

## **STUDY GUIDE 4**

### **THE SCHOOL BASED ASSESSMENT**

#### **INTRODUCTION**

Many of you are students of secondary schools, and some of you are registered as private candidates. Secondary school candidates will prepare one section of a business plan (Production OR Marketing OR Financial Plan) under the guidance of the business teacher, and **MUST** submit a project. This is known as the School Based Assessment (SBA) for Principles of Business (Paper 03/1). Teachers will guide you on the format of your presentation.

Private candidates will write Paper 03/2, which is the Alternative to the School Based Assessment of the CXC examination in Principles of Business. This will be part of the examination. This means that as a private candidate, you will write Paper 03/2 in addition to Paper 01 (a multiple choice paper) and Paper 02 (an essay paper). Private candidates **WILL NOT** submit a project. Paper 03/2 will require that you prepare **ALL** sections of a business plan and answer questions based on information provided in a case or story.

Both secondary school candidates and Private Candidates should examine this Study Guide. It will assist you in preparing the project or in preparing for the alternative paper 03/2. Let us now become better acquainted with business plans!

#### **GENERAL OBJECTIVE**

On completion of this Study Guide, you should develop the ability to function as an entrepreneur.

#### **SPECIFIC OBJECTIVES**

You should be able to:

1. formulate a business idea;
2. conduct research on a selected business;
3. create detailed sections of a business plan.

#### **CONTENT**

- Important skills required by entrepreneurs
- Establishing a business: production plan
- Establishing a business: marketing plan
- Establishing a business: financial plan

# IMPORTANT SKILLS REQUIRED BY ENTREPRENEURS

## INTRODUCTION

In the last Study Guide you learned that entrepreneurs are special persons who are creative, persistent risk-takers. Have you started to think of yourself as an entrepreneur? You can become a very successful entrepreneur and create wealth for your family and for your country. This Study Guide will teach you two very important skills that every entrepreneur needs.

### Formulating a Successful Business Idea

Entrepreneurs possess the skill of identifying and using a successful business idea. This idea must be one that has a very good chance of being profitable. Where can you identify such an idea? Let us examine some possible sources.

Identify a product or service that many customers want but which is scarce, for instance, a product where there is not enough to fill the needs of all customers. By listening to comments and complaints of your relatives and friends you will see if there is a product or service that they would like to have more of, or perhaps an alternative with a better quality. You could be the one to fill their needs.

Next, identify the different things that most people will spend their money on. It is possible that you could create and sell similar things. You might find a way to vary the design, or add a special feature that will give your product or service a competitive edge. Examine trends in your country and try to figure out which items or services will be needed in the future. With careful planning, you could be the first person to start supplying something new. Examine the products and services that are sold in other countries but which are not being sold in your country. You could be the first to introduce it in your country.

Use your talents and skills to create something unique. Many persons are willing to purchase products that are of excellent quality and that are well designed. This could be unique artwork, craft or fashion design. Of course, there are other sources of good business opportunities. The important thing is to be careful in selecting what is right for you, and for your potential customers. After all, the wise entrepreneur avoids foolish risks. The next important skill is conducting research.

### Research

It is very important to carry out research before making major decisions and risking your time and money. In the previous Study Guide you examined the feasibility study. This will be very useful for the entrepreneur, and will help you prepare for the SBA or Paper 03/2 alternative. You must carry out careful research before you decide which entrepreneurial undertaking is right for you.

You must first identify a few possible business ideas. Consider the suggestions made in the sub-topic above 'Formulating a successful Business Idea'. Is there one that appeals to you? Select one that you will use throughout this Study Guide. Our activities will mostly involve a young student named **Diana**, and we will see how she goes through the process of creating her business plan.

Your research can take different forms. Ensure that you have the approval of your parent or guardian before you approach others, and follow their advice regarding safety especially if you will be communicating with strangers. Examine the examples overleaf.





### Examples of sources of business ideas

1. Ask relatives and friends if they have any suggestions for a successful new business. This might be an area that you are very interested in, or a talent that you possess. Mature, experienced persons can help you decide if your business idea is viable or potentially profitable.
2. Observe businesses already in operation that are similar to the one that you would like to start. Select a similar business type, for example a sole trader or partnership which might be more suitable for a new business that will start on a small scale. It is a good idea to select a business that is profitable. You can then ask questions about what it is that makes the business successful.
3. Read! Your library will have a lot of information on the different types of businesses and successful products. The internet is also an excellent source of information. These would be considered as 'secondary sources' of information.
4. Conduct surveys of the views of your friends and persons who you come in contact with. Keep it simple. Write up a few questions aimed at finding out what the person likes to purchase, how they feel about your chosen product or service, the cost, how often they would purchase it and where would be most convenient. Ask them about the type of promotion they respond to, and what features or qualities they would like to see in your product or service. These questions would become part of your research instrument, called a questionnaire.

You should remember your primary and secondary sources of information for conducting research!

#### (Activity 4.1)

Read the following scenario and answer the questions that follow.

Diana is sixteen years old and would like to earn some extra money to help pay for college when she graduates. She also wants to experience what it is like to establish a business since she plans to be a successful businessperson after college.

One day, Diana overheard her neighbours Sandra and Janice talking about something they ate. This is their conversation:

Sandra: "I cannot believe that I wasted \$100.00 on this slice of potato pudding!"

Janice: "You have to be careful when buying those things. Only a few people know how to bake it the right way. If you can find such a person, they usually charge a high price."

Sandra: "Well, I love potato pudding and I would pay twice this amount for a delicious slice!"

Diana's grandmother had taught her how to bake potato pudding and her family often told her that she could make a lot of money from selling it.

1. Should Diana consider this as a business idea? Why?
2. How should she carry out research that would help her in making her decision?

## PRODUCTION

The Production plan is a good place to start once you have decided on the type of product for your entrepreneurial undertaking. You will use information gathered to outline the type of business, its operations, types of resources and its management and labour. Similar to the other sections of the business plan, this should be as practical as possible. That means that you must carry out careful research. Invest sufficient time and effort in completing each section.

We will continue with the example of the business to be created by Diana. For each of the sub-topics you must use the knowledge that you have gained from different POB topics. Some topics have not yet been covered, and you will examine these in greater detail later on. However, you may use the following study guides to help you if there are any questions about the new topics, such as Marketing which is Study Guide 7.

The table below outlines the different items in the production plan that will be graded by the examiner. Accompanying each item are the marks that will be assigned for the correct answers. Both school and private candidates must practise answering the questions in the mark scheme to successfully complete the SBA and Paper 03/2 respectively.

### ESTABLISHING A BUSINESS: PRODUCTION

CRITERIA	P1	P2	P3	TOTAL
▪ description of the business	02			02
▪ justification of location		04		04
▪ selection of appropriate labour		04		04
▪ sources of fixed and working capital		04		04
▪ role of the entrepreneur	04			04
▪ type of production		02		02
▪ levels of production		02		02
▪ quality control measures		02		02
▪ use of technology	02			02
▪ linkages		02		02
▪ potential for growth	02		02	04
▪ government regulations			02	02
▪ ethical issues			02	02
▪ communication of information in a logical way using correct grammar			04	04
<b>Total</b>	<b>10</b>	<b>20</b>	<b>10</b>	<b>40</b>