



DEPARTMENT:
AGRICULTURE

GENERAL

ADMINISTRATION

BOOK TWELVE

GENERAL ADMINISTRATION

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BOOK TWELVE

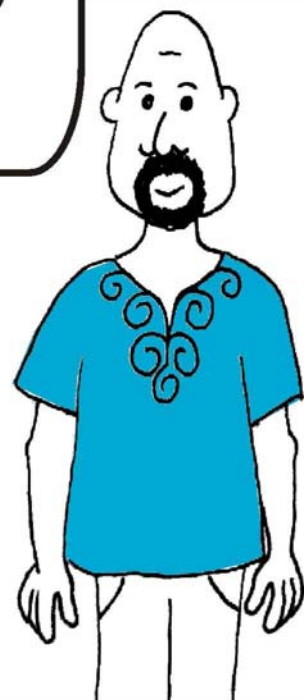
Outcomes

1

Bongani is a successful businessman. He knows how important the administrative aspects of a business are. Let Bongani himself tell you about his business and what he was able to learn from this booklet:

"Hallo! My name is Bongani. I run a small business in one of the remote rural districts of our country. My business is a cooperative for all the smallholder farmers in my area.

There were many things that I did not know when I decided to become a businessman. One of the first things that I realised when I started the cooperative, was that I needed to know more about the administration of a business in general. My first step was to start looking for some information on how to run the administration of a business. Then I came across this booklet about the ins and outs of administration. I found it very handy.



1

What did this booklet teach me, and what will it teach you?

Like me, when you read this booklet carefully, you will learn the following:

- How important it is for the success of your business to have a solid and well-run administration
- With which different government bodies your business must be registered, and why
- How to select and appoint staff members for your business, and how to pay them
- What kind of accommodation you will need for your business and how to find it
- What equipment you will need to communicate with your customers and suppliers
- How to select and appoint members of staff
- What to do about transport for your business and your staff
- Where to find more information about the most important aspect of them all: the financial administration of your business

Finally, there are some questions at the end of the booklet that you can use to test your knowledge of the administration of the business.

Good luck!"

Outcomes

Sound Administration:

the cornerstone of the business

2

The job is not finished until the paperwork is done.

Most of us have heard this saying before. But in a business it is only part of the truth. In a business, the job cannot even begin unless the paperwork is done. While the job is being done, there is always paperwork that must be done too. And the job is not finished until the last paperwork is finished.

Administration is mostly paperwork. Even if you do most of your administrative work on a computer, you will still need to print it out on paper most of the time. These printouts are known as hard copy. A business needs hard copy documents for many things, because they serve as proof that certain actions have been carried out, that payments have been made or that formal agreements have been signed. The following are some examples:



- The registration certificate of your business
- Registration forms for Income Tax and Value Added Tax
- The contract for the renting or buying of the premises from where you run your business
- Purchase orders for supplies and services
- Proof that you have paid for the supplies that you have ordered
- Records of the supplies that your business has in stock

2

- Proof of payments made by your customers for the supplies that they have bought
- The contract for employing a member of staff and the salary on which you have agreed
- Cash transactions
- Accounting and bookkeeping records
- The financial statements and balance sheets of your business

There are three main points about the administration of a business that must always be kept in mind:

Firstly, the administration of a business must be accurate and precise. A single comma in the wrong position, for example, can cause many problems. It might take hours of work to find the mistake. Valuable time and costly labour will be lost. Therefore, make sure that you do it right the first time. It will save a lot of time and money in the end.

Secondly, one must keep the correct balance between administrative work and the rest of the business. Do not waste time and human resources on unnecessary administrative work. There is a saying that one must not allow the tail to start wagging the dog. Be careful not to get bogged down in so much administrative work that there is no time left for that part of the business that actually makes the money. It is true that administration is essential. One cannot run a business without it. But it is not the only part of the business. Administration is the support system of the business that helps it to make money, but administration cannot make money in itself.

