SS2 COMMERCE LESSON NOTES

FIRST TERM

1. Advertising I
2. Advertising II
3. Tourism In Nigeria
4. Insurance
5. Midterm examination
6. Banking I
7. Midterm break
8. Banking II
9. Banking III
10. Warehousing

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WEEK 1: INTRODUCTION TO ADVERTISING

Topic: Advertising

Sub-Topics: Meaning, Media, Basic Concepts, Roles, and Types.

1. MEANING OF ADVERTISING Advertising is any paid form of non-personal communication directed at a target audience through various media to present and promote products, services, and ideas. It is a branch of commerce used to create awareness and must be paid for. The primary functions of advertising are to inform, educate, and persuade people to buy goods and services.

2. ADVERTISING MEDIA These are the channels used to convey the advertising message to the public. They include:

1. The Press (Newspapers, Magazines, Journals)
2. Television and Radio
3. Catalogues
4. Cinema
5. Exhibitions and Trade Fairs
6. Handbills/Fliers
7. Window Display

3. BASIC CONCEPTS OF ADVERTISING

1. **Theme:** The central or essential message the advertiser wishes to communicate.
2. **Target:** The specific audience the advertisement is aimed at.
3. **Advertising Medium:** The channel through which the message is passed (e.g., radio, television, newspaper).
4. **Frequency:** The number of times an advert is shown or heard by the target audience.
5. **Reach:** The total size of the audience that has been exposed to the advertisement.

4. ROLES OF ADVERTISING

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1. **To Introduce New Products:** It creates awareness and informs customers about new products in the market.
2. **To Persuade Customers to Buy:** It arouses customer interest and persuades them to purchase the product.
3. **Creation of Demand:** It stimulates demand by constantly reminding potential consumers about the product.
4. **To Educate on Product Uses:** It informs consumers on how to use the product and the benefits they can derive.
5. **It Promotes the Image of the Firm:** It helps build a positive corporate image and reputation for a company.

5. TYPES OF ADVERTISING

1. **Informative Advertising:** Aimed at providing factual information to let consumers know what goods and services are available. It helps customers make informed choices and is excellent for introducing new products or job vacancies.
2. **Persuasive Advertising:** Tries to persuade customers that a particular brand is superior to others. It is emotional in nature and aims to induce consumers to buy a specific product, often seen in ads for medicines and cosmetics.
3. **Competitive Advertising:** Aims to persuade customers to buy one brand in preference to a competitor's brand. It tries to woo customers away from rival products.
4. **Mass and Specific Advertising:** When manufacturers of similar products jointly advertise their commodities without emphasizing individual brands. The main goal is to reduce the cost of advertising.

EVALUATION

1. Define the term 'Advertising'.
2. List any five advertising media.
3. Explain the following basic concepts: (a) Theme (b) Target.
4. State three roles of advertising.
5. Differentiate between Informative and Persuasive advertising.

ASSIGNMENT

1. Choose a popular advertisement on television (e.g., for a soft drink, phone, or detergent).
2. Identify and write down:
   a. The **Theme** of the advertisement.
   b. The likely **Target** audience.
   c. The **Type** of advertising used (Informative, Persuasive, or Competitive) and give a reason for your answer.
3. In one paragraph, explain how the advertisement fulfills two roles of advertising.

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WEEK 2: DEEPER CONCEPTS AND REGULATIONS IN ADVERTISING

Topic: Advertising

Sub-Topics: Methods, Factors Affecting Media Choice, and Consumer Protection.

1. METHODS OF ADVERTISING There are two primary methods:

i. **Direct Advertising:** This method targets a specific section, target market, or group of people with similar needs. Examples include advertising educational materials directly to schools or medical equipment to hospitals.

ii. **Indirect Advertising:** This method is directed at the general public. It is used for goods and services consumed by all categories of people, such as advertisements for bread, salt, or electricity.

2. FACTORS AFFECTING THE CHOICE OF ADVERTISING MEDIA When selecting a media channel, advertisers consider the following factors:

1. **Cost of the Medium:** The advertiser's budget and the cost of using a particular medium (e.g., TV is more expensive than radio).
2. **Nature of the Product:** The type of good or service being advertised (e.g., a complex product may need a visual demonstration on TV, while a simple one can be on radio).
3. **Frequency:** How often the advertisement needs to be shown to be effective.
4. **Media used by Competitors:** Advertisers often consider the media channels their competitors are using.
5. **The Target Audience:** The demographic (age, location, income) of the intended consumers determines the best medium to reach them.
6. **Coverage or Extent of Circulation:** The geographical area and the number of people the medium can reach (e.g., a national newspaper vs. a local community newsletter).

3. CONSUMER PROTECTION IN ADVERTISING To protect consumers from misleading or harmful ads, various voluntary and statutory controls are in place:

1. **Code of Advertising Practice:** A set of rules accepted by media organizations. Ads that break this code are rejected. The code covers: i. **Public Decency:** Ads must not offend public morals. ii. **Exploitation of Superstition:** Ads must not exploit public fears or superstitions. iii. **Misleading Description and Claims:** Ads must not be deceptive or make false claims.
2. **Advertising Practitioners' Council of Nigeria (APCON):** An industry-wide body that regulates and ensures proper conduct of advertising in Nigeria. The Association of Advertising Practitioners of Nigeria (AAPN) is a key member.
3. **Establishment of Professional Groups:** The AAPN was established to regulate the practice. It has developed codes of conduct for members and specific standards for advertising sensitive products like medicines.
4. **Consumer Education:** Consumers are educated on their rights and how to make informed choices, often through consumer associations.
5. **Television Act 1954:** This act established control to ensure advertisements are inspected and approved before being broadcast to the public.

EVALUATION

1. Differentiate between Direct and Indirect advertising methods.
2. List four factors that affect the choice of an advertising medium.
3. Explain how the "Nature of the Product" influences the choice of an advertising medium.
4. What is the primary role of the Advertising Practitioners' Council of Nigeria (APCON)?
5. State three areas covered by the Code of Advertising Practice.

ASSIGNMENT

1. Imagine you are launching a new brand of energy drink targeted at university students. a. Which **method** of advertising (Direct or Indirect) would you use and why? b. Choose the most suitable **advertising media** for this product and explain your choice based on at least three factors from the lesson.
2. Find an example of a print or online advertisement (from a newspaper, magazine, or social media). a. Write one paragraph analyzing whether you think the advertisement follows the Code of Advertising Practice. Mention at

least one specific rule it follows or might break. b. Suggest one way consumers can protect themselves from misleading advertisements.

WEEK 3 – TOURISM IN NIGERIA

MEANING OF TOURISM

Tourism refers to the act of travelling from one place to another for the purpose of leisure, recreation, relaxation, sightseeing, or adventure.

It involves the movement of people to destinations outside their usual environment.

FACTORS FAVOURABLE FOR TOURISM IN NIGERIA

1. ***Diverse Cultural Heritage*** – Nigeria has over 250 ethnic groups with rich festivals and traditions.
2. ***Scenic and Natural Attractions*** – Mountains, rivers, waterfalls, rocks, and game reserves.
3. ***Historical Monuments*** – Sites like the Benin Moat, Kano City Wall, and relics of colonial history.
4. ***Good Climate*** – Warm and sunny weather attracts tourists.
5. ***Hospitality Industry*** – Growing number of hotels, restaurants, and resorts.
6. ***Improved Transportation Network*** – Availability of roads, airports, and car hire services.
7. ***Government Support*** – Through policies and promotion of tourism under the Ministry of Culture and Tourism.

MAJOR TOURIST CENTRES IN NIGERIA

Tourist Site	Location	Description
Olumo Rock	Ogun State	A massive rock used for refuge during tribal wars.
Obudu Cattle Ranch	Cross River State	Mountain resort with cable cars and cold climate.
Yankari Game Reserve	Bauchi State	Wildlife park with animals like elephants, lions, etc.
Zuma Rock	Niger State (near Abuja)	Giant rock formation known as "the gateway to Abuja".
Erin-Ijesha Waterfall	Osun State	Cascading waterfall popular for sightseeing.
Idanre Hills	Ondo State	Historic hills with ancient footprints.

Ogbunike Cave	Anambra State	Sacred cave with tunnel-like passages.
Awhum Waterfall & Cave	Enugu State	A waterfall believed to have healing powers.
Nike Art Gallery	Lagos State	One of Africa's largest art galleries.

IMPORTANCE OF TOURISM

1. **Economic Development** – Revenue generation for the government.
2. **Employment Opportunities** – Jobs for tour guides, hoteliers, drivers, artisans.
3. **Infrastructure Development** – Better roads, communication, and hospitality services.
4. **Cultural Exchange** – Promotes understanding between locals and foreigners.
5. **Environmental Conservation** – Protection of natural parks and historic sites.

JUSTIFICATION FOR TOURISM

1. ***Leisure***: Leisure is the time when you are not working or studying and can relax to do things you enjoy. Leisure is one of the most important justification for tourism. This gives the individual or tourists the opportunity to enjoy themselves.
2. ***Recreation***: Recreation is any activity that you do for pleasure. Tourism also create room for recreation of tourists as they involve in doing things which they enjoy in the resort centres.
3. ***Education***: When tourists visit any places of interest, they take their time to educate themselves on the behavior, traditional and cultural life of the people, helping them to learn certain things they did not know before.

