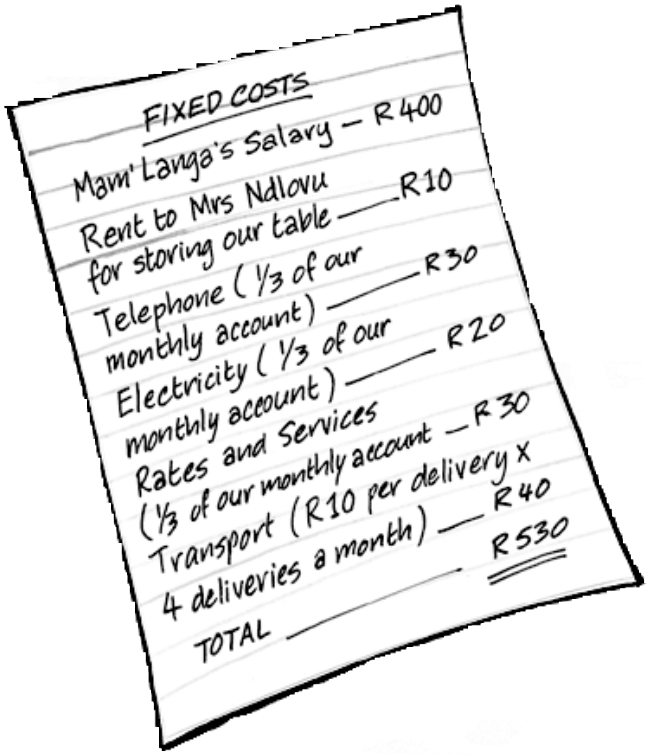
Like what, Dudu?

Like the cost of telephone calls when you phone Mr Patel for a new order.

Yes, and the business will be using space in the house to store its produce, so it should pay a part of the cost of rates and services, and electricity.

It would be fair if the business paid one third of these costs.

Let's write down all the fixed costs.



Yo! Are you saying that I have to make R530.00 a month just to cover my fixed costs?

Yes, Mama. And that is not all. You also have to pay for your produce - your variable costs.

And we still haven't made any profit! If we want the business to grow we need to make even more than R530.00 a month. We should aim to make at least R600.00.

You're right Dudu. If Mama makes R600.00 a month, she will have a profit of R70.00.

My children, all these numbers are giving me a headache! Just tell me: **How much produce do we need to sell to make a profit?**

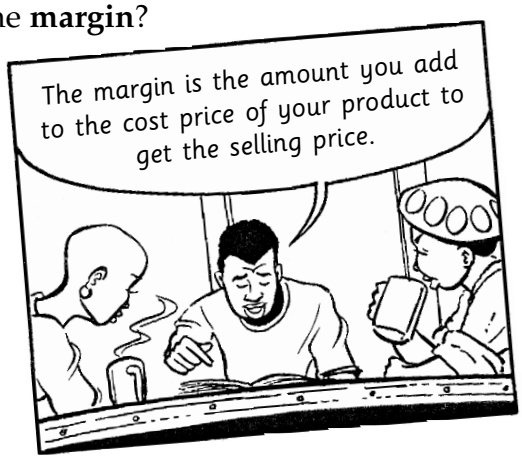
How much do you need to sell to make a profit?

This, as they say in Hollywood movies, is the 64 million dollar question! But before you can answer this question you need some more information.

Let's look back at what we have just learnt:

- ☛ We know that every business has certain fixed expenses that have to be paid.
- ☛ We also know that every business has variable expenses for the raw materials (manufacturing business) or produce (trading business) that it needs.
- ☛ And, of course, everyone knows that a business sells its products or services for **more** than it costs that business to make them (manufacturing business), or buy them (trading business).

The big question is: **How much more?** How much bigger should the **selling price** be than the **cost price**. In other words, what is the **margin**?



This then is the information you need before you can work out how much you have to sell to make a profit.

You need to know:

1. The **cost price** of the product (or service).
2. The **selling price** of the product (or service).
3. The difference between the two - which is called the **margin**.