Thirdly, the administration of a business must be uncomplicated. It must make the running of the business easy, not difficult. It is there to support the business, not to dictate to it. It is the servant of the business, not its master.

Sound Administration:

the cornerstone of the business

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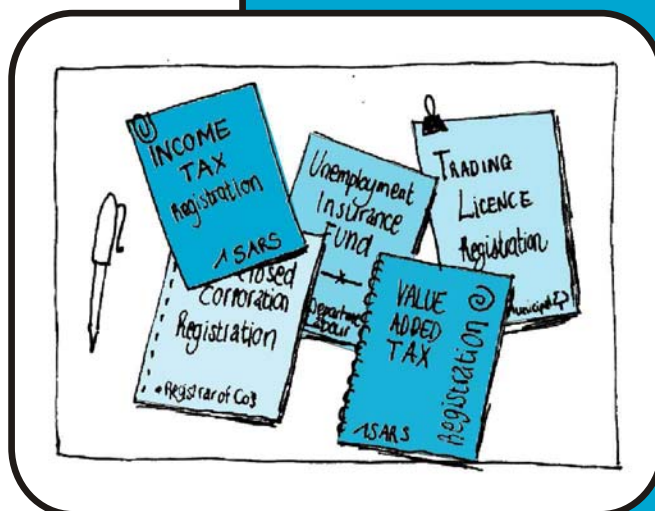
Registration of the Business



There are quite a few legal requirements for starting a business. These are discussed in the first booklet of this series, *Starting your Agricultural Business*. Some of the requirements will differ according to the type of business that you want to start. The list below shows the types of registration that are mostly required, as well as the relevant official body where you should register or who will be able to give you more information about registration:

Type of registration	Official body
Private Company	Registrar of Companies
Public Company	Registrar of Companies
Closed Corporation	Registrar of Companies
Sole Proprietorship	Registrar of Companies
Business Trust	Master of the High Court
Income Tax	South African Revenue Service
Value Added Tax	South African Revenue Service
Trading Licence	Transitional Local Council or Municipality
Unemployment Insurance Fund	Unemployment Insurance Commissioner, Department of Labour
Workmen's Compensation Fund	Workmen's Compensation Commissioner, Department of Labour
District Council Levies	District Council

Depending on your type of business, you might also need to apply for a Health Certificate or a Liquor Licence, for instance if you want to sell food and beverages. For a Health Certificate, you can ask your local municipality. For a Liquor Licence, you must apply to the Provincial Liquor Board. If you have a radio or a television set on your premises, you need to apply to the SABC for a radio and TV licence.



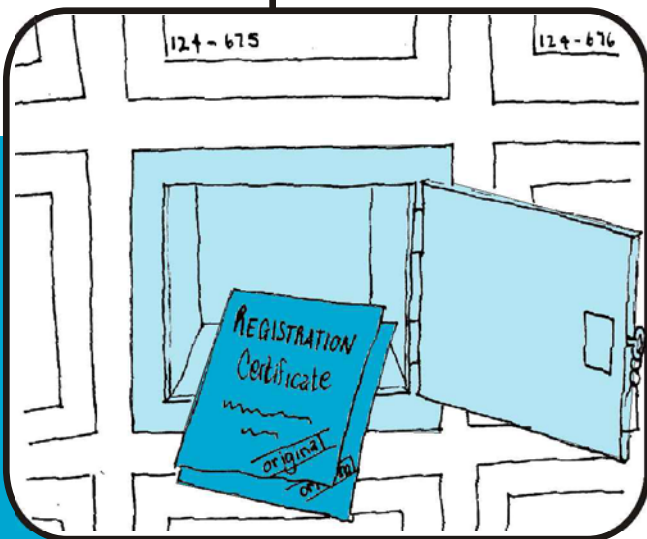
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For proper administration, it is important that you keep a safe filing system for all your registration certificates, contracts and correspondence in this regard. Business certificates and contracts are legal documents. You should make absolutely sure that you never lose them. Make copies of all certificates and contracts and keep them in an orderly filing system at the office. The original certificates and contracts should be locked away in a safe place. You can ask your bank for a safety deposit box. You can also ask your lawyer or the registered accounting officer of the business to keep them for you.