PROBLEMS OF TOURISM IN NIGERIA

1. **Poor Infrastructure** – Bad roads, irregular electricity, limited water supply.
2. **Insecurity** – Threats from terrorism, banditry, and kidnapping discourage tourism.
3. **Lack of Maintenance** – Deterioration of tourist sites due to neglect.
4. **Low Public Awareness** – Many Nigerians are unaware of tourist attractions.
5. **Corruption and Poor Policy Implementation** – Funds mismanagement.
6. **Visa and Entry Restrictions** – Challenges for foreign tourists.

7. **Environmental Pollution** – Littering and degradation of sites.

SOLUTIONS TO PROBLEMS OF TOURISM

1. **Government Investment** – Improve roads, electricity, and water supply to sites.
2. **Security Enhancement** – Deploy tourism police and improve national security.
3. **Public Awareness Campaigns** – Educate Nigerians and promote local tourism.
4. **Proper Maintenance and Management** – Assign agencies to manage tourist centres.
5. **Private Sector Involvement** – Encourage partnerships and sponsorship.
6. **Friendly Immigration Policies** – Ease visa processes for foreigners.
7. **Environmental Protection Laws** – Enforce penalties for polluting tourist sites.

EVALUATION:

1. What is tourism?
2. Mention three factors that favour tourism in Nigeria.
1. List four tourist centres in Nigeria and their locations.
2. State three importance of tourism.
3. What are two problems of tourism in Nigeria?
4. Suggest two solutions to improve tourism.

WEEK 4 – INSURANCE

MEANING OF INSURANCE

Insurance can be defined as an agreement whereby one party promises to indemnify or pay another party a sum of money in the event of his or her suffering a specified loss or damages. The main principle of insurance is the **pooling of risks.** The insurer will collect premium from a group of people who suffer similar risk to create a common fund out of which compensation will be paid to those who suffer losses. Compensation for victims will depend on then premium paid.

IMPORTANCE OF INSURANCE

1. It helps in motivating workers
2. It leads to risk reduction
3. It serves as collateral security
4. It encourages investment
5. It ensures security of goods
6. It serves as an employment opportunities
7. It provides a means of savings

BASIC PRINCIPLES OF INSURANCE

1. **Insurable interes**t: This principle states that a person can insure properties that will bring loss to himself alone and no other person.
2. **Contribution**: This principle states that in a situation where a person has insured his property in more than one insurance company he cannot claim compensation from all the insurance company i.e if he has been settle by one of the insurance company he is not entitled to receive compensation from other insurance firm.
3. **Proximate cause**: This principle states that there must be a close connection between the loss actually suffered and the risk for which insurance has been taken out.
4. **Subrogation**: This principle states that once the insurer has given indemnity for a loss the insurance company can take over the property insured and the right relating to it.

5. **Abandonment**: This principle states that a property can be abandoned if the cost of repairing is more than the actual value or if its actual loss is unavoidable
6. **Indemnity**: This principle states that the insured should be indemnified to the limit of the amount covered by the policy .it provides that the insured should be adequately compensated.
7. **Utmost Good Faith** (uberimae Fidei): This principle states that all relevant information about the property or object must be disclose to the insurance company, this will help the insurer to determine whether to cover the risk or not.

TYPES OF INSURANCE

There are two major types of insurance. These are;

1. **Life Insurance**: Is a branch of insurance which is taken as a protection against loss caused by the death of a person. This policy covers human beings and not properties. A life insurance policy guarantees that the insurer pays a sum of money to your beneficiaries (such as a spouse or children) if you die. In exchange, you pay premiums during your lifetime. Life insurance include:
   i. Whole life assurance
   ii. Endowment.
   iii. Term Assurance.
   iv. Annuities
2. **Non-Life Insurance:** This is a branch of insurance which is taken as a protection against loss of property and other valuables. The non- Life Insurance includes; Bad debts, goods in transit, group insurance, cash in transit, agricultural insurance, accident, motor vehicle, fire, marine insurance, burglary, theft, robbery etc.

EVALUATION:

1. Explain the meaning of Insurance
2. State the importance of insurance
3. Discuss the basic principles of insurance

ASSIGNMENT:

1. Explain the following insurance concepts
    a. Non- indemnity and indemnity insurance
    b. Re-insurance
    c. Marine insurance
    d. Insurable risk and non-insurable risk
2. Briefly write on the history of insurance

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WEEK 6: INTRODUCTION TO BANKING AND COMMERCIAL BANKS

Topic: The Fundamentals of Banking

Sub-Topics: Meaning and Origin of Banking, Types of Banks, and an in-depth look at Commercial Banks.

1. MEANING OF A BANK

A bank is a financial institution licensed to accept deposits from the public and grant loans. It acts as a custodian for money and other valuables like jewellery, wills, and important documents. In essence, a bank is a bridge between those who have surplus funds (savers) and those who need funds (borrowers).

2. ORIGIN AND EVOLUTION OF BANKING

Banking evolved from the practices of London goldsmiths in the 17th century.

- **Stage 1 (Safekeeping):** Goldsmiths had secure vaults and began storing money and valuables for merchants, charging a fee for this service.
- **Stage 2 (Paper Claims):** The receipts issued by goldsmiths for these deposits began to circulate as a form of payment, becoming an early form of paper money.
- **Stage 3 (Lending & Profit):** Goldsmiths realized that not all deposited money was withdrawn at once. They began lending out a portion of these deposits to others at interest, turning banking into a profitable business. They then started offering interest to attract more depositors.
- **Formal Banks:** The first known formal bank was the Bank of Venice (Italy, 1157). In Nigeria, modern banking began with the Bank of British West Africa (now First Bank) in 1894 and Barclays Bank (now Union Bank) in 1925.

3. TYPES OF BANKS

The banking system comprises various institutions with specialized roles:

1. **Central Bank** (Apex Bank)
2. **Commercial Banks** (Retail Banks)

3. **Merchant Banks** (Investment Banks)
4. **Savings Banks**
5. **Development Banks** (e.g., Bank of Industry)

4. COMMERCIAL BANKING: THE PEOPLE'S BANK

Commercial banks are profit-oriented financial institutions licensed by the Central Bank to provide banking services to the general public and businesses. They are structured as limited liability companies. Examples include First Bank of Nigeria PLC, Guaranty Trust Bank (GTB), and United Bank for Africa (UBA) PLC.

Characteristics of Commercial Banks:

- They are profit-oriented.
- They are incorporated as limited liability companies.
- They accept deposits and safeguard valuables.
- They are key players in the money market.

5. FUNCTIONS OF COMMERCIAL BANKS

1. **Accepting Deposits:** The primary function; keeping customers' money safe.
2. **Granting Loans and Overdrafts:** Providing credit facilities to individuals and businesses for a profit (interest).
3. **Agent of Payment:** Acting on behalf of customers to make payments (salaries, cheques, bills) and receive funds.
4. **Safekeeping of Valuables:** Providing safe deposit boxes for documents, jewellery, and other assets.
5. **Issuing Bank Statements:** Providing regular summaries of account transactions to customers.

EVALUATION

1. Define the term "Bank" in your own words.
2. Briefly describe the second stage in the evolution of banking from the goldsmiths.
3. List three types of banks, other than commercial banks.

4. State three key characteristics of a commercial bank.
5. Explain two functions of a commercial bank that benefit a small business owner.

ASSIGNMENT

1. **Research & Report:** Choose one commercial bank in Nigeria (e.g., First Bank, UBA, Zenith Bank). Research and write a one-page report on its history, its current managing director, and two unique services it offers to students or young entrepreneurs.
2. **Scenario Analysis:** Imagine you are a goldsmith in 17th century London. A merchant wants to deposit 100 gold coins with you. Explain to him how your service works and how it will benefit both of you beyond simple safekeeping.

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WEEK 8: BANKING SERVICES AND PERSONAL FINANCE

Topic: Everyday Banking Operations

Sub-Topics: Bank Accounts, Cheques, and Consumer Credit Facilities.

1. CREDIT FACILITIES PROVIDED BY COMMERCIAL BANKS

- **Loan:** A lump sum of money lent to a customer for a specific period at an agreed interest rate. Requires collateral.
- **Overdraft:** A permission for a current account holder to withdraw more money than they have, up to a set limit. Interest is charged only on the amount used.

Differences Between Loan and Overdraft:

S/N	LOAN	OVERDRAFT
1	A bulk sum given for a specific purpose.	A credit limit on a current account.
2	Medium to long-term.	Short-term.
3	Collateral security is required.	May not require separate collateral.
4	Interest is charged on the full loan amount.	Interest is charged only on the withdrawn amount.

Factors Considered Before Granting a Loan:

- Purpose of the loan.
- Customer's financial position and credit history.
- Source of income for repayment.
- Amount of loan applied for.