Let's look back at our example of the bag of oranges. The cost price was R5.00. The selling price was R10.00. So, the margin is R5.00.

This **margin is not profit** because there are all those fixed costs still to pay! **But the margin you make on each product you sell helps pay for those fixed costs.** And, once you have made enough to cover all your fixed costs, any additional money you make is pure profit.


I understand that, Vuyo. But you haven't explained one thing: **How do we work out our selling price?** How do we know how big to make our margin?


Good question, Dudu.
We'll work it out together.


Mama, what is the cost price of a box of tomatoes?


A box of tomatoes costs me R10.00.


And how many tomatoes are there in a box?


It depends ... But let's say there are 40 in a box.


Okay. And how many do you sell in a packet?


I'll put 5 tomatoes in each packet.


And how much will you charge for a packet?


I'll charge R2.00 a packet.


How did you decide on that price, Mama?


That's the price everyone sells them for! If I charge more people won't buy from me.

But are you sure you will make money selling them at that price?

There must be money! Other people ...

Well, let's work it out and see.

First, we need to know the cost price of your product. And, in this case, your product is a packet with five tomatoes in it.

40 tomatoes cost R10.00. If we divide R10.00 by 40 we will get the cost price of one tomato, which is 25 cents.

There are 5 tomatoes in a packet. Five times 25 cents equals R1.25.

So, the cost price of a packet of five tomatoes is R1.25.

And Mama said the selling price of a packet of tomatoes is R2.00. So, if we take the cost price of R1.25 away from the selling price of R2.00, we'll get our margin.

That's right. And the margin is 75 cents.

So, I'm making 75c from each packet of tomatoes I sell.

Yebo, Mama!

So, we've answered one question. We know that Mam'Langa will make money (75 cents) on each packet of tomatoes she sells. But we still don't know how much produce she has to sell to make a profit.

If Mam'Langa was selling only one product, tomatoes for example, all she needs to do is work out how many 75 cents she needs to make up R600.00.

(Do you remember why she needs R600.00? She needs R530.00 to pay for all her fixed costs, and she wants at least another R70.00 profit to help the business grow.)

If we divide R600.00 by 75 cents we will get the number of packets of tomatoes Mam'Langa needs to sell every month. The answer is 800.

But, of course, Mam'Langa is not only selling tomatoes. She is also selling potatoes, cabbages, onions, apples and bananas. The margin for each of these products might be different, so she needs to work out her margin for each one. She does this in the same way that she worked out the margin on a packet of tomatoes.

(See her calculations on the next page.)

Pricing and Competition

Many small businesses decide on the price they charge for their product by seeing what other similar businesses charge. This is definitely not the correct way to work out the selling price of your product (or service). Even if, like Mam'Langa, you are in a business with a lot of competition - and you know that your customers will not pay more - you still need to work out your margin and make sure that you will make a profit.

Remember that there are many small businesses that just survive from day-to-day, but never grow because they aren't making a profit.

Each type of business is different and, in each case, there are different things you need to think about when deciding on the price you charge for your product or service.

Calculating your margin
Calculating the margin for each of your products (or services) is an essential part of your business plan. See how Mam'Langa has worked it out for her business, then turn to page 41 and work out your own margins.

Mam'Langa's Business Plan (Part 2)

Margin per Product

Product	Selling Price	Cost Price	Margin
1. Tomatoes	R2.00	R1.25	R0.75
2. Potatoes	R4.00	R3.00	R1.00
3. Cabbage	R1.50	R1.00	R0.50
4. Onions	R1.50	R1.00	R0.50
5. Apples	R2.25	R1.50	R0.75
6. Bananas	R2.00	R1.20	R0.80

Now Mam'Langa knows the margin for each of the products that she is selling. She can now work out how much of each product she needs to sell to pay all her fixed costs and make a profit. To do this, she needs to **imagine** how much she will sell of each product. This is called **making a prediction**.

