TOPIC 1: THE ECONOMY – THE HISTORY OF MONEY

Lesson 1.1 Traditional societies
Modern Societies
Bartering
Disadvantages of bartering

Lesson 1.2 Early forms of money
History of coins and paper money

Lesson 1.3 Promissory notes

Lesson 1.4 Advantages and disadvantages of using the Internet for banking and buying.

Lesson 1.5 Security features on a South African Banknote
The role of money

Lesson 1.6 Consumer Economy

TOPIC 2: NEEDS AND WANTS

Lesson 2.1 An individual’s basic needs
Basic needs of communities and countries

Lesson 2.2 Maslow’s hierarchy of needs
Survival needs
Security needs
Social needs
Self-esteem needs

Lesson 2.3 Group Activity

Lesson 2.4 Limited resources to satisfy needs and wants

Lesson 2.5 The Economic Problem

Lesson 2.6 Needs and wants that are satisfied by water
# TOPIC 3: GOODS AND SERVICES

| Lesson 3.1 | The Primary Sector | 21 |
| Lesson 3.2 | The Secondary Sector | 22 |
| Lesson 3.2 | The Tertiary Sector | 22 |
| Lesson 3.2 | Goods and services | 24 |
| Lesson 3.3 | Goods | 24 |
| Lesson 3.3 | Services | 25 |
| Lesson 3.3 | Producers and consumers | 26 |
| Lesson 3.4 | The role of households as producers and consumers | 27 |
| Lesson 3.5 | Using goods and services efficiently and effectively | 28 |
| Lesson 3.5 | How to recycle and reuse goods to satisfy needs and wants | 30 |
| Lesson 3.6 | Purchase recycled goods | 30 |

# TOPIC 4: ENTREPRENEURSHIP – BUSINESSES

| Lesson 4.1 | Developing and Developed Countries | 31 |
| Lesson 4.2 | Formal and Informal Businesses | 31 |
| Lesson 4.2 | Types of business that are both formal and informal | 33 |
| Lesson 4.3 | Advantages and disadvantages of informal and formal businesses | 35 |
| Lesson 4.4 | The role of formal and informal businesses as producers and consumers | 36 |
| Lesson 4.5 | The effects of natural disasters and health epidemics on formal and informal businesses | 37 |

# ASSESSMENT: TERM 1 (100%)

| Task 1: Assignment | 40% |
| Task 2: Test on Term 1 content | 60% |
In this topic we will learn more about the history of money, from traditional societies, who used bartering, to the use of promissory notes and coins and to paper money. We will also learn about modern systems of banking, such as electronic banking and the role of money in society.

http://www.youtube.com/watch?v=ADaY6THQp3Y

Lesson 1.1

**Traditional societies**

- Over 100 000 years ago, people provided for their own needs.
- They were **self-sufficient** and lived on whatever was provided by nature.
- There was no trade and no money.
- Examples of people who lived self-sufficient lives were the **hunter-gatherers in South Africa**, the 'Twa' in Zaire, the **Inuit in Alaska** and the **Aborigines in Australia**.
- They lived on meat from the wild animals and the food from plants.
- This is called **hunting and gathering**.
- They used everything they produced.
- People had to produce all the goods and services they needed.
- They had a limited range of goods and services available.
- The community used basic methods to hunt and harvest foods.
- They lacked technology, so most of their activities revolved around people producing all the things that they needed, to survive.
- This is called a **subsistence economy**.
Modern Societies

- Most modern societies use coins, notes and debit or credit cards to pay for goods or services.
- They also use electronic banking, such as Internet banking.
- A modern society is an Industrialised society that uses technology to produce goods for trade.
- People have specialised skills and have to rely on other people to produce goods and provide services that they cannot make or provide.

Bartering

While hunting and gathering means that people provided for their own needs, hunters were gradually able to tame and keep their animals. This led to herding. Herders moved from place to place to find food and water, animals and themselves. They kept cattle and goats and would rather live off the goats’ milk than kill them.

Animals were only killed when there was not enough wild meat to eat. Herders moved in larger groups from place to place. As groups met each other, they exchanged goods.

As societies developed and started to travel, people started to specialise in the production of specific goods and foods. They realised that people in other areas had items they needed or wanted.

A system of trade developed, whereby personal possessions of value could be exchanged for other goods. This kind of exchange dates back to 9000-6000 BC and is called bartering, and is still in use today. The first people didn’t buy goods from other people with money. They bartered with each other.
Activity 1.1.1

What do you think the advantages and disadvantages of bartering are?