2. TYPES OF BANK ACCOUNTS

1. **Current Account:**
    - **Features:** For frequent transactions; uses cheques; no interest earned; often has maintenance fees.

- **Procedure for Opening:** Fill form → Provide passport photos → Provide referees/guarantors → Submit personal details → Make initial deposit → Receive account number & cheque book.

2. **Savings Account:**
   - **Features:** For personal savings; earns interest; withdrawal limits; uses a passbook.
3. **Fixed Deposit / Time Deposit Account:**
   - **Features:** Money is locked in for a fixed period; earns higher interest; penalties for early withdrawal.

3. UNDERSTANDING CHEQUES

A cheque is a written order from an account holder (the **drawer**) to their bank (the **drawee**) to pay a specific sum of money to a person or company (the **payee**).

Parties to a Cheque:

1. **Drawer:** The account holder who writes the cheque.
2. **Drawee:** The bank obligated to pay the amount.
3. **Payee:** The person/entity to whom the cheque is paid.

Precautions When Writing a Cheque:

- Be consistent with your signature.
- Write the amount in words and figures clearly.
- Avoid folds and alterations. If you alter, initial the change.
- Write the payee's name correctly.

Types of Cheques:

1. **Open Cheque:** Can be cashed over the counter.
2. **Crossed Cheque:** Has two parallel lines; must be paid into a bank account, not cashed.
3. **Bearer Cheque:** Payable to anyone who presents it.
4. **Order Cheque:** Payable only to the person named on it.
5. **Stale Cheque:** A cheque presented after 6 months (it is invalid).

6. **Post-Dated Cheque:** A cheque with a future date.

Reasons for Crossing a Cheque:

- It is safer than an open cheque.
- It prevents theft and unauthorized cashing.
- It ensures the money is traced through a bank account.

EVALUATION

1. Differentiate between a loan and an overdraft.
2. Why would a bank need to know the "purpose of a loan" before granting it?
3. List three documents required to open a current account.
4. Identify the three parties to a cheque.
5. Why is a crossed cheque considered a safer method of payment than a bearer cheque?

ASSIGNMENT

1. **Practical Exercise:** Design a sample cheque. Label the following parts clearly: Drawer, Drawee, Payee, Date, Amount in figures, Amount in words, and Signature line. On the back, explain what crossing the cheque means.
2. **Case Study:** Mrs. Adebayo has a small supermarket and wants to expand. She needs N500,000 to buy more shelves and stock. She has a current account but her daily sales vary.
    - Would you advise her to apply for a loan or an overdraft? Justify your answer with two reasons.
    - List three pieces of information she must provide to the bank to support her application.

WEEK 9: THE CENTRAL BANK AND MONETARY CONTROL

Topic: The Apex Financial Institution

Sub-Topics: Roles of the Central Bank and its Control over the Banking System.

1. THE CENTRAL BANK

The Central Bank of Nigeria (CBN) is the highest financial institution in the country. It is established by the government to manage and control the nation's monetary system and act as a banker to the government. It is known as the **apex bank**.

2. KEY FUNCTIONS OF THE CENTRAL BANK

1. **Banker to the Government:** Manages the government's accounts, receives revenues, and makes payments. It also lends money to the government.
2. **Issue of Legal Tender:** Has the sole authority to print, issue, and control the circulation of the national currency (Naira).
3. **Bankers' Bank:** All commercial banks must have accounts with the CBN, which facilitates inter-bank settlements and cheque clearing.
4. **Lender of Last Resort:** Provides emergency funds to commercial banks facing temporary financial difficulties to maintain stability in the financial system.
5. **Management of Foreign Exchange:** Holds the country's foreign reserves and manages the value of the Naira against other currencies.
6. **Financial Advisor to the Government:** Advises the government on monetary and financial policies and represents the country in international financial institutions like the World Bank.

3. HOW THE CENTRAL BANK CONTROLS COMMERCIAL BANKS

The CBN uses **Monetary Policy** tools to control the amount of money in circulation and ensure a stable economy.

1. **Monetary Policy Rate (MPR)/Bank Rate:** This is the baseline interest rate at which the CBN lends to commercial banks. **To reduce inflation**, the CBN

raises the MPR, making borrowing more expensive for banks and their customers. **To stimulate growth**, it lowers the MPR.

2. **Open Market Operations (OMO):** The CBN buys or sells government securities (bonds) to control money supply. **Selling securities** takes money out of the economy, while **buying them** injects money.
3. **Cash Reserve Ratio (CRR):** This is a percentage of customers' deposits that commercial banks are mandated to keep with the CBN at zero interest. **Increasing the CRR** reduces the amount of money banks have available to lend.
4. **Special Directives:** The CBN can issue specific orders to banks, for example, directing them to lend more to the agricultural or manufacturing sector and less to others.
5. **Moral Suasion:** The CBN uses persuasion and official appeals to encourage commercial banks to follow its policy direction.

EVALUATION

1. Why is the Central Bank called the "Apex Bank"?
2. Explain the function of the Central Bank as the "Lender of Last Resort."
3. What is the main reason the Central Bank has the sole power to issue currency?
4. If the CBN wants to reduce the amount of money in circulation to control inflation, would it: a) *Increase* or *Decrease* the Monetary Policy Rate? b) *Buy* or *Sell* government securities? (Choose the correct option for each).
5. How does a high Cash Reserve Ratio (CRR) affect the lending capacity of commercial banks?

ASSIGNMENT

1. **Research & Analysis:** Find a recent news article (from the last 6 months) discussing a decision by the Monetary Policy Committee (MPC) of the CBN.
    - What was the decision regarding the Monetary Policy Rate (MPR)?
    - According to the article, what was the main reason given for this decision (e.g., to control inflation or stimulate economic growth)?
2. **Compare and Contrast:** Create a detailed table comparing the Central Bank and Commercial Banks. Your table should have at least five points of

comparison, such as: Primary Objective, Customers, Profit Orientation, Function of Issuing Currency, and Role in Lending.

WEEK 10: WAREHOUSING

MEANING OF WAREHOUSING:

Warehousing is the act of storing goods produced or bought in a place until they are needed. In other words, warehouse is a place where goods are stored until they are demanded by the consumers

CHARACTERISTICS OF WAREHOUSE

1. Adequate space to keep goods in proper order.
2. Round the clock security arrangement should be available to avoid theft of goods.
3. Cold storage facility for perishable items like fruits, vegetables, eggs etc.
4. Convenient location.
5. Mechanical appliance for loading and unloading goods.

TYPES OF WAREHOUSES

1. **Bonded warehouse**: A bonded warehouse is a place where goods whose customs duties have not been paid are stored until the duties are settled'
2. **State warehouse**: state warehouse is owned and controlled by the government of a country. It is a place where contraband or smuggled goods seized by the customs authority are kept until they are auctioned
3. **Wholesale warehouse**: Is owned by the wholesaler to keep or store all the varieties of goods bought.
4. **Public Warehouse**: A public warehouse is owned and operated by private individuals who let it out to anybody for safekeeping of goods.
5. **Manufacturers warehouse**: Is owned by the producers of goods to store their products until they are demanded.

ADVANTAGES OF WAREHOUSE

1. Protection and preservation of goods.
2. Regular flow of goods.
3. Continuity in production.
4. Useful for small businessmen.
5. Creation of employment.
6. Generate revenue for government

7. Reduce risks of loss.

PROBLEMS OF WAREHOUSING

1. Problem of pilfering
2. Inaccessibility
3. Unreliable supply
4. Problem of stock valuation
5. Lack of qualified manpower

FACTORS TO BE CONSIDERED IN SITTING A WAREHOUSING:

1. ***Transportation infrastructure***: A warehouse located near a major port or airport can help to reduce transportation cost and improve supply chain efficiency. It is also important to consider the quality of the roadways and railway.
2. ***Labour availability***: It is important to consider the availability of skilled labour in the area. This can help to ensure that your warehouse operations are efficient and effective. Choosing a warehouse location with affordable labour can help to reduce operating costs and improve profitability.
3. ***Proximity to customers***: A warehouse located near major population centres can help to reduce transportation time and costs and improve customer satisfaction.
4. ***Warehouse capacity***: The size and layout of the warehouse can have a significant impact on your supply chain operations. It is important to consider the type of warehouse. Different products require different storage conditions, such as temperature and humidity control.
5. ***Regulatory environment***: When choosing a warehouse location, it is important to consider the regulatory environment and ensure that your business can comply with all applicable regulations. This is particularly important for businesses that deal with hazardous materials or other regulated product. Choosing a warehouse location with appropriate regulatory support can help to ensure that business operations are compliant and avoid potential fines or penalties.

ACTIVITIES OF WAREHOUSING

1. ***Contingences***- Warehouse protects or take care of unforeseen wants such as vendor stock out, strikes, transportation delays, etc.
2. ***Preservation***- Warehouses provides the right temperature to prevent product spoilage.
3. ***Paper works/ records***- Warehouses keep records of goods going in and out by issuing receipt etc.
4. ***Inventory management***- Efforts are made to match demand with supply.
5. Security.
6. Managing spoilage.