Make a note of the following registration numbers and always keep them at hand, because you will need them quite often:

- Company Registration Number
- Income Tax Reference Number
- Value Added Tax Registration Number

Your company accountant will be able to help you fill in the necessary forms and carry out all the registrations that are required for your business.



Registration of the Business

Accommodation

4

Finding the right accommodation is crucial to the success of your business. It is also one of the most expensive items of your budget. Therefore, accommodation is an item that must be considered and decided upon very carefully.

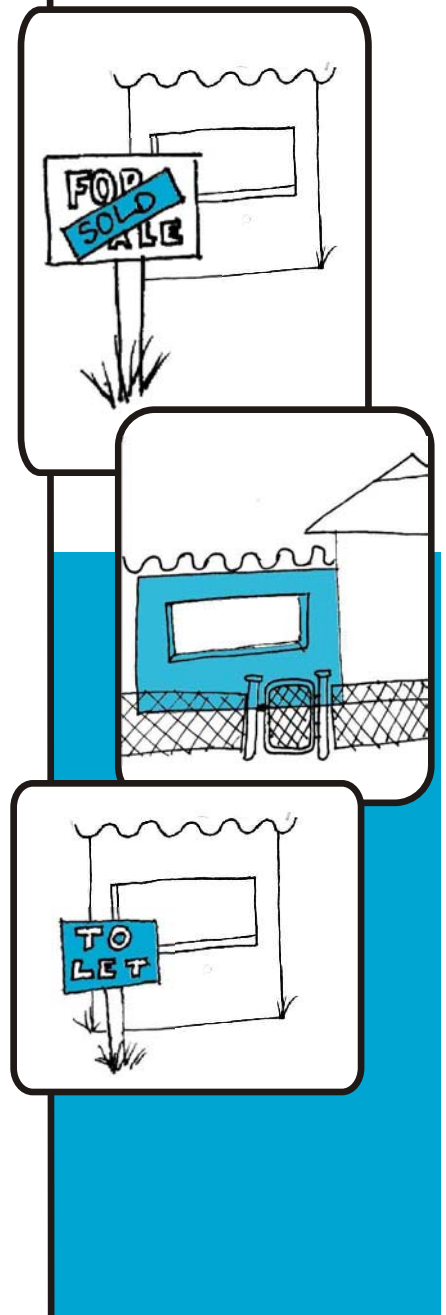
The following types of accommodation can be considered:

- Buying a property
- Working from home
- Renting a property or part of a property

For a small business, **buying** is in most cases neither practical nor possible. In the first place, it is expensive to borrow money. In the second place, financial institutions will first want to have proof of the success of your business before they will be willing to lend you money. In the third place, it is also a risk to you. If your business fails, it will be very difficult or even impossible for you to repay the loan.

Working from home is a limited option. If your business is a one-man operation that renders a professional service, you might consider working from home. However, it is not advisable to work from home if you sell items to the public, especially if you employ a number of staff in your business. One should always try to keep one's business life separate from one's private life.

Renting a place is the most practical solution. You may be able to negotiate a fair and reasonable monthly rate, based on the projected income of your business. The rental agreement may be long term (longer than ten years) or short term (less than ten years). Make sure that a proper termination clause is included in the contract. However, it is best to ask your lawyer to handle the rental agreement for you.

