

The production option (pob sba guideline) essay sample

[Business](#), [Industries](#)



Welcome to the Principles of Business School Based Assessment (SBA) This will be a very exciting and rewarding experience for you, if you take the time to put your all into this research project. This SBA component of the POB subject is Paper 3 and is 20% of your CSEC CXC grade. It is compulsory, so do not ignore the importance of working hard throughout the school terms.

The Theme of the project is “ Establishing A Business”. You are required to prepare a Business Plan focusing on only ONE of the three options:

- PRODUCTION
- MARKETING
- FINANCE

Each aspect has its own Criteria and Mark Scheme. The final submission will be a formally structured report with a word limit of 1000 to 1200 words and please note that exceeding this word limit attracts a penalty. The project will be marked out of 40.

THE OPTIONS

“ What will I choose?”

You have learnt that there are four main functional areas of a business (Production, Marketing, Finance and Personnel). However, the three functional areas of a business that you we will focus on for the SBA are Production, Marketing and Finance. These are very important areas that a business needs to focus on and properly organize if it hopes to be successful. Research carefully before making your choice. For each of the options, pay

keen attention to the topics under the criteria and ensure that you apply the relevant and appropriate information for each section. PRODUCTION OPTION

INTRODUCTION

It cannot be denied that our resources are limited. We have unlimited wants, but limited resources. The resources are the inputs to the production of goods and services and these resources are referred to as the FACTORS OF PRODUCTION. They are: 1. LAND -refers to land and all other natural resources

2. LABOUR – refers to all the various categories of skills and occupations found on the labour market.

3. CAPITAL -This refers to the assets such as tools, equipment, buildings and any improvement to existing structures or plant machinery to be used to improve production as well as the money used to acquire natural and human resources.

4. ENTERPRISE OR ENTREPRENEURIAL ABILITY

This is similar to labour but is separated because it refers to special skills called entrepreneurship that some people have to organize the factors of production. It also refers to the people who must provide the funding, organize the factors of production, set the targets to be met, and monitor what is being done to ensure that the goals of the organization is met.

In an organization, PRODUCTION is the functional area responsible for turning inputs into finished outputs through a series of production processes.

The Production Manager is responsible for making sure that raw materials are provided and made into finished goods effectively. He or she must make sure that work is carried out smoothly, and must supervise procedures for making work more efficient and more enjoyable.

Production is important within service industries as well. Although businesses such as banks, insurance companies and internet service providers do not supply goods that can be seen and held, they do have to organize their resources to meet customers demands as completely as possible.

In the Caribbean, the manufacturing of goods for sale is carried on in houses, small establishments or factories. The making of goods in houses or small business establishments can be called small-scale production, for example bread, cakes, embroideries, leather sandals, chairs and paintings. The making of goods in factories is called large-scale production. Examples are car assembling, the processing of bauxite, cement and cement blocks, sugar and rum.

THE PRODUCTION OPTION

This SBA option is very rewarding to do, especially if you are making a product, however, production also applies to services as well (as stated above). It is fundamental that you do a survey using a survey instrument such as a questionnaire, to find out pertinent information for your project. Pay keen attention to the topics under the criteria and ensure you apply the relevant and appropriate information under each section. Remember the

word limit is 1000 to 1200 words and to exceed this amount is to be penalized.

SBA MUST BE WRITTEN IN FUTURE TENSE (except for assumed qualifications)

1. DESCRIPTION OF A BUSINESS

In this section you are expected to include:

- The name of your business
- The name and qualification of owner/s
- Description of the services you will offer or the product • Type of business (whether Sole proprietorship or Partnership) • Nature of business, that is industry type
- Objectives OR Mission Statement

2. LOCATION OF BUSINESS

The entrepreneur must determine exactly where the business will be located, and why such a location is preferred. Several factors influence the location of a business such as:

- Geography
- Location of raw material
- Location of the market
- Location of energy sources
- Availability of transportation
- Availability of social amenities
- Availability of labour
- External economies of scale

- Government incentives for locating a firm in a particular area
- Nature of the industrial activities and government restrictions on these.

Consult Page 130 of Yellow Text and 178 of Red Text for description of these factors

When justifying the location of your business in your SBA Project, you need to give substantial reasons for choosing the particular location for your business. The following questions must be answered:

- WHERE WILL THE BUSINESS BE LOCATED?
- WHY WAS THE LOCATION CHOSEN? (give three (3) substantial reasons)

3. SELECTION OF APPROPRIATE LABOUR

It is very important to select the labour that is appropriate for your business. Labour is the human resources aspect of the factors of production. In your SBA project, the following questions can prove helpful to assist you in thinking of the relevant answers.