EVALUATION

1. What is warehousing?
2. Describe two types of warehouses
3. List three features of warehousing
4. Explain two advantages and two disadvantages of warehousing

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SS2 COMMERCE LESSON NOTES

SECOND TERM

1 Capital
2 Credit
3 Profit
4 Turnover
5 Midterm Examination
6 Business Law
7 Midterm break
8 Structure Of Business
9 Introduction To Business Management I
10 Introduction To Business Management II

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WEEK 1: CAPITAL

MEANING OF CAPITAL

This is the total amount of money employed to run a business. It represents any form of wealth set aside for the production of further wealth. There are three schools of thought or views above the above definition. These views are the accountant, economist, and the layman's point of view.

Accountant's Definition of Capital: This is the total assets of a business entity, less its liability due to third parties outside the firm. It is also the original money with which a person used to start a business. It can be derived as follows: Total Assets—All liabilities =Capital.

Economists' Definition of Capital: Capital is wealth reserved or used for the production of more wealth. It is also referred to as any man-made tool or equipment that helps in the production of goods and services.

Layman's Concepts: To the layman, capital is the total amount of money for running a business.

TYPES OF CAPITAL

1. ***Authorized /Registered/Nominal Capital***: This is the total amount stated in the Memorandum of Association and approved by the registrar of companies which a company can issue out for subscription.
2. ***Issued Capital***: This is part of authorized capital which has been approved and the company decides to issue out to the public for subscription. For example, if ₦10 million worth the share is registered and half of it is being issued out for subscription, this half is called issued share capital.
3. ***Called Up Capital***: This is part of the issued capital that has been called up, and the shareholders have been asked to make payment. For example if ₦10 million in ₦1 shares, the company may not require the total amount immediately. It request that part of it be paid.

4. ***Capital Employed***: This is the total capital raised to finance the running of a business. It is total assets, both fixed and current, less current liabilities. It is derived as Total Assets — Current Liabilities = Capital Employed.
5. ***Liquid Capital:*** This is made up of assets that can be easily converted into cash or money or assets that can be converted into money at short notice. Examples are cash, near-money-debt, and inventories.
6. ***Circulating or Floating Capital***: It is also called working capital. This is the amount that is used for the day-to-day running of the business. Circulating capital includes capital used for the wages, salaries, and payment for raw materials. It is also described as the excess of current assets of a business over its current liabilities.
7. ***Uncalled Capital***: This is the total amount that has not been called-up on the issued share capital. It simply means capital that is yet to be called up for payment.
8. ***Capital Owned***: It is the owners' financial interest in a business. It is the excess of total assets of a business over the value of its total short and long term liabilities. It is the net worth of a business. It is derived as: Total Assets — All Liabilities = Capital Owned.
9. ***Fixed Capital or asset***: These are the durable things or investment of a business, e.g. building, plants, motor vehicles, etc.
10. ***Loan Capital***: This is the total amount of money a business borrows from external sources. A good example is the debenture and mortgage loan.

IMPORTANCE OF WORKING CAPITAL

1. It serves as a check against tying down too much money for current assets.
2. It helps to determine whether the business is solvent or not, i.e., whether it has the ability to settle debt without selling fixed assets.
3. It helps to determine the fund that will be available for the running of the business on a daily basis.
4. Working capital can be used by a business as a basis for planning to avoid losses.
5. It provides basis for profit making by the business since it is used to buy stock from where profit is derived.

EVALUATION:

1. Define Capital.

2. Write short notes on the following: i. Authorized capital ii. Issued Capital iii. Called-up capital iv. Circulating Capital.
3. State five importance of working capital.

WEEK 2 – CREDIT

MEANING OF CREDIT

Credit is the ability of a person, individual or corporate entity to buy and enjoy goods and services and pay at a future date usually with interest. The credit worthiness of the buyer must be taken into consideration before granting credit so that it will not lead to bad debt. There should also be contractual agreement between the seller and the buyer.

BASIS FOR CREDIT SALES.

1. The income of the buyer
2. Sources of payment
3. Integrity of the buyer
4. Availability of guarantors
5. Present employment
6. Time of payment.

ADVANTAGES OF CREDIT SALE

1. Increase in sales
2. Increase in profit
3. Enjoyment of goods without payment
4. Increase in standard of living
5. Encouragement of bulk purchase

DISADVANTAGES OF CREDIT SALE

1. Increase in price
2. Customer can over-buy
3. It can lead to bad debt
4. Problem on non-payment
5. It can lead to court action

SOURCES OR TYPES OF CREDIT

1) **Loans**: These are formal credits granted to a customer repayable at an agreed date, place and condition. Loans require collateral securities

2) **Overdraft: This** is a formal credit granted to customers with current accounts. An overdraft allows a customer to withdraw sums of money in excess of his credit standings. The amount overdrawn is redeemed subsequently as he makes future deposits with interest.
3) **Lease**: This is the permission granted to a leaser to use equipment, land plant or machinery for a given purpose {e.g. for the production of goods or rendering of services} over a period of time at an agreed condition.
4) **Trade Credit**: This type of credit allows the trader to collect goods from a supplier without paying for them immediately. It is aimed at increasing the quantity of goods sold by the seller.
5) **Hire Purchase**: This is a form of credit whereby the seller allows the buyer to have the possession of the goods on the payment of the first installment of agreed price. Under this arrangement, the seller retains ownership of the goods until the last installment is met otherwise the buyer loses possession to the seller and no refund is made of earlier amount paid.

ADVANTAGES OF HIRE PURCHASE TO SELLER

i. The seller gains more as he sells the goods at a higher price than he would have done for cash.
ii. He sells more goods over a given period of time

DISADVANTAGES OF HIRE PURCHASE TO THE SELLER.

iii. The seller may incur additional costs in order to recover the goods if the buyer defaults.
iv. There is the risk of the seller losing the goods completely if the buyer dies, is transferred to another location, or changes address unknown to the seller.

ADVANTAGES OF HIRE PURCHASE TO THE CUSTOMERS

i. It allows the customer with little income to buy expensive goods.
ii. Customers enjoy the advantages of using the goods while payment is on.
iii. It encourages savings habit for customers

DISADVANTAGES OF HIRED PURCHASE TO CUSTOMERS

iv. The buyer is not given the chance to negotiate favourable conditions for sale.

v. Customers are made to pay higher interest rate.

vi. Customers stand the risk of buying more than they could readily pay for.

vii. The risk of losing both the goods and installment already is possible.

6) Deferred Payment: This is a form of credit whereby the seller allows the buyer ownership of the goods on payment of initial deposit. The seller under this arrangement can only sue for his balance, should the buyer default. Generally, deferred payment facilities favour the buyer while hire purchase favours the seller.

Similarities between Hire Purchase and Deferred Payment

I. Both systems of credit ensure that the buyer takes possession of the goods

II. Both the hirer and the buyer can use and enjoy the goods

III. Both hire purchase and deferred payment attracts installment payment.

CREDIT INSTRUMENT

Credit instruments are defined as written agreements between creditors and debtors. It is used as evidence of repayment in credit transactions. They include the following:

1) Bill of exchange
2) Promissory notes
3) Letter of credit
4) Credit Cards
5) Debentures
6) Trading cheques
7) Vouchers
8) Hire purchase contract
9) Bonds
10) I owe you {IOU}
11) Mortgage agreements
12) Lease agreements
13) Bank draft.

EVALUATION

1. Define credit

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2. Describe three types of credit

3. State five credit instruments

WEEK 3 – PROFIT

MEANING OF PROFIT

Profit may be defined as the excess of the selling price over the cost price. In this case, the total revenue realized from goods bought exceeds the total expenditure on goods. If the reverse is the case, it is known as a loss, which indicates that the business concerned did not make a profit. **To an accountant**, profit is the excess of income over expenditure. **To an economist**, profit represents the reward of being an entrepreneur.

There are two types of profits namely:

1**. Gross profit**: This is the excess of sales revenue over the cost of goods sold. It shows the total profit before deducting all the expenses. Gross profit is determined in the trading account.

2**. Net profit**: This is the excess of gross profit over the total expenses of the business at a given period. This is the real profit of a business. It is determined by preparing the profit and loss account.

THE FACTORS AFFECTING PROFITS ARE:

1. The selling price of goods
2. The cost of goods sold, i.e cost price
3. The number of competitive firm
4. Relationship between demand and supply
5. The knowledge of the seller concerning the market.

Example 1

XYZ limited is a trading company. The following transactions took place for the year ended 31st December 2024

Creditors	20,000
Premises	20,000
Machinery	20,000
Cash	20,000
Debtors	30,000

Stock	50,000
Cost of goods sold	100,000
Sales	200,000
Plant	30,000
Rent	10,000

From the above, calculate the

(a) Fixed assets

(b) Working capital

(c) Gross profit

(d) Net profit

Evaluation:

1. What is the meaning of profit
2. Explain two types of profit

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WEEK 4 – TURNOVER

MEANING OF TURNOVER.