Like all businesses, some of Mam'Langa's products will sell faster than others. And, like all businesses, some of her products have a bigger margin than others. (For example, she makes R1.00 margin on a packet of potatoes, but only 50 cents on a packet of onions.)

Before Mam'Langa starts her business it will be difficult for her to say exactly which products will sell more than others. But over time, as she gets more experience in the business, she will have this information and her monthly predictions will become easier and more accurate. But for now, in this planning stage, she needs to make a prediction based on the information she has.


Mama, what product do you buy the most of for your family?


Well ... we use tomatoes and onions nearly every day.


We should try and sell the bananas. They're very cheap at the moment, and we can make a bigger margin.


Mama, how many packs of tomatoes do you think you can sell in a day?


Well, with all those people passing every day, I should be able to sell at least 20 packets.


And how many packs of potatoes?


Not everyone buys potatoes. Let's say 5 packets a day.


And how many cabbages?


Let's say 5 a day. Some people might only buy half a cabbage.


And how many packets of onions?


Onions will sell well. 20 packets a day.


And how many packets of apples and bananas?


It's still a bit cold. People will buy more fruit in summer. Let's say 4 packets of apples and 5 packets of bananas a day.

Vuyo writes down Mam'langa's predictions for each product (see next page). First he writes down how much she will sell each day. He multiplies the margin for each product by the number of products sold. This gives him the margin that the business will make each day (R39.50).

But, as you will remember, most of the fixed costs of a business, as well as our personal expenses, are monthly costs. So, Vuyo works out how much margin the business will make in 5 days (R197.50) and in 20 days (R790.00).

Cost Price Calculations (cost of final product)

Before you can work out your margin you need to know the cost price of each product you are selling. If you sell your product in a different 'pack' size to the way you bought it, you will have to work out the cost of each 'pack' that you sell. Below see how Vuyo works this out for each of Mam'Langa's 'packs'.

Tomatoes:
R10.00 for a box.
40 tomatoes per box.
Each tomato costs 25 cents.
Sold 5 in a packet.
5 x 25 cents = R1.25.

Potatoes:
R15.00 for a 10 kg bag.
60 large potatoes per bag.
Each potato costs 25 cents.
Sold 12 in a packet.
12 x 25 cents = R3.00.

Cabbage:
R10 for a bag.
10 cabbages per bag.
Each cabbage costs R1.00.
Sold individually.
1 x R1.00 = R1.00.

Onions:
R10.00 for a 10 kg bag.
80 onions per bag.
Each onion costs 12.5 cents.
Sold 8 in a pack.
8 x 12.5 cents = R1.00.

Apples:
R36.00 for a box.
120 apples per box.
Each apple costs R0.30.
Sold 5 in a packet.
5 x 30 cents = R1.50.

Bananas:
R40.00 for 20 kg box.
200 small bananas per box.
Each banana costs R0.20.
Sold 6 in a packet.
6 x 20 cents = R1.20.

Five days and 20 days

Some businesses are open every day - 7 days a week. The reason we have used five days and 20 days is to 'be on the safe side', and to make it easier to work out the predictions. Mam'Langa might work more than 20 days a month. If she does, and she sells as much as she hopes to sell each day, her profit at the end of the month will be even more!

Mam'Langa's Business Plan (Part 3)

Margin Prediction - per day, per week, and per month

Product	Margin	x 1 day	Calculation	x 5 days	Calculation	x 20 days	Contribution to fixed costs
Tomatoes	R0.75	20	20 x R0.75 = R15.00	100	100 x R0.75 = R75.00	400	400 x R0.75 = R300.00
Potatoes	R1.00	5	5 x R1.00 = R5.00	25	25 x R1.00 = R25.00	100	100 x R1.00 = R100.00
Cabbages	R0.50	5	5 x R0.50 = R2.50	25	25 x R0.50 = R12.50	100	100 x R0.50 = R50.00
Onions	R0.50	20	20 x R0.50 = R10.00	100	100 x R0.50 = R50.00	400	400 x R0.50 = R200.00
Apples	R0.75	4	4 x R0.75 = R3.00	20	20 x R0.75 = R15.00	80	80 x R0.75 = R60.00
Bananas	R0.80	5	5 x R0.80 = R4.00	25	25 x R0.80 = R20.00	100	100 x R0.80 = R80.00
TOTALS			**Per day: R39.50**		**Per week: R197.50**		**Per month: R790.00**

See how easy it is! *Remember the Business Plan forms where you can work out your margin and profit are on page 44.*


Vuyo, what is this R790.00?


