

Name _____

2 Determining prices

2.1 Selling price and Cost of sales

- Cost price is the price the trader pays for goods bought for the purpose of resale.
- It is the price that the goods sold cost the trader and is known as the cost of sales.
- In order to make a profit when he sells the goods, the trader has to add an amount to the cost price. This profit is called the mark-up.
- The cost price plus the mark-up is known as the selling price. Every time an item is made (manufactured), costs are added to each step in the process.
- The entrepreneur has to adjust the selling price so that he makes profit.

$$\text{Cost Price (CP)} + \text{Mark Up (MU)} = \text{Selling Price (SP)}$$

To calculate the cost price when a percentage mark-up is given:

Cost price (CP) is always 100% (for calculation purposes)

$$\text{Selling price (SP)} = \text{Cost price (CP)} + \text{Mark-up (MU)}$$

To find the CP:

$$(\text{CP}) 100\%$$

$$(\text{SP}) 100\% + \text{MU}\% \times \text{SP amount}$$

To find the SP:

$$(\text{SP}) 100\% + \text{MU}\%$$

$$(\text{CP}) 100\% \times \text{CP amount}$$

2.2 Labour costs

The cost of labour can be either direct or indirect.

2.2.1 Direct labour

- Labour that is directly involved with the production of the product.
- Example: The cost of the labour for someone who makes the item to be sold.

2.2.2 Indirect labour

- Cost of labour not directly linked to the product produced.
- Example: The cost of labour for someone who is not directly involved with the making of the product such as the wages for a person who helps to clean up, or for a person who helps you to sell your beaded jewellery or an accountant.

2.3 Income

- Money that the entrepreneur (owner) earns for the business
- Examples: fee income (for selling services) or sales (for goods that the business sells).

2.4 Expenses

- Amounts that the entrepreneur has to spend on things like wages, salaries, telephone, water and electricity, stationery, etc. in order to run the business successfully.

2.2 Leadership

- Leadership is a position or state of being in control of a group of people or an organisation.
- A leader has to take control and people have to follow.
- Good leadership is visible when the followers obey the leader because they respect what the leader says and does.

2.3 Discipline

- Employees must work and behave in a controlled way and this involves obeying specific rules.
- The Code of ethics describes acceptable behaviour in the work place and consequences for incorrect behaviour.
- Employees who do not follow the Code of ethics will be disciplined.

2.4 Transparency

Transparency means that behaviour must be such that it is clear that you have nothing to hide.

2.5 Accountability

Being accountable means taking responsibility for what you say and do, and being able to justify your actions.

2.6 Fairness

Fairness is the quality of being reasonable and just. It means that you judge a situation objectively and without bias or any preconceived ideas. Customers or clients must feel that they are treated fairly.

2.7 Sustainability

All businesses need to act in a way that shows respect towards the environment and the use of resources. Sustainability makes a difference in the long term. Businesses should not waste resources or damage the environment.

2.8 Responsible management

Responsible management takes into account three important things, often called the 3 Ps:

People: A responsible manager considers all the stakeholders of the business – employees, suppliers and customers – and deals with them in an ethical way.

Planet: A responsible manager takes the environment into account and does everything possible to ensure that the environment is looked after and not destroyed.

Profit: A responsible manager ensures that the business makes the maximum profit, but only by using ethical practices.

2.9 Integrity

Integrity can be defined as honesty, efficiency, sincerity, honesty towards oneself, the upholding of values and norms. Success in a business can only be achieved when employees and clients respect the integrity of the business and the integrity of the business is reflected in the management and leaders. Why is integrity important for managers?

It builds confidence – when people know that managers don't use their position to enrich themselves through the business, confidence, loyalty and support will grow. This influences others – the managers conduct influences amongst others the employees and employers. His/her character determines the character of the business. It creates high standards – the manager's integrity will set a positive example for employees. Remember, people do what people see.

2.10 Confidentiality

Most information in a business should be kept confidential. It is important that employees should not leak information that is intended only for the business to people outside the business. For example: the manager has to make decisions about a large contract that the business might obtain. If this information is disclosed to people outside the business, a rival business might use the information to obtain the contract. Employees who are disloyal towards the business will share confidential information with people who should not have access to it.

2.11 Objectivity

Objectivity is described as the ability to act in an unbiased way. This means that you should not be influenced by personal feelings and preferences.

An objective person makes decisions based on true facts and not based on his/her personal feelings. An objective person will be fair and unbiased in carrying out his/her duties and will not be influenced by others.

2.12 Professional ability and proper care

When offering professional services, one offers one's knowledge, skills, experience, care and diligence. Professional people should not render services for which they are not qualified unless they can obtain advice and assistance. Professional people should maintain a high standard of professional knowledge and skills so that a client and employer have the advantage of qualified professional services in line with the most recent practical, legal and technical developments.

2.13 Professional conduct

This concerns the conduct in the workplace of all the people connected to an enterprise. At all times a person should conduct himself in such a way that his/her behaviour doesn't have a negative influence on the enterprise. An employee must be polite and show consideration towards all parties with whom he/she has contact in the enterprise.

2.14 Technical standards

Each employee should have all the relevant technical and professional skills that his/her position requires. All tasks assigned to employees by their employer should be carried out with integrity. These should also conform to all the technical and professional standards that are laid down by the enterprise, the authorities concerned and applicable legislation.

Important:

- Ethics will be integrated with all the topics and will continuously be assessed as we advance with the Study Guide.
- When you answer ethics questions, pretend that you are working in the business and apply the principles you have studied to the workplace.

Activity 1 (Ethics – Matching columns)

Choose a word or term from column B that best suits the definition in column A.

Column A	Column B
1 can be defined as honesty, efficiency, sincerity, honesty towards oneself, the upholding of values and norms.	A Accountability
2 Taking responsibility for what you say and do, and being able to justify your actions.	B Transparent
3 Behaviour must be such that it is clear that you have nothing to hide.	C Integrity
4 The ability to act in an unbiased way.	D Objectivity