

INFORMAL BUSINESSES AND INDIGENOUS BOOKKEEPING

WORKSHEET 1



INFORMAL BUSINESSES

An informal business is a business that:-

- is not registered with any authority,
- does not have a licence,
- is not registered as a VAT vendor and
- does not usually have a proper set of books or even a fixed place of business

REASONS FOR STARTING AN INFORMAL BUSINESS

There could be a number of reasons for starting an informal business, such as:-

- Inability to get a job
- Need for flexible working hours e.g. for mothers with small children etc.
- An attempt to get money to start a formal business.

TYPES OF INFORMAL BUSINESSES

There are many types of informal businesses. A few examples of these can be:

- street vendors (selling vegetables etc),
- people selling at Flea-markets
- people working from home e.g.
 - ❖ selling cosmetics via the internet or in person,
 - ❖ baking cakes
- taxi drivers and many others.



INDIGENOUS BOOKKEEPING

As Informal traders mostly deal in cash they do not usually keep formal records of the transactions that they carry out. They can normally tell if they are doing well by the fact that they have more money left at the end of the month. They are, however, normally unable to say how much profit they are making. This could be a problem in the future if they should need to apply to the bank for a loan as they will be unable to supply the bank with accurate financial information.

INFORMAL RECORDS OF TRANSACTIONS

WORKSHEET 2

As most informal traders deal with cash, it is not necessary to have a very complicated system of recording transactions.



The following is an example of the type of record that would be needed for the month of February 2011.

Date	Received Money	R	c	Date	Paid Money	R	c
5/2	Products sold	120	00	3/02	Bought stock for sale	75	00
12/2	Products sold	50	20	7/02	Paid taxi fare to market	12	00
20/2	Products sold	170	45	15/02	Bought vegetables to sell	25	50
				20/02	Bought plastic bags	18	00
		340	65			130	50

If he started with R40 and he received R340,65 and paid out R135,50, we can then see that he should have R245,15 left in his pocket. $(R40 + R340,95 - 130,50)$

ACTIVITY 1

Sipho Ndala has a stall which he operates outside the local taxi rank. He sells fruit and vegetables, sweets, biscuits and cigarettes. Although Sipho is considered to be an informal trader, he likes to keep a record of all the money that comes in and that he has to pay out. He is, however, worried that at the end of the week the money that he ends up with, is not as much as he thinks it should be. He gives you his notebook with all his records and asks you to calculate how much money he should have at the end of the week.

Date	Details	Amount
Sept 1	Fruit & vegetables bought	R450
1	Taxi fare to the markets	R20
2	Money received	R300
2	Gave money to his wife	R150
3	Money received	R250
4	Sweets, biscuits and cigarettes bought	R220
4	Taxi fare to the wholesalers	R15
4	Money received	R400
5	Table bought to set out goods	R65
5	Money received	R350
6	Fruit and vegetables bought	R400
6	Taxi fare to the market	R20
6	Money received	R320
7	Bought plastic bags	R50
7	Money received	R400
7	Paid Bongi for helping him on the days he had to go to the market.	R150

REQUIRED:-

On the table below show what amounts of money were received and what amounts were paid out.

If Sipho started the week with R50 how much should he have left in his pocket?

RECEIVED			PAID		

How much does Sipho have left?

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