Mama, if you work 5 days a week for 4 weeks, and if you sell as much product as you hope to sell every day, you will make R790.00.


Wow! And if our fixed costs are only R530.00 ... That means we'll make a profit of R260.00!


I can't believe it!


But remember, you might not sell as much as you planned. But ... you might sell even more! Only time will tell.


Oh, Mama, I'm so excited!


We've done our planning well. The volumes you plan to sell seem realistic. As I said before, looking at the numbers, this business should make a nice profit.

NOTES

Start-up Capital - How much money do you need to start your business?

Many people think you need a lot of money to start a business. This is not always true. Many businesses can be started with quite a small amount. But most businesses do need some money.

There are many ways you can get the money you need to start a business. You might have some savings, you might be able to borrow from members of your family, or you might get together with other people and combine your money. There are also places where you can get a loan to start your own business (more about this in Chapter 6). In Mam'Langa's case she has some savings of her own, and she has the small amount of money that Wilson sent her.

But the big question is: **How much money does she need to start her business?**

Let's list all of the things she needs and how much they cost.

Oops! We need to do some more calculations first. We need to work out how much it is going to cost to buy the produce that Mam'Langa plans to sell in her first week of business.

To work out how much money Mam'Langa needs to buy her produce for one week, Vuyo uses the list of how much she plans to sell. He then works out how much she needs to order of each product.

Start-up Capital needed to buy produce

Product	Volume sold and number per pack	(A) Total number needed	(B) Number in box from wholesaler	Calculation (A ÷ B)	(C) How much to order	(D) Cost price from wholesaler	Total (C x D)
Tomatoes	100 x 5	500	40 per box	500 ÷ 40 = 12.5	13 boxes	R10.00	R130.00
Potatoes	25 x 12	300	60 per bag	300 ÷ 60 = 5	5 bags	R15.00	R75.00
Cabbage	25 x 1	25	10 per bag	25 ÷ 10 = 2.5	3 bags	R10.00	R30.00
Onions	50 x 8	400	80 per bag	400 ÷ 80 = 5	5 bags	R10.00	R50.00
Apples	20 x 5	100	120 per box	100 ÷ 120 = 0.84	1 box	R36.00	R36.00
Bananas	30 x 6	180	200 per box	180 ÷ 200 = 0.90	1 box	R40	R40.00
							R361.00

Do you see how Vuyo worked out how much produce Mam'Langa needs to buy?

Let's look at one of the products: **tomatoes**.

Mam'Langa says she can sell 20 packets of tomatoes a day.

We are doing our calculation saying that she will work 5 days a week.

So, we need to multiply 20 packets by 5 (days) to get the number of packets she will sell in 5 days. 20 x 5 = 100.

There are 5 tomatoes in each packet that Mam'Langa sells.

100 packets multiplied by 5 tomatoes equals 500 tomatoes. So, we know that she needs to buy 500 tomatoes.

How does she buy the tomatoes from the wholesaler? In boxes of 40 tomatoes per box.

So, now we have to divide the number of tomatoes she needs (500) by the number of tomatoes in a box (40). This will tell us how many boxes she needs to buy.

500 divided by 40 equals 12 and a half (12.5).

She can't buy half a box, so she will need to buy 13 boxes.

Each box of tomatoes costs R10.00. So, 13 boxes will cost R130.00.

Like Mam'Langa, you will need to do this exercise for each of the products, or raw materials, you need for your business.

Right! Now that we know how much Mam'Langa's produce for one week is going to cost, we can list all the other expenses she has to pay for before she can start her business.

