

# STARTING A BUSINESS: KOTAS ON WHEELS

## Terminology explained simply on a graph



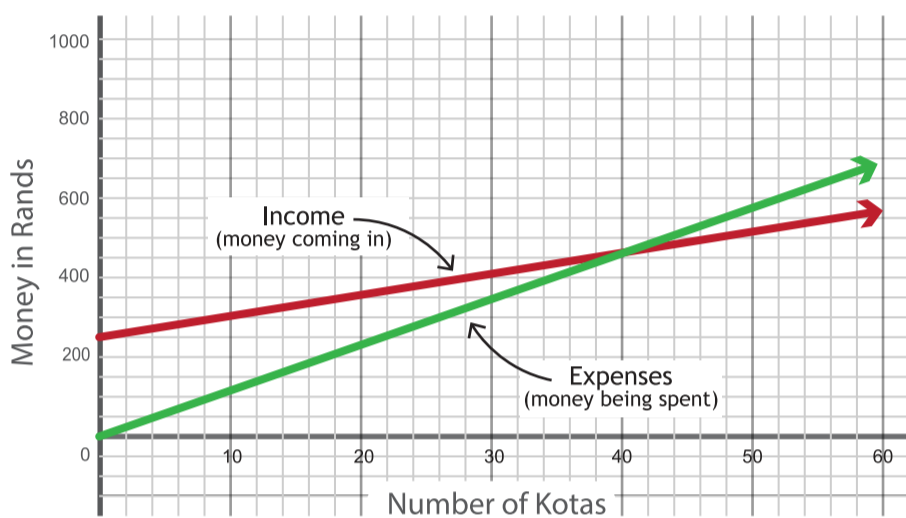
This is the story of Palesa and her kota business.

Palesa needs to make some money. Her savings won't last. In the village where she lives, people were scared to go and buy food during lockdown.

So, she has an idea! Why not start her own Kota delivery business.

Before she started, she did some planning.

### Graph of Income and Expenses



#### Income

Money that is paid to the business or person for their goods and services.

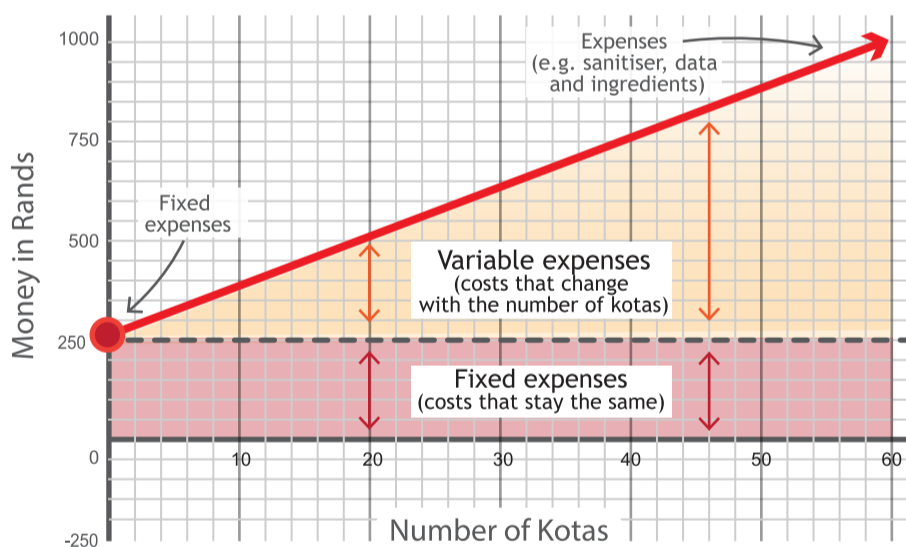
For example, the money Palesa receives for her Kotas and the delivery of them.

#### Expense

Money to be spent to run a business and make and deliver a product or service.

For example, the money Palesa spends on data, sanitiser, hiring a kitchen and buying ingredients for the Kotas, are all expenses.

### Graph of types of Expenses



#### Fixed expense

Even as Palesa makes more Kotas, these expenses stay the same.

These are expenses that cannot easily be changed and are usually paid regularly, like weekly, monthly, or from year to year.

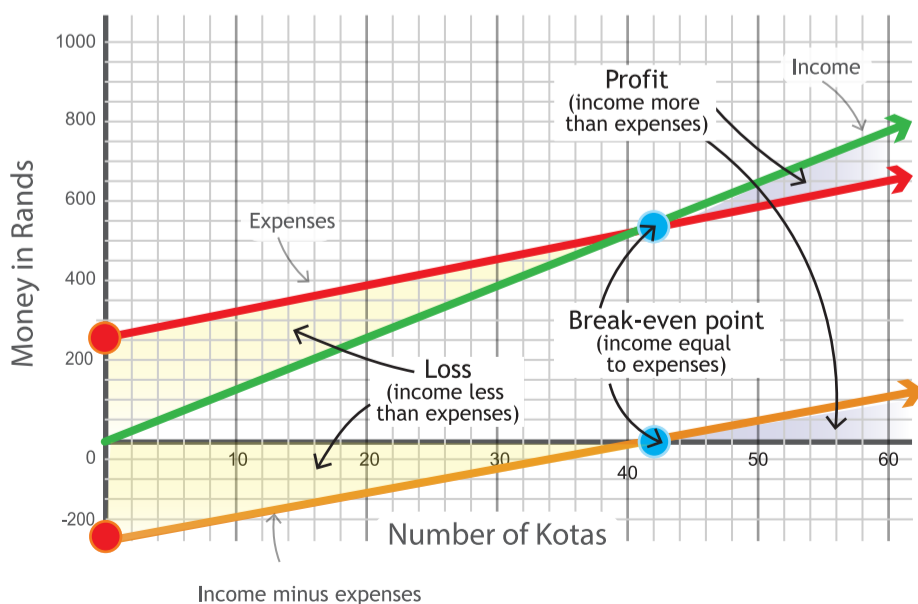
For Palesa, her fixed expenses are sanitiser and data, which costs her R250. No matter how many Kotas she makes, these expenses stay the same, as shown on the graph.

#### Variable expense

These are expenses that increase.

Variable expenses change as Palesa makes more Kotas. To make 10 Kotas she needs ingredients which come to R140. The more Kotas she makes the more ingredients she will need to buy, which means that her variable expenses increase.

### Graph of Income and Expenses and Income minus Expenses



#### Loss

When the expenses to make a certain number of items are greater than the income you receive from selling this number of items.

#### Break-even point

This is when no profit or loss is made.

Using Palesa's business as an example, break-even point is when the costs of running the business and the costs of ingredients are equal to the income, she makes from selling Kotas.

#### Profit

When the expenses to make a certain number of items are less than the income you receive from selling this number of items. Palesa makes a profit when she makes more money than she spends to run the business.