<table>
<thead>
<tr>
<th>ADVANTAGES</th>
<th>DISADVANTAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1.</td>
</tr>
<tr>
<td>2.</td>
<td>2.</td>
</tr>
<tr>
<td>3.</td>
<td>3.</td>
</tr>
<tr>
<td>4.</td>
<td>4.</td>
</tr>
<tr>
<td>5.</td>
<td>5.</td>
</tr>
</tbody>
</table>

Disadvantages of bartering
1. It was not always practical.
2. It was difficult to find what you wanted or needed.
3. Goods were difficult to carry or to transport.
4. There is no common measure of value.
5. Certain goods can’t be divided into smaller units.
6. No late payments can be allowed.
7. Storing goods is difficult.
8. It was difficult to work out the real value of the items because people attached different values to different items.
Early forms of money

The first evidence of a type of money was **cowry shells**. They were used in 1200 BC in China. In 1000 BC, China produced imitation cowry shells - this can be thought of as the original development of coins.

In about 500 BC, pieces of silver were the earliest coins. These coins were first used in Lydia (Turkey). In 118 BC, leather banknotes were used in China.

History of coins and paper money

- **9000 BCE**
  - Barter with livestock and crops.

- **1200 BCE**
  - Cowry shells used as money in China.
  - Most widely and longest used currency in history.

- **1000 BCE**
  - “Money” made from metals, such as copper. They often had holes in the centre, so they could be strung together, for safe-keeping.
700 BCE
Coins made from precious metals such as silver, bronze and gold. Coins were valued according to size and weight. Later, coins were stamped with its value, so there was no need to weigh them.

800 CE
Paper currency appeared in China.

1950 CE
Credit cards were issued, and used in the USA.

Today
Internet banking, ATMs used.

Lesson 1.3

Promissory notes

This means a written and signed promise to pay a sum of money.

**Payer:** Somebody who pays somebody.

**Payee:** Somebody to whom money is paid or owed to.
A promissory note must include:

- The term “Promissory Note”.
- The amount that the note is worth.
- Interest that will be added.
- When the payment has to be made.
- The place where payment is to be made.
- Name of the Payee.
- Payer’s signature.
- Terms of repayment.
- Date until when the promissory note is valid.

Visit: www.promissory-note.org to download examples of promissory notes.
Activity 1.3.1

1. What is the difference between a payer and a payee?
2. What is the difference between a promissory note and simply writing down the amount you owe someone on a piece of paper?
4. Look at a banknote and write down all the things it has that could make it a promissory note and all the things it lacks as a promissory note.
5. What would you need to include in a promissory note?

Homework Task
Draw your own promissory note, in your exercise book.
You may decorate it as you like, but make sure that it looks like an official document and includes all the relevant information.

Lesson 1.4

Advantages and disadvantages of using the Internet for banking and buying

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available 24 hours a day.</td>
<td>More information needed by online store before purchasing a product.</td>
</tr>
<tr>
<td>Consumers and producers need not be in the same place.</td>
<td>Personal information not always safe. Credit card fraud.</td>
</tr>
<tr>
<td>More choice in products and services.</td>
<td>Cannot check the quality before you buy.</td>
</tr>
<tr>
<td>Saves on travelling and time.</td>
<td>No personalised customer service.</td>
</tr>
<tr>
<td>Faster communication and access to information.</td>
<td>Difficult to return faulty goods.</td>
</tr>
</tbody>
</table>
Activity 1.4.1

1. Find 5 things that you could also do at a bank branch or a shop.
2. Why do you think some people prefer Internet banking?
3. Do you think that Internet banking is safe? Give a reason for your answer.

Lesson 1.5

Security features on a South African Banknote

- Watermark within the paper
- Security thread running through the paper.
- High quality paper
- Print quality

When people started trading goods for money, they gathered in certain areas to make it easier for buyers and sellers to meet. This is called Urbanisation.

The role of money

- It is a medium of exchange – use it to buy goods and services.
- Unit of account – standard measure of how much goods and services are worth.
- Store of value – it holds its value over time.
Activity 1.5.1

1. Google some images of South African bank notes.
2. Identify all the security features of the notes.

Lesson 1.6

Consumer Economy

- An economy where businesses encourage consumers to spend as much money as possible on their goods or services is called a Consumer Economy.
- Consumer spending puts a lot of pressure on the environment.
- Businesses use raw materials to produce goods.
- Sometimes these raw materials run out.
- We need to concentrate on sustainable resources that can be "re-generated" again.
- You can learn more about sustainability on the following website: www.sustainabilitysa.org

Money is anything that is used as a medium of exchange. (Anything that is used to enable trade to take place) Money has four important characteristics that make it a sustainable medium of exchange:

- It is scarce
- It is durable
- It is portable
- It can be divided into smaller units

Is it possible that in the future, coins and banknotes will become as out of date as cowry shells?

Activity 1.6.1

1. Write a paragraph, explaining the difference between modern and traditional societies.
Activity 1.6.2

Use Google as a source of reference to answer the following questions:

1. Name the countries that have adopted the euro.
2. Discuss the following:
   - Problems of implementation
   - The advantages and disadvantages of the euro
   - The exchange rate with South Africa
3. Explain the saying: “Money makes the world go round”.