Mam'Langa's Business Plan (Part 4)

Start-up Capital

START-UP CAPITAL.

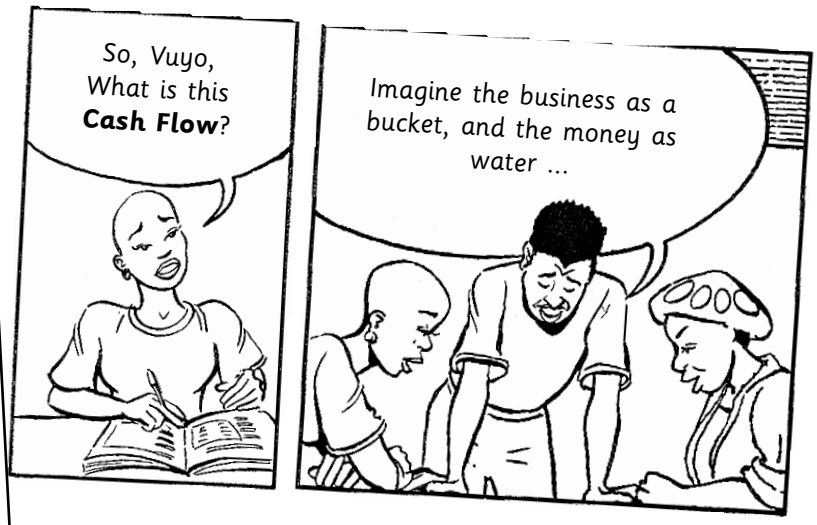
Cart to transport food + veg. from home to stall — R50
Rent to Mrs Ndlovu — R 10
Patel's first delivery — R 10
Fruit and Veg. for first week — R361
TOTAL START-UP CAPITAL NEEDED — R431

Starting Small

What would Mam'Langa do if she didn't have R431.00? What if she only had R200.00? Could she still start her business? Yes, she could! She could use the little money she has to buy enough produce for one or two days.

Don't be discouraged because you only have a little money. Find a way. Make a plan!

Keeping your business pumping



You have probably heard the expression, 'Keep your finger on the pulse'. This means checking a patient's pulse to see how well they are doing - how healthy they are.

Well, in business you have to 'keep your finger on the pulse' all the time! And **cash flow is the pulse of your business**. It is what keeps your business pumping. If your cash flow stops and there is 'no water in your bucket' your business stops!

Like a good doctor who looks at both preventing and curing illness, a wise entrepreneur both predicts the business's cash flow and watches it day-by-day.

Predicting the business's cash flow - also called **Budgeting** - is similar to what Mam'Langa did when she was thinking how much she hoped to sell every day. The difference is that with a cash flow prediction you look at what comes in (income) **and** at what goes out (expenses).

But why do I need to do a cash flow prediction? We already know that the business is going to make money - if we can sell as much as we planned.

Mama. A cash flow prediction will show you, day-by-day, how much money is coming in and how much is going out. And it will show you when you need money for big expenses, like buying more produce, or paying fixed expenses at the end of the month.

Vuyo, are you saying a cash flow prediction will show us the level of water in the bucket at all times?

Yes, Dudu. And another thing. You can compare your actual cash flow, the money that comes in and out every day, with your cash flow prediction.

This way, you can change and adapt quickly to the situation.

Vuyo. I don't understand!

Well, Mama, your cash flow prediction sets goals for what you plan to sell each day, and it shows you how much money you need in your bucket at certain times of the month.

If you are watching how much you actually sell each day, you can see if you are going to meet your goals.

And if we are falling behind, we can see straight away, and we can make a plan to catch up. Right?

Exactly!

Okay, Vuyo, I see how it will help my business. Now explain to me how to do it!

1. Okay, Ma. Let's make a **Cash Flow Prediction** for your business.

The first figure is the **Start-up capital** that you put into the business. Just below that you can see how that money is spent.