- WHAT TYPE OF LABOUR WILL YOU REQUIRE? (page 162 of Red Text describes the types)
- WHY IS THE TYPE OF LABOUR SELECTED NECESSARY?
- HOW MANY PERSONS WILL YOU EMPLOY?

- WHAT ARE THEIR DUTIES OR FUNCTIONS?

4. SOURCES OF FIXED AND WORKING CAPITAL

Fixed Capital

Fixed capital is the portion of the total capital which is invested in fixed assets (such as land, buildings, vehicles and equipment) which stay in the business almost permanently.

Working Capital

This is the portion of the total capital available for day to day operations of a firm. It is the amount of money borrowed from a bank or other lender and used by a new business for money to keep operations going and pay business bills during the startup period when income is usually less than expenses. For many businesses, having enough working capital means the difference between success and failure of the business.

In your SBA project, the following questions will prove helpful to assist you:

- WHAT ARE YOUR SOURCES OF FIXED CAPITAL?
- GIVE SOME EXAMPLES OF YOUR SOURCES OF FIXED CAPITAL.
- WHAT ARE YOUR SOURCES OF WORKING CAPITAL?
- GIVE SOME EXAMPLES OF YOUR SOURCES OF WORKING CAPITAL.

SOME NOTES OF FIXED AND WORKING CAPITAL

(1) Short term Needs: Working capital is used to acquire current assets which get converted into cash in a short period. In this respect it differs from fixed capital which represents funds locked in long term assets. The duration of the working capital depends on the length of production process, the time that elapses in the sale and the waiting period of the cash receipt. (2)

Circular Movement: Working capital is constantly converted into cash which again turns into working capital. This process of conversion goes on continuously. The cash is used to purchase current assets and when the goods are produced and sold out; those current assets are transformed into cash. Thus it moves in a circular away. That is why working capital is also described as circulating capital. (3) An Element of Permanency: Though working capital is a short term capital, it is required always and forever.

As stated before, working capital is necessary to continue the productive activity of the enterprise. Hence so long as production continues, the enterprise will constantly remain in need of working capital. The working capital that is required permanently is called permanent or regular working capital. (4) An Element of Fluctuation: Though the requirement of working capital is felt permanently, its requirement fluctuates more widely than that of fixed capital. The requirement of working capital varies directly with the level of production. It varies with the variation of the purchase and sale policy; price level and the level of demand also. The portion of working capital that changes with production, sale, price etc. is called variable working capital. (5) Liquidity: Working capital is more liquid than fixed capital. If need arises, working capital can be converted into cash within a

short period and without much loss. A company in need of cash can get it through the conversion of its working capital by insisting on quick recovery of its bills receivable and by expediting sales of its product.

It is due to this trait of working capital that the companies with a larger amount of working capital feel more secure.’ (6) Less Risky: Funds invested in fixed assets get locked up for a long period of time and can not be recovered easily. There is also a danger of fixed assets like machinery getting obsolete due to technological innovations. Hence investment in fixed capital is comparatively more risky. As against this, investment in current assets is less risky as it is a short term investment. Working capital involves more of physical risk only, and that too is limited. Working capital involves financial or economic risk to a much less extent because the variations of product prices are less severe generally. Moreover, working capital gets converted into cash again and again; therefore, it is free from the risk arising out of technological changes. (7) Special Accounting System not needed: Since fixed capital is invested in long term assets, it becomes necessary to adopt various systems of estimating depreciation. On the other hand working capital is invested in short term assets which last for one year only. Hence it is not necessary to adopt special accounting system for them.

5. ROLE OF ENTREPRENEUR

FIRST, MENTION YOUR JOB TITLE:

In a small organization, the entrepreneur is the owner of the business and can also decide to take on the day to day management of the business. He

or she can also assume several roles, seeing that there might not be sufficient funds to hire personnel in specific areas. For example the entrepreneur can be the manager as well as the accountant, graphic artist and market researcher.

ROLE:

The entrepreneur has several key roles to play in an organization. The chapter on “ Establishing a Business” deals in a brief way, with some of the roles of an entrepreneur. You need to know yourself as a prospective entrepreneur and connect to the information. Personalize it to your business and remember to be concise (PAGE 90 OF RED TEXT).

FUNCTIONS:

The functions of the entrepreneur in his or her specific business can be as follows:

- Planning
- Organizing
- Directing
- Controlling
- Co-ordinating
- Delegating
- Motivation

(Read the description of these on page 39 in Red Text)

Remember that the functions support the role!

For your SBA, define your specific role(s) relative to your business and also outline your functions.

- MENTION JOB TITLE
- WHAT IS YOUR ROLE IN YOUR BUSINESS?
- OUTLINE THREE (3) OF YOUR FUNCTIONS (ONLY 3)

6. TYPE OF PRODUCTION

There are three different types of production:

- Primary Production

This involves the first level of production and involves extracting raw materials from nature. Primary production involves the Extractive Industries (example agriculture, mining, fishing, forestry) and in these industries, raw materials are removed directly from the environment.