TOPIC 2
NEEDS AND WANTS

Lesson 2.1

An individual’s basic needs
- Air to breathe
- Water to drink and wash with
- Food to eat
- Shelter to live and be protected
- Fuel for warmth and cooking
- Clothes

Basic needs of communities and countries
- Health services – clinics, hospitals
- Transport services – roads, buses, trains
- Communication services – postal services, telephones, internet
- Education services – schools, universities
- Waste disposal services – sewage systems, garbage removal,
- Safety and security – police, army, fire-fighters
Activity 2.1.1

1) Design a mind map.
   - Draw and label the members of your family at home.
   - Use the following headings to write how each basic need is satisfied in your family’s life.

```
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>air</td>
<td>Picture of yourself and your family</td>
</tr>
<tr>
<td>food</td>
<td></td>
</tr>
<tr>
<td>fuel</td>
<td></td>
</tr>
<tr>
<td>shelter</td>
<td></td>
</tr>
<tr>
<td>water</td>
<td></td>
</tr>
<tr>
<td>clothing</td>
<td></td>
</tr>
</tbody>
</table>
```

2) Imagine that you have no money, and you have to leave home and live by yourself. Make a list of the ten most important things that you would take with you and explain why.

Lesson 2.2

**MASLOW’S HIERARCHY OF NEEDS**

Abraham Maslow arranged the different levels of human needs in a pyramid. The base of the pyramid is formed by the most vital needs such as the need for food, water and shelter. As human needs in the first level are fulfilled, the next level of needs arise.
It is possible to classify people’s needs and wants into four groups.

**SURVIVAL NEEDS**
- Survival needs are all the physical needs that we have.
- The need for oxygen to breathe.
- The need for food to eat.
- The need for water to drink.
- The need to sleep.
- The need to be protected from the weather (the cold and the heat).

**SECURITY NEEDS**
- People also need to feel safe and secure.
- The need to feel that others will not hurt us.
- The need to feel that our belongings will not be taken or broken.
- The need for structure, rules, law and order.
- The need to know that we live and work in a safe environment.

**SOCIAL NEEDS**
- People like to have friends and be a part of a group.
- The need to have friends.
- The need to be a part of a team or group.
- The need to feel that we belong somewhere.
- The need to give and receive love.

**SELF-ESTEEM NEEDS**
- Our self-esteem is the way we feel about ourselves.
- The need to achieve success.
- The need to be good at something.
- The need to feel that what we do is important and valuable.
- The need to be recognized and feel that others respect us.
Needs and wants affect communities in the following ways:

- They determine what kind of products and services are sold in the community.
- Can affect how communities work – use of illegal drugs will lead to gang activity, crime and violence.
- Poor communities will not be able to spend money at their local shops and businesses.
- Wealthy communities will spend money at local shops, so their communities will become prosperous.
- The needs of a country are met by the National government.

**Activity 2.2.1**

Copy and complete the following table

<table>
<thead>
<tr>
<th>Basic needs of a community</th>
<th>How the basic needs are met in my community</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Health services</td>
<td></td>
</tr>
<tr>
<td>2. Communication services</td>
<td></td>
</tr>
<tr>
<td>3. Transport services</td>
<td></td>
</tr>
<tr>
<td>4. Educational services</td>
<td></td>
</tr>
<tr>
<td>5. Waste disposal systems</td>
<td></td>
</tr>
<tr>
<td>6. Safety and security services</td>
<td></td>
</tr>
</tbody>
</table>

**Lesson 2.3**

**Activity 2.3.1**

**Group Work**

Imagine that you have been shipwrecked on an Island.

You have nothing with you, except the clothes that you are wearing, a copy of a map and a wet matchbox with 5 matches in it.

While exploring the island to find out what resources are available, you discover that:

- There are fruits and berries in the forest
- There are fish in the sea that you can eat, but you need to find a way to catch them (beware of the sharks)
Goats run wild in the mountains and there are snakes in the desert.
It is hot in the daytime and cold at night.
You can only drink the river water if you boil it first.
There is very little chance of being rescued, so you will have to live on the island for the rest of your life.

Imagine that you are the only survivor of the shipwreck.
Think of the things that you will have to do each day of the first week.
Write down your survival plan - think of the following:

- What are the first things that you will do on the island?
- Which need will you satisfy by doing this?
- What resources are on the island?
- Which need will you be satisfying by doing this?
- Can any of the resources be used for other purposes? If so, what?

My survival plan – an example:

Day 1:
- I will look for food in the forest.
- I will pick berries to eat.
- This will also help with my need for water because the berries have juice.
Limited resources to satisfy needs and wants

Resources:
- Are things we use to help us do something.
- They satisfy our needs and wants.
- Resources are things we use to produce goods and services.
- There are:
  - Natural resources – gold and diamonds satisfy our need/wants for beautiful jewellery.
  - Human resources - we need a builder to build our house, a farmer to grow our food, a plumber to fix our taps.
  - Human-made resources - clothes, tools machines, motor vehicles and money.