Turnover of a business is the total net sales during a particular period e.g. a year. This is the value of total sales of an organization during an accounting period. i.e. sales less return inward.

RATE OF TURNOVER:

Rate of turnover is the number of times the value of average stock of a business is sold during a period.

FACTORS THAT CAN AFFECT TURNOVER.

1. The price of the product 2. Goodwill and reputation of the seller.

3. The number of competitors for the product

4. The type and nature of the product 5. Varieties of goods offered by the seller

6. Constant availability of goods. 7. Credit facilities. 8. Forces of demand and supply

9. Advertising, publicity and sales promotion 10. Terms of sale

OTHER IMPORTANT RATIO.

1. Margin: Margin can be defined as the relationship between the profit and selling price. Formula Gross profit

$$\frac{\text{Gross profit}}{\text{Selling price}} \times 100$$

2. Mark-up: Mark- up is the relationship that exist between the profit and the cost goods sold.

Formula: Gross profit

$$\frac{\text{Gross profit}}{\text{Cost price}} \times 100$$

3. Net Profit as a percentage of Turnover.

Formula: Net profit

$$\frac{\text{Net profit}}{\text{Turnover}} \times 100$$

4. Expenses as a percentage turnover

Formula. Expense x 100 Turnover

5. Gross profit as a percentage of turnover

6. Managers' commission

Formula: percentage commission

$$\frac{\text{percentage commission}}{100 + \text{percentage commission}}$$

EVALUATION:

1. Explain turnover
2. Calculate the rate of turnover, the percentage of gross profit to turnover

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WEEK 6 – BUSINESS LAW

MEANING OF BUSINESS LAW

Business law are sets of rules and regulations which govern the operation of business activities.

BRANCHES OF COMMERCIAL LAWS.

Business law has many branches and some are:

1. **Contract and commercial law**: These laws deal solely with matters that involve contracts among people.
2. **Law of tort**: These laws deal with injuries caused to a person by other individuals or companies.
3. **Property law:** This law deals with the ownership and use of property.
4. **Inheritance or succession law**: These laws deal with the rights of inheritance of property.
5. **Family law:** These govern the legal aspect of the family, such as the rules of adoption, marriage, divorce and duly support.
6. **Corporate Law:** These laws deal with business and stockholders.

DEFINITION OF CONTRACT

Contract simple means an agreement between parties, creating mutual obligations that are enforceable by law.

PARTIES TO A CONTRACT

1. Vendor and vendee
2. Landlord and tenant
3. Insurer and insured
4. Bank and customer

ESSENTIAL ELEMENTS OF A VALID CONTRACT

1. **Offer** It is a promise by one party to enter into a bargain contingent on the performance of another party.

2. **Acceptance**: Acceptance is the agreement to the specific conditions of an offer.
3. **Consideration**: Consideration is what each party to the contract gives up, or promises to do, to form the contract. It can be something of value, such as money, goods, services, or property.
4. **Intention to create legal relations**: To be legally binding, a contract must show an intention to create legal relations. This can be shown by the use of formal language, such as "I agree to…" or "This contract is binding on the parties".
5. **Authority and capacity**: Contract law judges the circumstances for a party to contract. Each party to the contract must have the legal capacity to enter into the mutual assent. This indicates that they must be of legal age and have the mental capacity to understand the terms of the contract.
6. **Certainty**: To be enforceable, a contract must include certain terms, and the ability to fulfill the essential terms of an agreement must be guaranteed. These terms must be clear and unambiguous.

CLASSIFICATION OF CONTRACT:

Contract can be classified into: Formal contract and informal contract.

1. Formal contract

a. Contract of Deed: These are formal contracts. They are promises written on paper, signed, and delivered.

b. Contracts of Records: These are obligations imposed by the court.

2. Informal contract: Informal contract are simple contracts which must possess all the essential characteristics of a valid contract.

TYPES OF CONTRACT.

1. ***Voidable Contract***: This is a contract which is valid unless and until the party entitled to void it actually does so. It is a binding contract but may be rejected by the third party.

2***. Valid contract:*** This is an agreement in which the parties are legally bound to carry out their obligations. It is binding and enforceable by the law.

3. ***Void contract***: This is one which is destitute of legal effect; it is no contract at all.

4. ***Unenforceable contract***: This is one which although valid, cannot be enforced in the court because of the absence of some written evidence or because the time stipulated for bringing action has elapsed.

5. ***Illegal contract***: This is not only a void contract, but any other contract related to it will also be void, if the main contract was strictly illegal.

6. ***Executed contracts***: Executed contracts are contracts that have been completed. In this contract the duties and obligations of the parties have been carried out, and nothing remains to be done.

7. ***Quasi contract:*** It is said to exist in those exceptional circumstances where a court feels compelled to impose obligations upon one person even though the person has no intention of making a contract.

8. ***Oral contract***: These are contracts entered into through the use of verbal communication or spoken words. They are not documented or written down.

9***. Written Contracts***: These are contracts which are documented . This duties and obligations of the parties as well as terms of agreement are clearly stated so as to establish clear-cut

METHODS BY WHICH CONTRACTS CAN BE TERMINATED

1. Completion of contract: The contract comes to an end when the parties have fulfilled their part of promises and carried out their obligations.

2. Impossibility of performance/Breach of contract: If a contract is or becomes impossible to perform then it leads to termination of the contract.

3. ***By consensus***: This is when both parties agree to release each other from their contractual obligations

4. ***By frustration***: A contract can be discharged when the subject matter or basis of the contract had been destroyed pr frustrated by an act of God

5. ***By lapse of Time***: A contract can be brought to an end when the period fixed for the agreement has been elapsed

6. ***By Death or Insanity*** of the party: The death or insanity of a person can bring an end to the contract

7. ***Bankruptcy:*** A contract can be brought to an end when either of both parties go bankrupt

8. ***Illegality of object:*** If the subject matter is illegal e.g. drug peddling

BREACH OF CONTRACT AND REMEDIES

A breach of contract occurs whenever a party who entered a contract fails to perform their promised obligations. Some of the remedies of a breach of contract are

1. ***Damages:*** The party that has suffered loss has the right to sue for damages.
2. ***Recession***: The parties can ask to be restored to their pre-contractual position in the law court.
3. ***Injunction***: The injured party can obtain a court injunction which is a mandatory order.
4. ***Justice:*** This is when the injured party sues to re-enforce the contract.

EVALUATION:

1. Define contract
2. Discuss the parties to a contract
3. State the essential elements of a contract
4. Outline the classes of contract

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WEEK 8 – STRUCTURE OF BUSINESS

MEANING OF ORGANIZATIONAL SET UP

The organizational set up of a business is the allocation of responsibilities and functions to different components of an organization and delegation authority to each position in order to ensure the smooth operation of the business so as to achieve the

planned objectives. With an organizational structure in place, each person's responsibilities and authority are defined as they pertain to the functions necessary to accomplish the group's goal.

PRINCIPLES OF MANAGEMENT:

1. ***Clarity of Objective***: The aims and objectives of an organization, the strategies and means of achieving them must be clearly stated. This will make the employees strive towards achieving the planned objectives.
2. ***Span of Control***: The number of subordinates under the direct supervision of a manger should be restricted to what is mentally possible for him to control. It should be kept as low as three to six.
3. ***Unity of Command***: This principle states that subordinates should receive instruction from their boss only as dual command affect effectiveness.
4. ***Division of Labour***: The organization will achieve efficiency if work is divided into the smallest possible units as specialization increase productivity.
5. ***Authority and Responsibility***: Authority and responsibility should be properly stated and both should match each other, i.e., authority should be commensurate with responsibility for effective supervision.
6. ***Unity of Direction:*** People engaged in the same kind of activities must have objectives in a single plan. This means that the corporate interest must supersede individual interest.
7. ***Scalar Chain***: Henry Fayol said, "A hierarchy is necessary for unity of direction." Formal communication must move up and down the line of authority, i.e., vertical communication whereby there would be proper communication from the top to the bottom and from the bottom to the top.
8. ***Discipline***: In any organization, discipline must be maintained in all departments. A fair disciplinary system, with penalties seriously applied by worthy superiors, will definitely strengthen the organization.
9. ***Esprit De Corps***: Management should encourage the morale of its employees and build up a team spirit. It should be guided by the popular slogan: "United we stand, divided we fall."
10. ***Remuneration***: The remuneration of employees should be fair and satisfactory to both the employer and the employee.

11. ***Evaluation Principle***: This principle helps to determine or measure the contributions of every worker to the attainment of the organizational objectives.

ORGANIZATIONAL CHART: It is a diagram of an organization's structure showing the departments, functions and positions in the organization and how they are related.

USES OF ORGANIZATIONAL CHART:

1. It shows the flow of authority and responsibilities.
2. It shows the various positions in an organization.
3. The span of control will be shown within an organization.
4. The whole structure of the organization will be shown.
5. A chart shows the relationship between various organs in an organization.
6. The boundaries of each position holder will be shown.