Mam'Langa's Business Plan (Part 5)

Cash Flow Prediction/Budget

Date (Day)	Details	Money In	Money Out	Balance
0	**Start-up capital**	+ 431.00		R431.00
0	Cart to transport produce		- 50.00	R381.00
0	Rent to Mrs Ndlovo		- 10.00	R371.00
0	Delivery charge (Patel)		- 10.00	R361.00
0	Produce bought (Patel)		- 361.00	R0.00
1	Sales	**+ 116.50**		R116.50
2	Sales	+ 116.50		R233.00
3	Sales	+ 116.50		R349.50
4	Sales	+ 116.50		R466.00
5	Sales	+ 116.50		**R582.50**
6	Delivery charge (Patel)		- 10.00	R572.50
6	Produce bought (Patel)		- 361.00	R211.50
6	Sales	+ 116.50		R328.00
7	Sales	+ 116.50		R444.50
8	Sales	+ 116.50		R561.00
9	Sales	+ 116.50		R677.50
10	Sales	+ 116.50		R794.00
11	Delivery charge (Patel)		- 10.00	R784.00
11	Produce bought (Patel)		- 361.00	R423.00
11	Sales	+ 116.50		R539.50
12	Sales	+ 116.50		R656.00
13	Sales	+ 116.50		R772.50
14	Sales	+ 116.50		R889.00
15	Sales	+ 116.50		R1,005.50
16	Delivery charge (Patel)		- 10.00	R955.50
16	Produce bought (Patel)		- 361.00	R634.50
16	Sales	+ 116.50		R751.00
17	Sales	+ 116.50		R867.50
18	Sales	+ 116.50		R984.00
19	Sales	+ 116.50		R1,100.50
20	Sales	+ 116.50		**R1,217.00**
20	Salary for Mam'Langa		- 400.00	R817.00
20	Rent to Mrs Ndlovo		- 10.00	R807.00
20	Telephone		- 30.00	R777.00
20	Electricity		- 20.00	R757.00
20	Rates and Services		- 30.00	**R727.00**

2. Now let's look at your **sales** - R116.50 a day! Do you know how I got this figure?

Look at the Margin Prediction on page 22. This is where we wrote down how much we hoped to sell of each product every day. I took those same numbers (20 packs of tomatoes, for example) and multiplied them by your selling price. This gives us the Total Sales per day.

Total Sales per day

Product	Selling Price	Volume	Calculation	Total
Tomatoes	R2.00	20	20 x R2.00	R40.00
Potatoes	R4.00	5	5 x R4.00	R20.00
Cabbages	R1.50	5	5 x R1.50	R7.50
Onions	R1.50	20	20 x R1.50	R30.00
Apples	R2.25	4	4 x R2.25	R9.00
Bananas	R2.00	5	5 x R2.00	R10.00
TOTAL				**R116.50**

3. As you can see, I have only worked out sales income for 5 days - to be 'on the safe side'.

If you find that you have not sold as much as you hoped to sell in those 5 days, you can decide to work another one or two days that week.

4. At the end of your first week of selling you have **R582.50** (if you sold as much as you hope to sell). Why is this figure important? What happens the next day?

Yes. You have to buy your produce for the next week, and pay for the delivery. It is very important to make sure that you have enough money 'in your bucket' to pay for this.

5. The next important figure is **R1,217.00**. This is the amount of money you have at the end of the month from your sales. But what happens the next day?

Yes. It's the end of the month and you have to pay all your fixed expenses. Included in these fixed expenses is your salary.

6. After you have paid all your fixed expenses you have **R727.00** 'in your bucket'.

But is all this your profit for the month? No! Only part of it is profit. Remember you put R431.00 of Start-up capital into your business.

So, can you take your Start-up capital out of the business now? No, you can't. Because if we take the R431.00 Start-up capital away from R727.00 you are left with only R336.00. And this is not enough to buy your produce for next week.

You could take some of your Start-up capital out of the business now, but not all.

You can find a blank Cash Flow Prediction/Budget on page 46.

Keeping control of your money

Keeping control of your money is one of **the most important** disciplines of any business. Recording the money that comes into the business (income) and the money that goes out (expenses) is a **habit** that every entrepreneur needs to get into.