Limited resources:
- Our wants are unlimited, but we have limited resources to satisfy our wants.
- Resources such as water, people, land, crops, metals, buildings, machines, electricity, transport, animals and tools are often limited.
- A limited resource is something that there is not a lot of, such as oil or coal, because this may not last forever.
- We need to use these resources carefully and it should be re-used in different ways, e.g. recycling.
- The most common limited resource is MONEY.

Non-renewable resources:
- They can run out, and can’t be replaced.

Renewable resources:
- These will not run out and can be replaced.

Free goods:
- Free goods are those goods that are not scarce because they occur in abundant quantities - their supply is not limited.
• This high supply usually results in free goods having a market price of zero.
• Goods may be considered free goods in some situations, but not in others.
• For example, fresh air is free because it is not scarce and because we do not have to pay for every breath of air that we consume.
• However, at the bottom of a mineshaft, the supply of air is limited and large amounts of money are spent to provide fresh air to miners.
• In this example, fresh air is free on the ground, but isn't free when its supply is scarce in a mineshaft.

**Economic goods:**
• Goods that are not free goods are called economic goods.
• An economic good is an item that is scarce because their supply is limited and consequently they have a market price.
• Any goods which consumers pay for are economic goods.
• It is important to realize that the price consumers pay for goods is influenced by how scarce they are and not by how useful they are.
• Consider fresh air, which is essential for life and so very useful to consumers. Even though fresh air is so useful, we do not usually have to pay for it because its supply is unlimited; on the other hand, diamonds, even though they have limited uses, are very expensive because they are so scarce.

---

**Activity 2.4.1**

1. List five limited resources.
2. List four ways in which each of these limited resources is used. Uses of limited resources are:
3. Write a paragraph about how we can use each of these limited resources so that they don’t run out.

4. List 5 examples of renewable resources.

5. Can we use any of these renewable resources instead of the limited resources? Explain your answer. Yes/No we…

6. What natural and human-made resources are there in your community? Draw a table with 2 columns labelled natural and human-made.

7. Which resources in your community are most limited?

   Limited resources in my community are:

---

Lesson 2.5

**The Economic Problem**

The economic problem which we all face is that we have unlimited needs and wants, but have limited resources to satisfy them. (South Africa’s most limited resource is water.)

This problem of scarcity is known as the economic problem. Because it is impossible to meet all our needs and wants, we have to choose which ones we will be able to satisfy. **Economics** is the study of how people decide about which needs to satisfy and how to satisfy these needs.

In economics, a country’s natural resources of labour, capital, land and entrepreneurship are called **Factors of Production**. Countries need to think about their resources and decide:

- What to produce?
- How much to produce?
- Who gets to consume the products that are produced?

There are two kinds of efficiency when it comes to resource use:

- **Technical efficiency** – Country must use all resources to the full, in a way that gets the most production out of them.
- **Allocative efficiency** – Country must produce more of the goods and services that are in highest demand.

**Activity 2.5.1**

South Africa’s most limited resource is water. Our country is one of the driest countries on Earth. It has an average rainfall of about half of the world’s average. In SA we have very little ground water because of the hard rocks and the combined flow of all our rivers is less than half of that of the Zambezi River.

1. What needs and wants are satisfied by water?
2. What can you do to protect this limited resource and make sure that it is used wisely?

**Lesson 2.6**

**Needs and wants that are satisfied by water**

Needs for water are:
- Habitat for animals
- People need water to drink
- To grow plants – vegetables, crops, fruit, flowers
- Water is one of the resources needed to make electricity

**Activity 2.6.1**

What can you do to protect water as a limited resource and make sure that it is used wisely? Design a poster to show how you would use water efficiently.

---

**Play your part, be water smart!**

**Wise Water Use**

- Water your yard and outdoor plants early or late in the day to reduce evaporation.
- Take shorter showers – five minutes is best.
- Save plants that respond to water.
- Pull spigots on sink faucets.
- Install new toilets that use less than 1.5 gallons per flush.
- Use a shut-off nozzle on your hose.
- Turn off the water while washing hands and brushing teeth.
- Use low flow showerhead.
- More around plants to hold water in the soil.

**Save it, or do without it!”**
Lesson 3.1

What is the difference between:

• a shop that sells clothes and a guest house that sells accommodation?
• buying a cell phone and paying someone to fix it for you if it breaks?
• buying groceries and paying for a visit to the doctor?