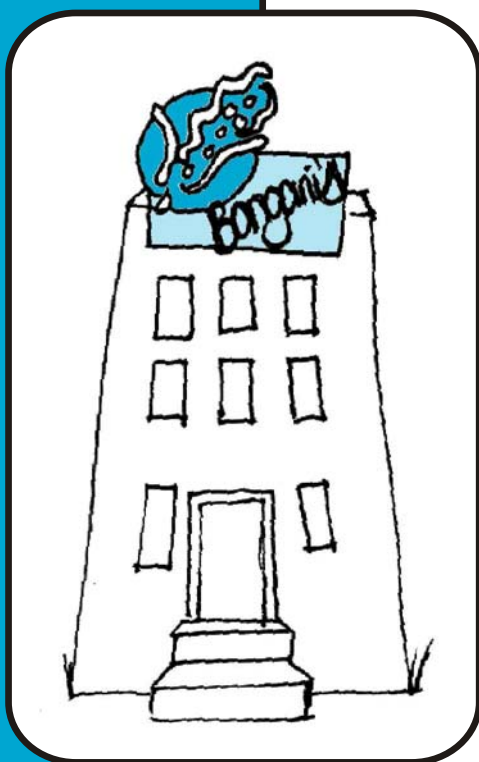


The two most important aspects of accommodation are

- Size
- Location

The **size** of the accommodation depends on the size of your business. Large companies, especially those that are listed on the Stock Exchange and are able to use shareholders' money, can afford to buy or rent large and very smart premises. A small business cannot do that. It is best to start as small and as modestly as possible. One can always expand as the business grows. Even though your accommodation may be small and modest, it should always be spotlessly clean and tidy. A messy place will scare customers away.

Although the business as a whole should be accommodated in the same building or at least on the same premises, there should be separate units for:



- the sales area
- a public office area where customers or members of the public can be received and entertained
- a private office area where confidential company documents, records and filing systems are kept

Accommodation

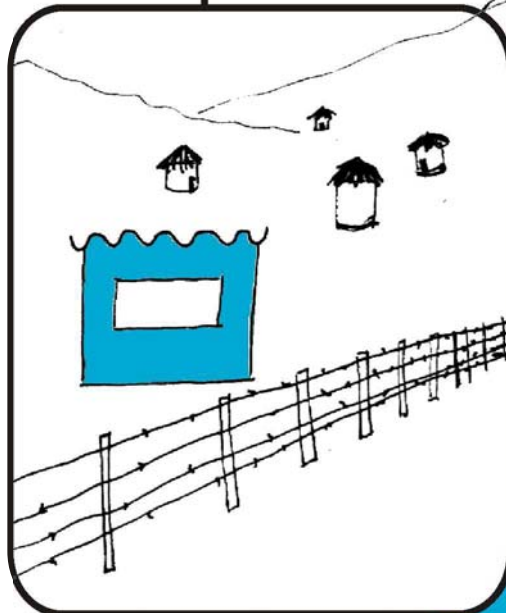
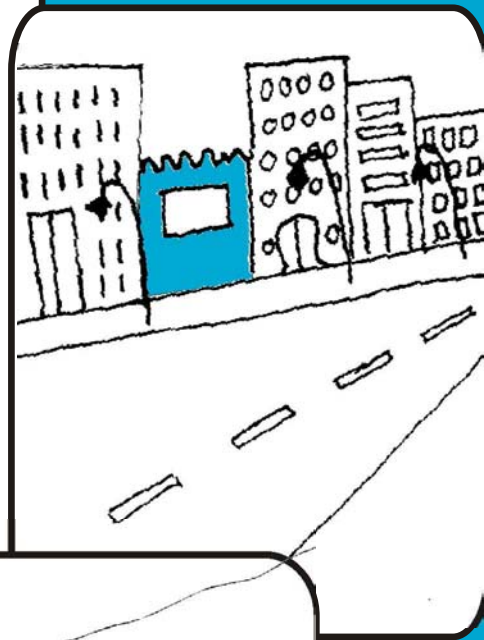
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The location of your business will to a large extent determine its success:

- It must be clearly visible
- It must provide easy access to the customer
- It must be situated in the community in which you want to do business

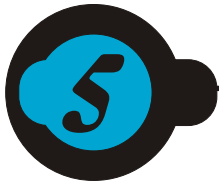
For example, it will not be good business practice to set up an agricultural cooperative in the central business district of a large city. Set it up at the village or town where the farming community usually go to for their general shopping and other business.