TYPES OF ORGANIZATIONAL STRUCTURE:

1. ***Line Organisation***: Line organization refers to the direct working relationship between the subordinates and the superiors in which the line of authority and responsibilities flow from the top executives to the lowest subordinates. A line manager has unlimited authority over the subordinate to whom he gives orders. This type of structure allows authority to flow downwards and responsibility upward. This means authority is greatest at the top and diminishes at lower level of management. This type of organization is more suitable for small or medium sized enterprises.

ADVANTAGES

1. it is simple and easily understood by the employees and management
2. Discipline is always maintained
3. Decision level at all level is made easy

DISADVANTAGES

1. It is autocratic
2. Lack of specialization at the supervisory level

2. ***Functional Organization***: Functional organization is a set up where functional relationships exist between a specialist or functional managers and line managers; e.g. the personnel manager has a functional responsibility for all activities concerning personnel in all the departments of the organization, even though each employee has his own manager in their department.

Advantages

1. Experts are allowed to make use of their expertise for the betterment of the company
2. It encourages division of labour and therefore promote efficiency

Disadvantages

1. Authority can overlap
2. There may be lack of effective control

3. ***Line and Staff Organisation***: The line and staff organization is a combination of line or direct executive and the specialist (functional) whereby a line organization engages experts who are to advise the line managers in the performance of their duties. Line executives do the actual work required in the operation of the organization, whereas staff is specialist who advises the executives.

ADVANTAGES

1. There is efficiency through specialization
2. Decision making can be enriched because ideas can be shared

DISADVANTAGES

1. Staff manager may attempt to usurp line authority
2. There is possibility that staff experts may intentionally undermine the authority of line managers

4. **Committee:** In the committee type of organization, the management team is assisted by a number of standing advisory committee. This is common in many business enterprises. The advisory committee members are appointed to carry out

special duties. A committee, for instance, may be set up to make recommendations or to execute projects.

ADVANTAGES

1. It is set up to carry out special duties
2. It is democratic in nature
3. It gives room for creating new ideas and better quality decision.

DISADVANTAGE

1. It leads to delay routine work
2. Decisions made are usually weak or inefficient

AUTHORITY, POWER, ACCOUNTABILITY AND RESPONSIBILITY IN AN ORGANISATION

AUTHORITY: It is the right to give command or directive and ensure compliance. Authority can also be referred to as the instrument of office or anything that enables individuals to secure obedience from other persons.

POWER: Power can be defined as the ability to exert influence and to compel obedience. The power of an officer is derived from the authority given to him.

ACCOUNTABILITY: It simply means a situation whereby a subordinate is accountable to his superior in an organization for his action and he is obliged to report to his superior how well he has discharged his responsibilities and use the authority delegated to him.

RESPONSIBILITY: It is the individual obligations to carry out the duties assigned to him or her. It is the ability of a person to be called upon to account for the action and results from assigned duty.

DELEGATION OF AUTHORITY:

It is the transfer of responsibility to a subordinate, with sufficient authority to enable the subordinate carry out the assignment while the superior will consider himself accountable for the delegated job.

PRINCIPLES OF DELEGATION

1. 1.There must be balance of authority, responsibility and accountability in an organization.
2. Responsibility cannot be delegated
3. There must be clarity in the functions given to each department

ADVANTAGES

1. Reduction of burden of work
2. Training of subordinates
3. It saves time
4. Speedy execution of jobs

DISADVANTAGES

1. It may lead to confusion
2. It leads to duplication
3. Delegation can be abused
4. Delegation may affect the quality of job.

IMPORTANCE OF COMMUNICATION TO BUSINESS

1. It establishes and disseminates the goals of an enterprise
2. It helps to organize human and other resources in the most effective and efficient way
3. It bridges the gap between the top management and the subordinates
4. Communication makes it possible for the day-to-day activities to be speedily attended to.
5. It helps to select, develop and appraise members of the organization

Evaluation

1. Draw an organizational chart showing various positions
2. Distinguish between the power of an individual and the power of an office
3. Define span of control
4. State the importance of communication to business

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WEEK 9 & 10: INTRODUCTION TO BUSINESS MANAGEMENT

MEANING OF BUSINESS: It is any activity that people engage in directly or indirectly in order to make profit. It can be owned privately or by the government.

BUSINESS RESOURCES: They are inputs which are required for effective and efficient running of a business concern. The resources must be organized by the manager to achieve the set objectives of an organization. These are human, finance, materials, time and opportunities.

1. ***Human Resources***: This is the most important resources because it plans, controls, organizes and co-ordinates all other resources to achieve maximum efficiency. Human resources refer to the personnel required to run the business to achieve the organization's objectives. They may be skilled or unskilled labour.
2. ***Money Resources***: Financial resources include the money to start a business and to purchase other resources. Money as a resource is important because it is used to finance all aspects of a business such as purchase of machinery, materials and payment of labour.
3. ***Material Resources***: Material resources include input-raw and semi-finished raw materials, equipment, tools, plant and machinery which are needed for production. For a business to operate efficiently, the quality and quantity of the material resources must be taken into consideration.
4. ***Opportunities/Goodwill***: Opportunities include facilities within the environment which the business uses. They include water, roads, electricity and telephone services. The name and reputation of a business which is referred to as goodwill is also good for business operation.

OBJECTIVES OF BUSINESS:

1. To derive maximum profit.
2. To provide goods and services that will meet the needs of the consumers.
3. To provide job opportunities for the people.
4. To help solve some of the country's social problems, e.g. environmental pollution.

5. To protect the interest of workers.

MANAGEMENT: Management can be defined as the process of using authority to organize, direct and control subordinates in order to achieve the objectives of the business.

FUNCTIONS OF MANAGEMENT:

1. ***Planning***: It is a process of formulating targets or objectives for an organization and outlining ways or means of achieving these objectives.
2. ***Controlling***: It is setting standards, measuring progress with the set standard and taking corrective action to minimize or avoid errors, thus achieving the objectives.
3. ***Organising:*** This function involves the bringing together or arranging whatever resources that are available, e.g. people, time, money, equipment to achieve the objectives of an organization.
4. ***Motivating***: These are ways the leaders get the subordinates to willingly carry out their responsibilities to the business, by inspiring them through monetary and non-monetary welfare packages.
5. ***Staffing***: This is the process of organizing human resources in such a way that the organization has the right people in the right place or position at the right time to achieve the objectives. It involves the provision of qualified, skilled and efficient personnel to manage the affairs of the organization.
6. ***Directing***: It entails using leadership, motivation and other skills to ensure that people in the organization know what their work is and have it done.
7. ***Communication:*** Planning, organizing and directing etc require managers to communicate with subordinates so that group goals can be achieved.

BUSINESS ENVIRONMENT: It consists of a number of activities that affect the operations of a business. For a business to survive, it must monitor what is going on in the environment.

1. ***Technological Environment***: A business must be concern about the technical know-how as technological development will lead to increase in the quality and quantity of goods to be produced, e.g. computers.

2. ***Political Environment***: The policies of the political party in power would affect the operation of business. Government policies will determine business practices and investment in a country.
3. FINANCIAL ENVIRONMENT: The effect of present economic condition is reflected in the financial position of business organizations. Businesses are suffering from a deficiency of liquid (cash) financial resources. The inability to obtain loans, raise capital through the sell of shares affects the performance of business.
4. ***Economic Environment***: This includes the general economic conditions which affect business decisions. Recession affects business operations negatively while economic boom affects it positively
5. ***Social/Cultural/Religious/Ethical/Moral Environment***: This is called socio-cultural setting. The general nature of a society in which a business operates has a significant influence on business characteristics. Business organization should change with the social, cultural or religious changes.
6. ***Infrastructural Environment:*** The availability of social amenities like road, telephone, railway, airports and seaports will affect the operation of a business. The facilities within the environment of a business play crucial role in the survival of an organization.
7. ***Legal Environment***: This constitutes all the laws, decree or edicts made by the government to regulate business operations, e.g. law of agency and the Enterprises Promotion Decree. A business is required to conform to the laws of the land.

DEPARTMENTALISATION:

It is the creation of departments and divisions in an organization. It also the grouping of activities that are similar and connected into departments.

FUNCTIONS OF EACH DEPARTMENT

1. ***Personnel Department***: This is concerned with the general administration of the whole organization. The Personnel Manager is the head of this department. The main functions are:

a. Human resources planning.

b. Recruitment, interviewing and selection.

c. Staff disciplines.

d. Promotion

e. Welfare, safety and health of workers.

f. Demotion and dismissal

2. Finance Department: This is concerned with the financial aspect of the organization. There are various divisions like accounting, costing and auditing within this department. The main functions of the department are:

a. To control expenditure

b. To take account of revenue To keep proper books of account.

c. To calculate personnel emoluments, wages and salaries.

d. Cash control.

e. To ensure that profit justifies investments.

3. *Production Department*: This department produces goods under the direction of the production manager who is the head of the department. The functions of this department are:

a. Cost control.

b. To produce goods of right quality

c. To produce goods of actual quantity

d. To research and develop new products

e. To design product.

4. ***Marketing Department:*** This is concerned with the marketing, sales and distribution of goods produced. Its key functions are:

a. To advertise.

b. To sell goods.

c. To make market research.

d. Distribution of goods etc.