Who buys and sells these different things? In this topic, you will learn about goods and services, producers and consumers, and how to use goods and services without being wasteful. To understand goods and services, you need to know that they come from different sectors of business. There are three business sectors:

The Primary Sector

Businesses in the primary sector are mostly in the rural areas. These businesses make up the first layer of the economy. People use natural resources directly in this sector. They produce raw materials which will be used either as they are or sent to the secondary sector to produce goods. Some activities in the primary sector are:

• farming
• fishing
• forestry
• mining
• hunting and gathering

Primary-sector businesses such as farming and mining are most important to a country. They produce things / items that you can see and touch.
The Secondary Sector

Businesses in the secondary sector are normally located just outside the towns. This is the second layer of the economy. People use raw materials from the primary sector to process or manufacture things that people can use. These are industries like:

- factories
- ship building yards
- aeroplane construction plants
- a car factory
- anything to do with building, engineering and working with metals.

The Tertiary Sector

Businesses in the tertiary sector are usually located inside the towns. This is the third layer of the economy. People offer goods produced in the secondary sector, or services, to the general public in this sector. Some of the goods and services are:

- schools for education services
- hospitals for healthcare services
- banks for money management services
- law firms and courts for legal services

The difference between goods and services is that goods are items that you can see and touch, while services are what people do to help you and cannot be seen or touched.

- Primary-sector businesses use natural resources directly.
- Secondary-sector businesses use raw materials to manufacture goods.
- Tertiary-sector businesses provide services.

In poorer countries, most of the money comes from the primary sector. This is because more people work close to the land for fishing, farming or mining.

In richer countries, most of the money comes from the tertiary sector. This is because most people and businesses provide goods and services to others.
The tertiary sector needs products from the primary sector. This is because the tertiary sector uses what the secondary sector manufactures. So, if one sector breaks down, the other sectors cannot work properly.

Example: Let’s look at how the desk where you are sitting now is made, and how it passes through each sector.

1. Can you explain the difference between the primary, secondary and tertiary sector?
2. Draw a flow diagram to explain your answer, using your own example.
3. Look at the list of typical South African businesses below.
4. Copy the following table: Allocate the contents of the given list below to the most appropriate sector.
### Lesson 3.2

**Goods and services**

- Businesses study people’s needs and wants and then produce goods and services to satisfy them.

- **Goods** are things that we can see, feel and touch, e.g. a pen, a chair, etc.

- **Services** are provided to fulfil a need, e.g. the supply of electricity to fulfil the need for light and power.

**Goods**

**Consumer goods:**

- Consumer goods are products that are directly involved in satisfying consumers’ needs and wants.

- Some goods will last for a long time, e.g. furniture. We call these goods **durable goods**.

- Other goods will not last for a long time and are usually consumed quickly, e.g. bread, sweets, milk, etc. These goods are called **non-durable goods**.
Capital goods:
Capital goods are those goods that are used to produce other goods and services such as machinery and delivery vehicles.

Semi-finished goods:
Semi-finished goods are those goods that are used to manufacture other goods, e.g. steel used to produce metal products like coke cans, etc.

**Services**

Personal services:
Services that are aimed at the final consumer and are often carried out by professionals. Doctors, for instance, provide medical services.

Commercial services:
Activities involved in getting goods and services to the consumer, such as banks that offer banking services. It also involves moving people, goods or information from one place to another.

### Activity 3.2.1

Copy and complete the following table based on goods and services. Can you identify and list the goods and services you can see around our school.

<table>
<thead>
<tr>
<th>Goods</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>• food and drinks for the tuck shop</td>
<td>• teaching and administration</td>
</tr>
<tr>
<td>• furniture such as desks and chairs</td>
<td>• sports coaching (smart sport)</td>
</tr>
<tr>
<td></td>
<td>• food sales at the tuck shop</td>
</tr>
</tbody>
</table>

**REMINDER**

BRING A MAGAZINE OR PICTURES OF DIFFERENT GOODS AND SERVICES FOR LESSON 3.3
Producers and consumers

The role of households as producers and consumers

- A household is a group of people who purchase and use goods and services and who live in a residence.
- A household is a place where one or more people live, eat, sleep and raise children.
- A household can be a flat, a farm or an informal dwelling.
- One person’s spending becomes another person’s income.
- If your parents buy food from Pick ‘n Pay, they are spending money and for Pick ‘n Pay it is an income.
- Households therefore buy and consume goods and services.
- They also produce goods and services by selling their labour in exchange for an income.
- If consumers are not willing to spend their money, businesses will have less income.
- The government depends on businesses and individuals to pay tax.
- The tax is used to build roads, create more jobs and supply education and health services.
- Households provide labour, land, capital or management skills and they pay businesses for goods and services.
- Businesses in turn pay salaries or wages, rent, interest or profits and provide goods and services.
- Households are therefore both producers and consumers.
Activity 3.3.1

1. Using magazines, find three types of goods and services you use. Paste them into your workbook and write down the names of the goods and services.
2. Briefly describe what a producer is.
3. Briefly describe what a consumer is.
4. Explain how consumers and producers depend on one another.
5. What do households provide or supply?
6. What does the government use the tax that it receives from consumers and producers for?

