

## **EMS - GRADE 7 : WORKSHEET 3**

### **THE ENTREPRENEURIAL ACTION OF PRODUCING**

A good entrepreneur needs to know how to combine the following resources also known as factors of production , in order to make a profit.

**CAPITAL** - This includes money, machinery, tools, buildings, etc.

**LABOUR** – These are the people who do the work. In return they get paid a wage or salary.

**RESOURCES** – These are the raw materials used to produce the goods.

**ENTREPRENEURSHIP** – This includes starting the business, making decisions & managing the business

### **What is the process of Buying, Selling and Producing a product?**

Entrepreneurs can be **retailers** or **wholesalers**. They buy products from the **manufacturers** in bulk, break them down into smaller quantities and sell them to their customers.

There are also entrepreneurs that manufacture products . These entrepreneurs buy **raw materials** from suppliers and convert them into finished and semi-finished goods. They either sell these goods to **wholesalers and retailers** or **directly to the consumer**.

### **What is a target market?**

The target market is a group of people the entrepreneur wants to buy his or her product. To sell a product successfully to his or her target market, an entrepreneur must think carefully about the following aspects of the selling process.

**Needs and wants of customers** – consumers won't buy things that they don't need or want. Businesses that sell food, clothing, health care products, building materials etc. will always have customers.

**Price** - must suit the financial position of the market.

**Business location** - must be convenient for the customer and easy to find.

**Promotion** - Products must be advertised and promoted so potential customers come to hear about them.

### **How to calculate profit?**

**PROFIT = SALES INCOME - TOTAL COST OF PRODUCTION**

**ACTIVITY : CALCULATING PROFIT**

**Question 1**

Nicky sells donuts at school to earn extra pocket money. She buys the donuts from a local bakery for R3.50 each. At school she sells them for R5 each.

Use the equation Profit = Sales – Total costs to work out how much profit she earns on each donut. Nicky sells on average 25 donuts a day. What is her daily profit?

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**Question2**

Sam sells pies to earn pocket money. He sells them on Fridays. He buys the pies for R6 and sells them for R10.

1. What profit is Sam making on each pie? \_\_\_\_\_
2. How many pies does Sam have to sell to make R80 in profit? \_\_\_\_\_

**Question 3**

Jake runs a hot dog stall. He pays R50 rent a day for this site.

to make each hotdog it costs:

Vienna - R2

Roll - R1.50

Margarine and sauce – R1

Jake sells each hotdog for R7.

1. What is the total cost of each hotdog?

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2. What profit does he make for each hotdog?

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3. How does the R50 daily rental affect Jake's profit?

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