5. ***Purchasing Department***: The purchasing department makes arrangement for purchase of all items required by the business. The perform functions such as:

a. Purchase of raw materials

b. Purchase of assets

c. Storage and control of stock

d. Warehousing of goods

e. Maintaining accurate record of sources of materials.

SOCIAL RESPONSIBILITY OF A BUSINESS:

A business is not profit oriented alone; it is also set up to contribute to the welfare of the people in its environment. The social responsibilities of the business to the society are classified as follows:

RESPONSIBILITIES TO THE COMMUNITY:

1. Provision of quality goods and services.
2. Developmental programmes.
3. Employment of community members
4. Controlling pollution.
5. Provision of social amenities.
6. Support for sports and games.
7. Award of scholarship

RESPONSIBILITIES TO THE GOVERNMENT:

1. Payment of taxes
2. Complying with rules and regulations
3. Employment of citizens.
4. Acceptance of Government role in business affairs

RESPONSIBILITIES TO THE CONSUMERS:

1. Truth in advertising.
2. Provision of quality products
3. Provision of after sales services.
4. Provision of pre-sales services.
5. Educating the consumers.
6. Prevention of product defects.

7 Attending to customers' complaint.

RESPONSIBILITIES TO THE SHAREHOLDERS:

1. Distribution of dividends
2. Ensure business profitability.
3. Annual general meeting.
4. Preparation of statement of Accounts

RESPONSIBILITIES TO THE EMPLOYEES:

1. Recruitment and promotion
2. Payment of remuneration
3. Provision of conducive working environment.
4. Job satisfaction.
5. Welfare packages.
6. Training facilities

ENVIRONMENTAL RESPONSIBILITIES:

1. Reduction of pollution
2. Waste Treatment
3. Proper Disposal of waste.

EVALUATION

1. Explain the meaning and objectives of business
2. Define management
3. Explain three department in business organization
4. State the social responsibilities of business

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SS2 COMMERCE LESSON NOTES

THIRD TERM

1 Introduction To Marketing
2 Consumer Protection I
3 Consumer Protection II
4 Meaning of Payment I
5 Midterm Examination
6 Meaning of payment II
7 Midterm break
8 Deregulation, Nationalization, Indigenisation I
9 Deregulation, Nationalization, Indigenisation II

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WEEK 1 – INTRODUCTION TO MARKETING

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

FUNCTIONS OF MARKETING

1. Transportation
2. Selling/ Buying/Exchange
3. marketing information research
4. Storage/Warehousing
5. Financing

IMPORTANCE OF MARKETING

1. Profit
2. It serves as a link between production and consumption
3. Create awareness
4. Enhancement of consumers' satisfaction
5. Marketing create market for food and services

MARKETING CONCEPT

Marketing concept is the idea that consumers should be treated as 'KINGS'. The interest and desire of the consumers must be taken into consideration in bringing out products or any business activities. The basic idea behind marketing concept is consumer orientation. The marketing concept is the use of marketing data to focus on the needs and wants of customers in order to develop marketing strategies that not only satisfy the needs of the customers but also the accomplish the goals of the organization.

MARKETING RESEARCH

Market research is the study of consumers' demand by a firm in order to assist it in expanding its output and the marketing of its products. It is the systematic and objectives search for and the analysis of information to guide managers in production

and marketing. Marketing research is conducted through the following ways: personal interview, telephone, questionnaire and observation

TYPES OF MARKETS

1. **Physical Markets**. Any physical market is a place where buyers and sellers physically meet that involve both parties in a transaction in exchange for money. Few good examples are departmental stores, shopping malls and retail stores

2. **Virtual Markets / Internet Markets.** Today's business environment such type of markets are increasing on a fast track. It is a place where the seller offers goods and services via online platform i.e. internet. Buyers and sellers are not required to physically meet or interact. Examples are Freelancer.com, Amazon.com etc

3. **Auction Market.** An auction market is a place where sellers and buyers indicate the lowest and highest prices they are willing to exchange. This exchange takes place when both the sellers and buyers agree on a price. A good example is the New York Stock Exchange (NYSE), The Nigeria Stock Exchange(NSE) etc

4. **Consumer Markets.** This market type means the marketing of consumer goods and services for personal and family consumption. Consumer market examples are

- fast moving consumer goods are ready to cock meals and newspaper, magazines etc.,
- consumer durables goods are fridge, televisions, personal computers etc.,
- soft goods are shoes and clothes and services include hairdressing, schools and colleges etc.

5. **Industrial Markets.** The industrial market involves business to business sales of goods and services. These marketers do not target consumer markets. Some examples of the industrial market include

- Finish goods like office furniture,

- Selling raw materials for businesses i.e. gasses and chemicals
- Offering services to businesses2business for example security agencies, auditing and legal services etc.

6. **Black Market.** Just like black money, black market deals in illegal drugs and weapons.

7. **Market for Intermediate Goods.** These markets dealing in selling raw materials that need further processing to produce finish goods.

8. **Financial Market.** This is a broad market known as a financial market. This is a place for dealing with liquid assets for example shares, bonds etc.

MARKETING MIX

The marketing mix describes the specific combination of marketing elements used to achieve the marketing objectives and satisfy the target market. It is the term that is used to describe the combination of the four inputs that constitutes the core of a company's marketing system, the product, the price, place, the promotional activities and the distribution system. The concept of marketing mix was popularized by Neil Bordon. McCarthy refer to four key variables in marketing as "the four Ps". These are the four key marketing program, which can create demand and increase the sales of products.

ELEMENTS OF MARKETING MIX

1. **Product:** This is the merchandise/goods and services offered for sale. Consists of packaging, labeling, product features etc
2. **Price:** This is the value placed on a products. It includes: price level, discounts and payment terms
3. **Place:** This is concerned with putting the right quantity of products in the right location at the appropriate time. It comprises of market average, channels of distribution, inventory planning etc
4. **Promotion:** This is concerned with informing customers of product features and persuading them to buy the product. It consists of advertising, sales promotion, personal selling etc.

PRODUCT MIX

A product is a set of tangible physical attributes assembled in an identifiable form, which the buyer may account as offering want for satisfaction e.g. shoes.

Product mix is a marketing decision on product which lay emphasis on quality, style, brand name, packaging and durability in order to boost sales.

EVALUATION:

1. Define marketing
2. State the functions and importance of marketing
3. Outline the types of market
4. Define Marketing concept
5. Discuss the components of the marketing concept
6. Explain what a product and product mix is

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WEEK 2: CONSUMER RIGHTS AND PROTECTION MECHANISMS

Topic: Safeguarding the Consumer in the Marketplace

Sub-Topics: Who is a Consumer, The Need for Protection, Consumer Rights, and Protecting Agencies.

1. THE CONSUMER

A consumer is any person or group that purchases or uses goods, products, or services to meet personal, family, or household needs. This definition excludes those who buy goods for resale or for use in manufacturing other goods (wholesalers, retailers, manufacturers).

2. CONSUMER PROTECTION

This refers to the laws, regulations, and organized efforts designed to ensure the rights of consumers are protected, and that they are not exploited by unscrupulous manufacturers, distributors, or sellers. The goal is to allow consumers to make informed choices and get maximum satisfaction from their purchases.

3. REASONS FOR CONSUMER PROTECTION

Consumers need protection because they often have less power and information than businesses. Key reasons include:

1. **Poor Quality Goods:** To protect against substandard, fake, or adulterated products.
2. **Misleading Advertising:** To prevent false claims and "too-good-to-be-true" ads that manipulate buying decisions.
3. **Deceptive Weights and Measures:** To ensure consumers get the exact quantity they pay for.
4. **Price Exploitation:** To prevent monopolies and cartels from charging exorbitant prices.

5. **Health and Safety Risks:** To protect against harmful, dangerous, or defective products (e.g., faulty electrical appliances, contaminated food).
6. **Limited Choice:** To ensure a competitive market where consumers have real alternatives.
7. **Lack of Information:** To ensure consumers know how to use products safely and are aware of their legal rights (e.g., under hire purchase agreements).

4. CONSUMER RIGHTS

These are the fundamental entitlements of every consumer. They are often summarized as follows:

1. **The Right to Safety:** To be protected against goods that are hazardous to health or life.
2. **The Right to be Informed:** To be protected against fraudulent, deceitful, or misleading information and to be given the facts to make an informed choice.
3. **The Right to Choose:** To have access to a variety of products and services at competitive prices.
4. **The Right to be Heard:** To have consumer interests represented in the making of government policy and in the development of products.
5. **The Right to Redress:** To receive a fair settlement of just claims, including compensation for misrepresentation or shoddy goods.

5. CONSUMERISM

Consumerism is the social movement of consumers themselves who organize to demand better products, fair prices, and honest advertising from businesses. It emerged powerfully in the 1960s as a form of collective action to correct business injustices and amplify the consumer's voice.

6. INSTRUMENTS AND AGENCIES OF PROTECTION

A. Government Legislation (Laws):

- **Standard Organization of Nigeria (SON) Decree:** Sets and enforces quality standards for products.