Make sure that you have a proper contract for the leasing of your business accommodation. It must be signed by all relevant parties and by witnesses. Make a copy of the contract for general use and lock the original one away in a safe place.

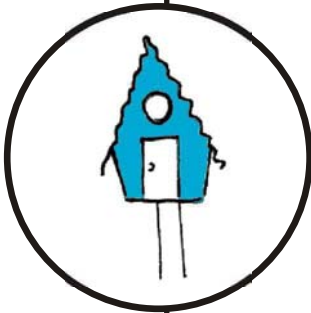


Accommodation

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Communications



A business that is not able to communicate with its customers, its suppliers and the public at large, and cannot be reached at all times during business hours, might as well close its doors for ever.

The following communication tools are essential:

- Telephone
- Fax machine
- Post box
- Messengers



One of the first things that the would-be entrepreneur must do, is to apply for telephone lines at the nearest Telkom Service Centre, and for a post box at the local Post Office. For that you will need a copy of the Registration Certificate or Founding Statement of your business, and a copy of the identification document of the responsible person or persons in the business. This means that the business must be registered first before you will be able to rent a telephone line or a post box.



The number of telephone lines that one will need, will again depend on the size of the business. In the case of a one-man enterprise, a single line might be all that one will need. The same telephone number can be used for both telephone and fax. If you receive and make many calls and send and receive many faxes per day, two lines will be needed one for the telephone and another one for the fax machine.

As the network of cellular telephone services expands, these ingenious communication tools are becoming more and more accessible to people in rural areas. Although cellphones are also expensive, they can be very valuable tools for any business. If you have a cellphone, you are in fact

never really away from the office. Your customers and your staff can reach you wherever you are, and you can reach them from wherever you are, provided that you stay within the area that is covered by the cellphone network.

If one is not careful, the cost of telecommunication can easily get out of control. From an administration point of view, the most important ways of limiting these costs are the following:

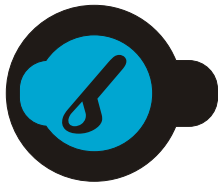
- Do not rent more telephone lines than you really need for your business
- Limit the use of cellphones as far as possible to incoming calls
- Keep control of outgoing calls. Use a system whereby staff members have to pay for their private calls. In general, discourage the use of business communication lines for private purposes.

In rural areas with a limited infrastructure, messengers making use of bicycles or small motorcycles can be used to deliver and pick up parcels, mail and messages. This can also be a good marketing tool, because it will show that the business renders a personal service to its customers.

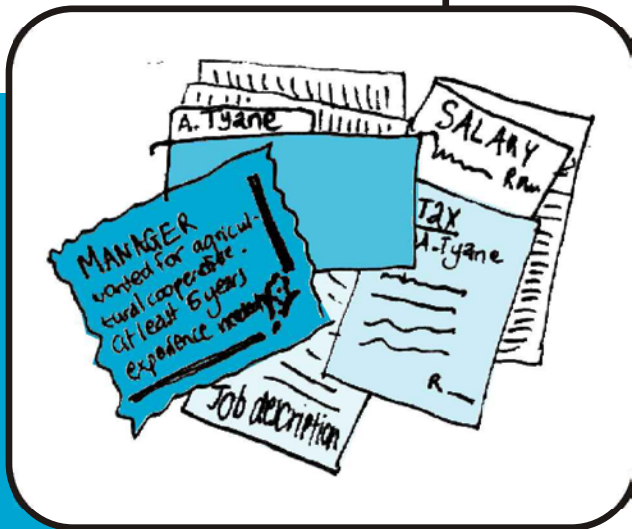


Communications

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Personnel administration



The staff members of the business are its greatest and most valuable asset. The payment of staff is normally the single largest expense item in a rural business. It is therefore important to administer staff affairs with the utmost care. Making mistakes or neglecting staff administration can be costly for the business.