- Secondary Production

The production process involves taking the raw materials and converting them into finished or semi-finished products. Examples of outputs from secondary production are machinery, paper, petroleum, oil, wood products, steel, iron, motor vehicles, processed foods, rum, garments.

- Tertiary Production

This involves the provision of services of all types. Services can be direct, where the customer and provider work together; or it can be indirect, where the service is routed through others; or commercialized, where a company provides the services to an entire population. The most significant service areas are: o The distribution of goods produced to the consumer o The

provision of hospitality services for the tourist industry o The provision of telecommunication services

For your SBA you are expected to:

- IDENTIFY THE TYPE OF PRODUCTION
- DESCRIBE THE TYPE OF PRODUCTION

7. LEVELS OF PRODUCTION

There are three different LEVELS of production:

- Subsistence Production

At this level, people seek to provide for their basic survival – no more, no less. The quality of life of such persons can hardly be improved at this level. An economy based on the subsistence production is usually agrarian, that is, it produces mainly agricultural products. The main advantage of this level is self-sufficiency; however, there is not control over natural disaster.

- Domestic Production

This involves production of goods and services not just for the individual, family or community, but also for the local market. It is also called local production and this uses local inputs, such as land, labour, capital and enterprise.

- Surplus Production

This means that more goods than what is needed is produced and these can be sold on the local or export market. It is called export production and

production over and above the local or domestic needs. For your SBA you are expected to:

- IDENTIFY THE LEVEL OF PRODUCTION
- DESCRIBE THE LEVEL OF PRODUCTION

8. QUALITY CONTROL MEASURES

These are the measures put in place to ensure that a business's products meet the standards that it has set. It is the minimum legal requirement.

Quality may be controlled by quality inspectors who are used to check on the quality of the product. Quality control is also important to maintain both customer satisfaction and the firm's reputation. There is likely to be a decrease if poor quality products are produced. See your class notes and Read more on page 170 of Red Text.

For your SBA, you need to:

- DESCRIBE TWO (2) QUALITY CONTROL MEASURES THAT YOUR BUSINESS SHOULD ADHERE TO

9. USE OF TECHNOLOGY

Technology is very important in business today. It is almost inevitable that you will have to use some amount of technology in your business as you see being done today. Technology is a broad concept that refers to the use of tools and machines (need not be material), business methods. CAM – the process of using specialized computers to control, monitor and adjust tools and machinery in manufacturing. Computer-aided manufacturing (CAM) is

the use of computer-based software tools and computer hardware that assist engineers and machinists in manufacturing or prototyping product component. CAM is a programming tool that allows you to make 3D models using computer-aided design (CAD). CAM was first used in 1971 for car body design and tooling. For more information read pages 164 and 181 -182 of Red Text and also Page 133 in yellow text and.

There are different types of technologies that can be used in your business. How will you use technology to aid in the production process of your business (irrespective of the type of production)?

For your SBA, you are expected to:

- IDENTIFY TWO (2) TECHNOLOGIES YOU WILL USE IN YOUR BUSINESS. (only two!)
- OUTLINE HOW THESE TECHNOLOGIES WILL ENHANCE THE EFFICIENCY OF YOUR BUSINESS.

10. LINKAGES

Before speaking of linkages, it is important to get an understanding of the industries that exists.

INDUSTRIES

- Extractive Industries

Primary production is concerned with extraction of basic materials provided by nature, which are either above or below the earth's surface. The extractive industries are farming, fishing and mining.

- Manufacturing Industries

This is where secondary production commences. These industries convert raw material obtained from extractive industries into the desired goods.

- Constructive Industries

The constructive industry uses mainly manufactured products. For example, cement made from limestone and clay (primary products) is used in the construction of buildings and sidewalks.

- Service Industries

This involves tertiary production, which involves the provision of services of all types.

- Cottage Industries

A cottage is a farmhouse mainly to be found in rural areas. A cottage industry is one that is undertaken in the home, community centre, village or parish hall, or somewhere similar. The aim is to produce a good or goods or to provide a service (example jams, pastries, garments, catering, information technology and accounting services on a small scale).

The Concept of Linkage Industries

A linkage industry is one that is linked or closely connected with or dependent on another. Other names for a 'linked' industry are 'spin-off' or 'screw-driver' industries. Linkage industries allow raw materials to be used in the same country in which they are found.

Two types of Linkages – Forward and Backward

FORWARD LINKAGE

This occurs when a firm that produces goods links or merges with a firm that sells its finished or semi-finished products. For example, a food processing firm may merge with a firm that sells its products, or it may establish its own retail outlets to distribute its products.