Lesson 3.4

Using goods and services efficiently and effectively

- Goods that households consume are mostly consumer goods.
- Consumer goods are goods that businesses manufacture for the mass market.
- They are the goods that most people want and can afford.
- These people will use them as soon as they buy them, e.g. clothing, electronics and cars.
- It seems that consumers are not using their goods and services efficiently and effectively as there is a lot of wastage of goods.
- A healthy environment has a balance between consumption of natural resources and production.
- A perfect balance is replacing natural resources as they are used, like planting trees to replace those that are being cut off, in the use for paper or furniture.
- Everybody should focus on creating more goods and services and using fewer natural resources.
- We should also create jobs that produce goods or provide services that benefit the environment and conserve our natural resources.
- The production process should be more environmentally friendly.
Activity 3.4.1

In groups, discuss the following in preparation for a report back to the class. Create a mind map of your ideas.

1. What can we, as consumers, do to ensure that we use our goods and services efficiently and effectively?
2. What items do you think consumers waste the most of?
3. How can we stop wastages occurring at home or at school?

REMINDER
Bring in plastic bottles, cans, plastic bags, etc. for Lesson 3.5

Lesson 3.5

How to recycle and reuse goods to satisfy needs and wants

- Recycling involves collecting materials such as waste paper, plastic, glass and metal cans.
- Waste products make our water, air and land unhealthy and cause pollution.
- Different businesses collect our rubbish to recycle some of its contents.
You can recycle in the following ways:

**Place waste in recycling containers**
Use different bins or bags for recyclable materials, like a bag for paper only and bins for glass and cans. Otherwise, waste is sent to landfill sites where it is thrown into a large hole and will eventually be covered up with soil.

**Re-use waste**
Re-use waste materials for other purposes, e.g. vegetable peels can be turned into fertiliser.

**Process the recyclable materials**
Clean recyclable materials and sort them into groups so that they can be sold to manufactures that will then turn them into new or other products.

**Manufacture other products from recyclable materials**
Many products are and can be made out of old waste. Some entrepreneurs use old metal bottle caps to create jewellery and handbags.
**Activity 3.5.1**

**Project: Best of waste**

Create a new product from waste. You can use any waste material.

Example:

- a piggy bank made from a cold drink bottle
- bracelets and jewellery
- toys – a robot, a computer
- Write down the steps in making your product.
- Explain the purpose of the product.
- Explain how you or other people can benefit from the product.
- How can you make money out of it?

You must be able to sell the product/s that you create at the Grade 7 Entrepreneurship event at school this year, so give it some careful thought.

**REMEMBER**

Find articles in newspapers or magazines that are linked to pollution and how businesses have supported the community in jobs, projects, etc. for Lesson 3.6.

**Lesson 3.6**

**Purchase recycled goods**

All consumers should try to assist the recycling process by purchasing recycled goods instead of goods that are not recycled.

**Activity 3.6.1**

1. Explain how consumers can reduce or reuse waste.
2. Make a list of the responsibilities consumers have to help solve the problem of a polluted environment.
3. Find articles in newspapers or magazines where businesses:
   a. Have provided jobs for the community
   b. Have assisted the community in other ways
   c. Have damaged the environment
4. Explain the following statement:
   “Businesses are important to communities because they provide employment, but they can damage the environment by creating air, noise and visual pollution.”
   Based on the articles that you have read and discussions in class, would you say that the influence of businesses in the community is mostly positive or negative?

**TOPIC 4
ENTREPRENEURSHIP: BUSINESSES**

**Lesson 4.1**

**Developing and Developed Countries**

**In a Developing Country:**
- There is very little industrialisation.
- People have a low standard of living.
- The average income per person is low.
- A large percentage (about 70%) of the people work for themselves in small business.

Most African countries are examples of developing countries. Developing countries are known as “Third World countries”.

**In a Developed country:**
- There is advanced industrialisation and technology.
- People have a high standard of living.
- The average income per person is high.
- A large percentage of the people work in big businesses that contribute to the country’s economy.

**Formal and Informal Businesses**

A **formal business** has followed the necessary procedures and policies that apply to their businesses. A formal business can take on various forms of ownership. Formal businesses have been registered legally and are also registered with the South African Revenue Services (SARS) for tax purposes and will be licenced in terms of local municipal laws.
An informal business is one that usually does not have a fixed or officially recognised business site or premises. It is not officially registered and usually does not keep official records. An informal business is easy to start up as it is not registered or recorded for tax purposes. This includes all economic activity that is not known to the government and local authorities.

There are three main reasons why people trade in the informal sector:

- They cannot find employment in the formal sector.
- They take part in illegal activities that they should not be involved in.
- They do not want to pay tax.