Management of staff is dealt with in booklet no 6. Proper administration of this function is important.

Documents that relate to staff administration are the following:

- Advertisements for new staff members
- Files for every staff member
- Employment contracts
- Job description
- Salary adjustment
- Other statutory requirements (e.g. tax particulars)
- Leave records
- Summaries of conversations with individual staff members
- Termination of employment
- Minutes of staff meetings
- Salary registers

Transport

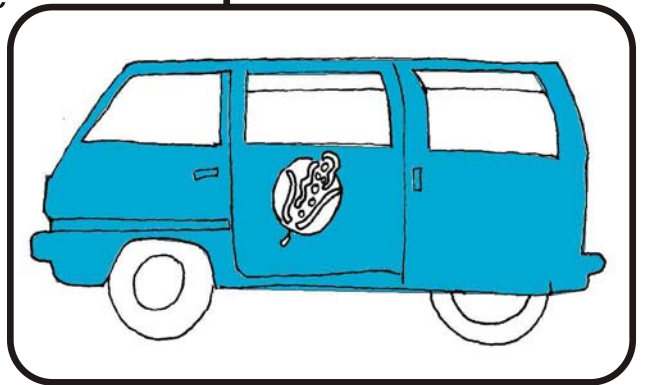


There are two elements of transport to which a business must pay attention:

- Private transport for employees
- Official transport for business purposes

Private transport

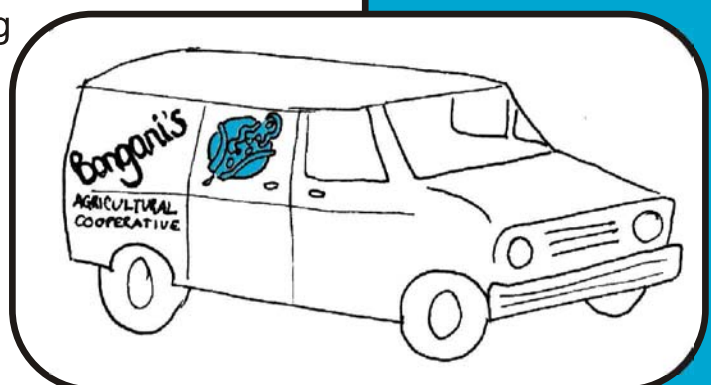
Normally, employees are expected to make their own arrangements to travel to and from work. Normally they also pay for their own transport from their salaries. However, in some rural areas it might be very difficult or even impossible for employees to find any means of transport. In such cases, the employer might consider buying a vehicle, for example a minibus, and supplying a driver to help people travel between home and office. In most cases, this is only possible if it is a fairly large business.



The employer might also consider giving each employee a special travel allowance that will help him or her to pay for transport. The employee might use the allowance to pay for public transport, or even to buy a car.

Official transport

The business will need to have official transport available for delivering and picking up supplies, for transporting workers to official events and to help cope with emergency situations such as breakdowns. These might vary from a bicycle to a minibus to a lorry. It will depend on the nature and size of the business.

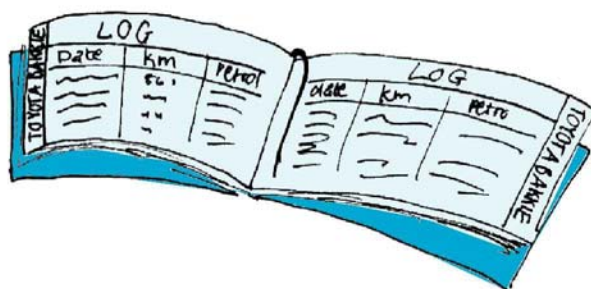




There must be a very thorough administration system in place for keeping control of the use of official transport, as well as the maintenance and repair of vehicles. The cost of transport can easily run very high. Proper administration and control will help to keep a tight rein on transport costs.