It is a good idea to **get into the habit of writing down everything** to do with the money coming into and going out of your business.

Sales
Many businesses will produce invoices, or receipts, for everything they sell. Their invoice book, or receipt book, is then a record of all the things the business has sold.

Some smaller businesses, like Mam'Langa's stall for example, might not give their customers invoices or receipts, so they need to record their sales in other ways. Keep a little **Basic Sales Book** in which you write down all the sales for the day. This way, you won't forget what you have sold when you write up your **Actual Cash Flow**.

Purchases
Whenever you buy something for your business keep the invoice, or receipt, you get from the seller. If the seller does not give you an invoice or a receipt, write a note so that you don't forget what you spent that money on.

Miscellaneous
It is often the small things that get forgotten: the money you took to buy yourself a cold drink; the money your cousin borrowed; the sale you made on credit to your neighbour, etc. **Write a note every time you take money out of the business**. This way you will always know what is going on in your business. Be in control!

Basic Sales Book

Date	Product	Number Sold (packs)
1 August	Tomatoes	2
1 August	Onions	1
1 August	Potatoes	1
1 August	Tomatoes	3
1 August	Onions	3
1 August	Apples	1

Actual Cash Flow

At the end of every day (or every week, depending on your business), you need to write up your Actual Cash Flow.

These are the steps you should follow: ➔

- ☛ Count the cash in your cash box.
- ☛ Write down (record) all the sales for the day (from your sales book, receipt book or invoice book).
- ☛ Record all the purchases and other expenses for the day.
- ☛ The cash in your cash box and the balance on your Actual Cash Flow sheet should be the same.

Actual Cash Flow

Date/Day	Details	Money In	Money Out	Balance
29 August	Start-up capital	+ 431.00		431.00
29 August	Cart to transport produce		- 50.00	381.00
29 August	Rent to Mrs Ndlovo		- 10.00	371.00
31 August	Delivery charge (Patel)		- 10.00	361.00
31 August	Produce bought (Patel)		- 361.00	0.00
1 September	**Sales**	+ 87.50		87.50
1 September	Sales (on credit to Mrs N)	+ 15.00		102.50
1 September	**Loan (to Vuyo)**		- 10.00	92.50
1 September	**Purchases (cold drink)**		- 2.50	90.00

Sales
This is the total amount of sales for the day, taken from all the sales recorded in the Sales Book.

There is a special entry for a sale on credit. If you do sell on credit, it is very important to write down each sale so that you remember to collect the money.

Purchases
Mam'Langa has made a note of the R2.50 she took from the business to buy herself a cold drink. Is this a business expense, or should it come out of Mam' Langa's monthly salary?

Loan
Vuyo has borrowed some money from the business. It is important to write down any money taken out of the business. Vuyo will have to pay this money back to the business.

Paying yourself
If you need money more regularly than once a month, pay yourself weekly instead of monthly. But always make sure you have enough at the end of the month for those regular monthly expenses. (*See Personal Budget on page 47.*)

Keeping control of your stock

Stock Control means knowing how much stock you have at any time. You need to know how much stock you have bought, or manufactured, and how much you have sold.

There are a few basic steps to good stock control:

- ☛ Decide how often you are going to count your stock. Every day, every two days, every week ...
- ☛ Use a separate Stock Control Sheet for each product.
- ☛ Write down (record) the number of products bought, or manufactured, on a particular day.
- ☛ Record the number of products sold on a particular day.
- ☛ Add the purchases to the balance and deduct (take away) the sales.
- ☛ It is also important to record spoilage. Spoilage is any type of damage to your products. This might be caused by things like breaking, being damaged, or - in the case of fresh produce - things going bad.
- ☛ The balance on your Stock Control Sheet should be the same as the number of products in your store.

STOCK CONTROL SHEET: Tomatoes

Date	Purchases	Sales	Spoilage	Balance
31 July	520			520
1 August		120	3	397
2 August		145		252