<table>
<thead>
<tr>
<th>The formal sector</th>
<th>The informal sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Follow formal procedures and policies</td>
<td>Do not follow any formal procedures to set up</td>
</tr>
<tr>
<td>Are large or small in size</td>
<td>Are usually small in size and are often involved in small scale business activities</td>
</tr>
<tr>
<td>Usually employ a number of paid employees who are registered tax payers</td>
<td>Usually do not employ people and, if they do, they only employ a few paid employees</td>
</tr>
<tr>
<td>Many employees will have a high level of skills and training and some may be unskilled workers</td>
<td>Employees would usually have less sophisticated levels of skills and training</td>
</tr>
<tr>
<td>Have a permanent and recognised physical business address</td>
<td>Do not have officially recognised business premises</td>
</tr>
<tr>
<td>Keep official records and will find it difficult to avoid paying tax</td>
<td>Do not keep official records and find it easy to avoid paying tax</td>
</tr>
<tr>
<td>Often use sophisticated marketing methods</td>
<td>Use unsophisticated marketing methods</td>
</tr>
<tr>
<td>May use local or international resources like finance or capital</td>
<td>Have no or very little access to local or international resources, for example, finance or capital</td>
</tr>
<tr>
<td>May use advanced technology in their production process</td>
<td>May use advanced technology in their production process</td>
</tr>
<tr>
<td>Are usually certain about their expected income, although less often in the case of small businesses</td>
<td>Face an uncertain expected income</td>
</tr>
</tbody>
</table>

Activity 4.1.1

Create a table with the following headings. Complete the table, using the list provided.
Self-employed artisans, home brewers, shoemakers, dressmakers, tailors, hawkers, flea-market traders, shebeen staff, taxi operators, loan sharks, traditional healers, backyard mechanics, sellers of brand clothing and bags, pirate DVD’s, thieves, prostitutes, Kwik-fit centre, Vodacom or MTN cell phone shop, fast food caravan near building site, jewellery shop, catering company that caters for weddings, art gallery, ENGEN garage, Shoprite, Pick ‘n Pay, Total Sports.

Lesson 4.2

Types of business that are both formal and informal

Businesses can be divided into three types: trading, manufacturing and service businesses

1. Trading Business

- Trading businesses are also called retailers.
- They sell products that are made by other businesses or people, directly to the consumer.
- Retailers or trading businesses buy goods at a certain price from their suppliers and sell these goods at a higher price to their customers for a profit.
- Formal trading businesses usually sell from shop premises, while informal trading business could sell from market stalls or even trade from home.
- Examples: CNA, Fruit & Veg City, Toys-R-Us, furniture stores, spaza shops, etc.

2. Manufacturing Business

- Manufacturing businesses make products that people or other businesses need or want.
- They turn raw materials or semi-finished products into finished products e.g. food, clothes, tools, cars machinery and furniture.
- Formal manufacturing businesses usually operate from well-equipped factories, while informal manufacturers could operate from home.
- Manufacturers could sell to other businesses or directly to the public.
- They tend to sell in large quantities to retail or trading businesses who in turn sell to customers.
3. **Services Business**

- Service businesses sell their skills and time to other businesses or people.
- They provide a service and charge a fee for their services.
- Formal service businesses often operate from business premises, but can also operate from home.
- Informal service businesses often operate from home or from a temporary structure on pavements or at market places.
- Hairdressers, beauty consultants, doctors, motor mechanics, plumbers, electricians and cleaning and garden services are some examples of personal service businesses.
- Transport services such as airlines (SAA), taxis (Sentaco), trains (Metrorail), and buses (Putco Bus Services) are also service businesses.
- Banks such as ABSA, architects such as AVNA, accountants such as Price Waterhouse Coopers, lawyers such as Legal Wise, estate agents such as Pam Golding and travel agents such as Thompsons Travel also form part of services businesses.

**Activity 4.2.1**

1. List the names of three formal and informal businesses in your community.
2. Identify and list three services businesses, three retail businesses and three manufacturing businesses in your area.
3. Explain how each of the businesses listed in question 2, meets the needs of the community.
4. Paste a copy of the table into your workbooks.
5. Classify each business by placing a tick in the appropriate column.
6. In the ‘Type of business’ column, indicate what goods or services you think the businesses provide.