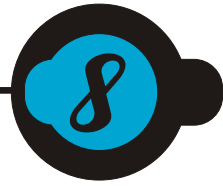
The following is important:

- Keep a separate file for each company vehicle
- Keep a logbook for every vehicle in which all trips are recorded
- Keep an accurate record of all expenses such as fuel, repairs and maintenance
- Calculate the average cost of keeping and maintaining every vehicle; if it is costing too much compared with other similar vehicles, consider selling it or trading it in for a new vehicle.



Transport

... continued



Financial Administration

Financial administration is the most important part of all the administrative functions of the business.

In booklet number 11 of this series, detailed attention has been given to the financial management of a business. The financial management booklet covers the following aspects:

- Bookkeeping
- Cash control
- Financial statements
- Auditing
- Credit to members
- Receipt of goods

From a general administration point of view, every possible care must be taken to keep all financial documentation in a well organised filing system. Financial records must be kept under lock and key. The golden rule is to regard every financial record as cash. You will not let cash lie around unguarded. You will keep it in a safe place. Financial records must be treated in the same way.

When a business is registered with the Registrar of Companies, an accounting officer must be appointed for the business. Large companies also have their own, highly specialised internal accounting staff. However, in most cases this is not possible for a small business. The best solution is to appoint an independent and registered chartered accountant to take care of your company's financial administration, such as annual financial statements, income tax returns and VAT returns. The fees that one has to pay to an external accountant will be less than the salary one would otherwise have had to pay to a full-time employee.

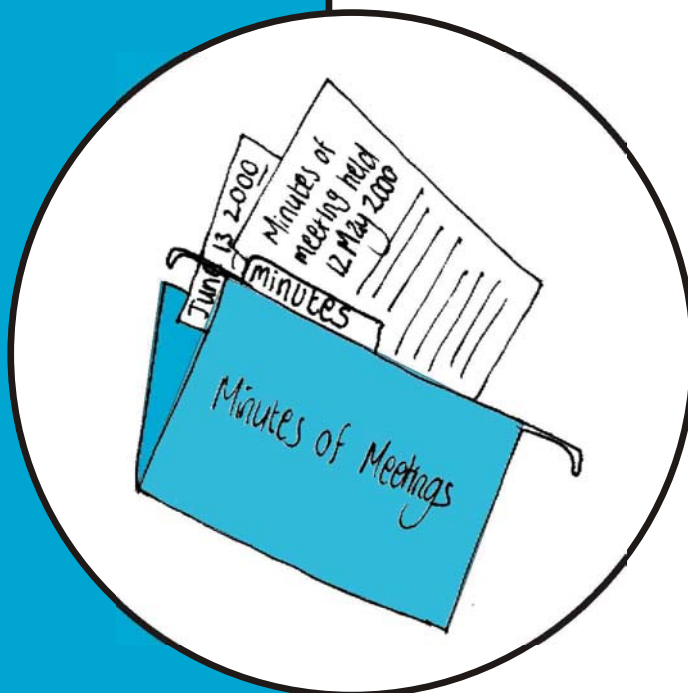
Remember to open a bank account when you register your company!





Minutes of Meetings

Various meetings are regularly held in businesses. These may be meetings of Boards of Directors in large companies, and meetings of the Board of Directors with the manager. In smaller companies there will be mostly meetings between the manager and staff. Minutes must be kept of all these meetings. This is also part of the administration of a business. See booklets no. 1 and 2 for full details.



Assessment



Read the following questions carefully. Then try to answer them as thoroughly as you can:

1. How important is sound financial administration for the success of your business? Why do you say so?
2. Name three of the registration certificates that you must obtain before you can start operating a business.
3. What aspects must you keep in mind when you start looking for accommodation for your business?
4. Can a business operate without proper communication? Why do you say so?
5. How will you go about selecting and appointing a new employee?
6. Why is it important to keep proper control of transport in the business?
7. Is it necessary to open a separate bank account for your business?