<table>
<thead>
<tr>
<th>Business Activity</th>
<th>Types of business</th>
<th>Trading Business</th>
<th>Manufacturing Business</th>
<th>Service Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicken Farm</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail store</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dentist</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxi operator</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Lesson 4.3**

**Advantages and disadvantages of informal and formal businesses**

### INFORMAL BUSINESSES

<table>
<thead>
<tr>
<th><strong>Advantages</strong></th>
<th><strong>Disadvantages</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner pays little or no tax</td>
<td>Owner does not contribute to the cost of running the country by paying tax</td>
</tr>
<tr>
<td>Business provides jobs</td>
<td>Businesses are unregulated, which makes them potentially dangerous and illegal</td>
</tr>
<tr>
<td>Businesses alleviates poverty</td>
<td></td>
</tr>
<tr>
<td>Easy to set up because they are small</td>
<td></td>
</tr>
<tr>
<td>Cheap to run</td>
<td></td>
</tr>
<tr>
<td>Contribute to the economy</td>
<td></td>
</tr>
<tr>
<td>Owner learns business skills</td>
<td></td>
</tr>
</tbody>
</table>

### FORMAL BUSINESSES

<table>
<thead>
<tr>
<th><strong>Advantages</strong></th>
<th><strong>Disadvantages</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to big markets</td>
<td>Expensive to set up</td>
</tr>
<tr>
<td>Access to credit</td>
<td>Expensive to run</td>
</tr>
<tr>
<td>Access to legal support</td>
<td>Have to pay tax</td>
</tr>
<tr>
<td>Create jobs</td>
<td>Complying with government regulations</td>
</tr>
<tr>
<td>Contribute to the economy</td>
<td>Is expensive and a lot of work</td>
</tr>
<tr>
<td>Taxes help to run the country</td>
<td>Owners need to skilled and trained</td>
</tr>
<tr>
<td>Regulations mean that your customers</td>
<td></td>
</tr>
<tr>
<td>trust your products and services</td>
<td></td>
</tr>
</tbody>
</table>

**Activity 4.3.1**

Julian loves working in gardens and wants to study landscaping after school. To make some extra money, he has started a small garden service, as an informal business. He services three gardens per week, on weekdays, two gardens on Saturdays and one garden on a Sunday. His father helped him to build a trailer for his bicycle. He carries his gardening tools in the trailer.

1. List two advantages of informal businesses that apply to Julian’s business.
2. Name four other advantages of informal businesses.
3. Explain the disadvantages of Julian’s informal business.
Lesson 4.4

The role of formal and informal businesses as producers and consumers

- Both formal and informal businesses contribute to the economy of South Africa by providing goods and services to consumers.
- Informal businesses sell to people in their area, while formal businesses may sell to a wider community.
- Although formal businesses do not provide jobs for the whole working population, they do create job opportunities for job seekers.
- When people are employed, they have a steady source of income, which they can use to live on and also for investing.
- Formal businesses help to develop and support resources in communities.
- Even though people in informal businesses do not pay tax to the government, they still contribute to the economy because they are self-employed and they are able to support themselves.
- They, in fact, lesson poverty and unemployment.
- It is estimated that informal businesses contribute to approximately 12% of the Gross Domestic Product (GDP)

Activity 4.4.1

1. Consider two formal businesses such as Pick n Pay and Cell C, and say how each of these businesses contribute to the economy.
2. Read the article below and answer the questions that follow.

Activity 4.4.2

Spaza Shops

Spaza shops, also called tuck shops, are small, informal retail outlets, often operating from shipping containers and homes. They sell mainly soft drinks, cigarettes, paraffin, candles, maize meal, bread, tin food and alcohol.
There are estimated to be 100 000 spaza shops in South Africa, with a collective turnover of R7 billion per annum. It is estimated that each spaza shop employs 2 or 3 people, who, in turn, support 4 family members, on average.

1. What kind of business sector do spaza shops fall into?
2. List three products that are sold by spaza shops.
3. Explain two ways in which spaza shops contribute to the economy.
4. Explain two challenges that spaza shop owners face.

Lesson 4.5

The effects of natural disasters and health epidemics on formal and informal businesses

Natural disasters are natural events, as opposed to the man-made events, that damage the environment or buildings and kill people and animals. Examples of natural disasters are storms, floods, hurricanes, tsunamis, volcanoes, earthquakes, fires, landslides and droughts.

A health epidemic is when a disease such as swine flu or HIV/Aids affects a population and is widespread. Whether a disaster is natural or man-made it can affect both the informal and formal business sector in many ways. Health epidemics will also impact on the informal and formal business sector. Some examples of the effects are:

- If a person working in the informal or formal business comes into contact with a sick customer or fellow worker, he or she may also become infected.
- Businesses may have to spend more on training programmes to train replacement staff.
- The supply of goods and services may slow down when workers get ill and do not report for work.
- Natural disasters may destroy infrastructure such as roads, hospitals, schools and factories.
- The economic cost of a natural disaster can run into billions of rands.
- The economy will slow down because there will be less spending.
- Insurance companies lose billions of rands with all the insurance claims that they have to pay out.
- If people who support their families and households financially lose their lives in a natural disaster or from disease, the remaining relatives could be left poorer off.
Activity 4.5.1

1. List examples of natural disasters and health epidemics.
2. Discuss the effect of natural disasters and health epidemics on formal and informal businesses.
3. What could the government do to help business people affected by natural disasters?
4. What could other businesses do to help?