- **National Agency for Food and Drug Administration and Control (NAFDAC) Act:** Regulates the manufacture, importation, and sale of food, drugs, and cosmetics.
- **Federal Competition and Consumer Protection Commission (FCCPC) Act:** Protects consumers from unfair business practices and promotes market competition.
- **Weights and Measures Act:** Ensures accuracy in the measurement of goods sold.

B. Protective Agencies:

1. **Standard Organization of Nigeria (SON):** Ensures product quality and standards.
2. **NAFDAC:** Controls the quality of food, drugs, and medical devices.
3. **FCCPC:** Handles consumer complaints and investigates unfair practices.
4. **Consumer Protection Council (CPC):** (Now part of FCCPC) was a key agency for consumer rights.
5. **Manufacturers Association of Nigeria (MAN):** Often has codes of practice for its members.

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EVALUATION

1. Define the term "consumer" in the context of commerce.
2. List three reasons why consumer protection is necessary in an economy.
3. Explain the difference between the "Right to Safety" and the "Right to be Informed."
4. What is the primary role of the Standard Organization of Nigeria (SON)?
5. How does consumerism empower individuals?

ASSIGNMENT

1. **Case Study Analysis:** Find a recent news article about a product recall in Nigeria (e.g., a faulty vehicle, contaminated food, or defective phone battery).
    - Identify which consumer **right** was potentially violated.

- Name the **government agency** (e.g., SON, NAFDAC, FCCPC) that would most likely be involved in investigating this issue.
- Write a short paragraph on how this recall demonstrates the system of consumer protection in action.

2. **Create a Public Awareness Flier:** Design a simple flier titled "Know Your Consumer Rights." The flier should clearly list the five core consumer rights with a brief, easy-to-understand explanation and a relevant icon or image for each.

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WEEK 3: BUSINESS DOCUMENTATION AND TRADE TRANSACTIONS

Topic: The Paperwork and Language of Business

Sub-Topics: Essential Business Documents, Understanding Trade Terms, and Terms of Sale.

1. ESSENTIAL BUSINESS DOCUMENTS

These documents facilitate smooth and transparent transactions between businesses.

1. **Letter of Inquiry:** A document sent by a potential buyer to a seller requesting information about products, prices, and terms of sale. It is the first step in a transaction.
2. **Quotation:** A formal response to an inquiry, sent by the seller. It details the prices, descriptions of goods, and any applicable discounts or terms (e.g., delivery time).
3. **Invoice:** A bill sent by the seller to the buyer after the goods are delivered. It lists the items, quantities, prices, total amount due, and payment terms. It is a request for payment.
4. **Receipt:** A written acknowledgment that payment has been received. It is proof of purchase and settlement.
5. **Advice Note:** A document sent by the supplier to inform the buyer that the goods have been dispatched. It details the method of transport and expected arrival date.
6. **Consignment Note:** A document given to a transport company (carrier) when goods are shipped. It serves as a contract between the shipper and the carrier and as a receipt of the goods. The receiver signs it upon delivery as proof.
7. **Credit Note:** A document issued by a seller to a buyer to correct an overcharge on an invoice. It reduces the amount the buyer owes. (The opposite is a **Debit Note**, which increases the amount owed).

2. TRADE TERMS AND ABBREVIATIONS

These standard phrases clarify the costs and responsibilities in a transaction, especially in logistics.

- **Discounts:**
    - **Trade Discount:** A reduction given to intermediaries (e.g., retailers) on the list price.
    - **Cash Discount:** A reduction offered for prompt payment.
    - **Quantity Discount:** A reduction for buying in large volumes.
- **Key Delivery Terms:**
    - **E.O.E. (Errors and Omissions Excepted):** A disclaimer on documents reserving the right to correct mistakes.
    - **C.W.O. (Cash With Order):** Payment must be made when placing the order.
    - **C.O.D. (Cash On Delivery):** Payment is made when the goods are delivered.
    - **F.O.B. (Free On Board):** The seller's price includes all costs until the goods are loaded onto a ship.
    - **C.I.F. (Cost, Insurance, Freight):** The seller's price includes the cost of the goods, insurance, and shipping to the destination port.

3. TERMS OF SALE

This defines when payment is expected.

1. **Cash Sale:**
    - **Spot Cash:** Immediate payment upon purchase.
    - **Cash with Order (CWO):** Payment is sent with the order.
    - **Cash on Delivery (COD):** Payment is made upon receipt of the goods.
2. **Credit Sale:** Ownership of the goods is transferred to the buyer who promises to pay at a later date (e.g., in 30, 60, or 90 days). An invoice is used for this.

EVALUATION

1. What is the key difference between a **Quotation** and an **Invoice**?
2. When would a business issue a **Credit Note**?

3. Explain the practical difference for a buyer between a **C.W.O.** and a **C.O.D.** term of sale.
4. Which document acts as a receipt between a seller and a transport company?
5. Why is a **Consignment Note** important for the receiver of goods?

ASSIGNMENT

1. **Document Flowchart:** Create a flowchart that maps out the sequence of at least five key business documents in a typical sales transaction, from the initial inquiry to the proof of payment. Briefly describe the purpose of each document in the sequence.
2. **Scenario-Based Problem Solving:** You are the owner of "Quality Goods Ltd."
    - **Part A:** A school sends you a **Letter of Inquiry** for 100 chairs. Create a simple **Quotation** in response, listing the item, a unit price of ₦5,000, a 10% trade discount, and C.O.D. terms.
    - **Part B:** After delivering the chairs, you realize your invoice accidentally charged the pre-discount price. Write one sentence explaining which document you must send to the school to correct the error. Then, calculate the corrected total amount due.

WEEK 4: FOUNDATIONS OF PAYMENT – CASH AND BANKING INSTRUMENTS

Topic: The Basics of Settling Debts

Sub-Topics: The Meaning of Payment, Determining Factors, and Modern Banking Payment Methods.

1. MEANING OF PAYMENT

Payment is the process of transferring value from one party (the payer/debtor) to another (the payee/creditor) to settle a financial obligation or business transaction. With the end of the barter system, money became the central medium of exchange, and various secure and efficient payment institutions and instruments have evolved to support commerce.

2. FACTORS THAT DETERMINE THE CHOICE OF PAYMENT METHOD

When deciding how to pay, individuals and businesses consider:

- **The Amount Involved:** Large sums are rarely paid in cash for security reasons.
- **Cost:** Some methods (e.g., bank drafts) have fees, while cash does not.
- **Urgency:** A telegraphic transfer is faster than a postal order.
- **The Debtor's Account Type:** You need a current account to use a cheque.
- **Safety:** Carrying large amounts of cash is risky.
- **Due Date:** The method must ensure the creditor receives funds on time.
- **Distance:** Local and international payments require different instruments.

3. CLASSIFICATION OF PAYMENT METHODS

Payment methods can be grouped into:

1. Legal Tender (Cash)
2. Payment through the Bank
3. Payment through the Post Office
4. Businessmen's Means of Payment *(Weeks 4 will focus on the first two.)*

4. LEGAL TENDER (CASH)

This is the official currency that, by law, must be accepted if offered in payment of a debt. Refusal can legally discharge the debt.

- **Coins:** Metallic money issued in small denominations (e.g., ₦1, ₦2). They are **limited legal tender**, meaning there's a maximum amount you can pay in coins for a single transaction.
- **Banknotes:** Paper currency issued by the Central Bank (e.g., ₦50, ₦500, ₦1000). They are the most common form of cash.

5. PAYMENT THROUGH THE BANK

Banks provide secure alternatives to carrying large amounts of cash.

1. **Cheque:** A written order from an account holder (drawer) to their bank to pay a specific sum to a person or company (payee). Convenient but can "bounce" if there are insufficient funds.
2. **Bank Draft:** A cheque drawn by a bank on itself. It is highly reliable because the bank deducts the money from the purchaser's account immediately. Ideal for large, one-time payments (e.g., buying a car).
3. **Bank Certified Cheque:** A customer's cheque that the bank has "certified" by setting aside the funds and stamping it. This guarantees the cheque will not bounce.
4. **Credit Transfer (Bank Giro):** An electronic instruction from a debtor to their bank to transfer funds directly into the creditor's bank account. This is the basis for modern salary payments and online transfers.
5. **Standing Order:** An instruction to a bank to make automatic, fixed payments to a named person or organization at regular intervals (e.g., for rent or subscriptions).
6. **Travellers' Cheque:** Pre-printed, fixed-denomination cheques for international travellers. They can be replaced if lost or stolen, making them safer than cash abroad. (Though less common now due to debit/credit cards).

EVALUATION

1. What is the key legal characteristic of "Legal Tender"?
2. Why would a business prefer a Bank Draft over a personal cheque for a large transaction?
3. Differentiate between a **Standing Order** and a **Credit Transfer**.
4. List three factors a student should consider before choosing to pay for a new laptop with cash.

ASSIGNMENT

1. **Scenario-Based Analysis:** Your uncle needs to pay ₦500,000 for a piece of land in a different state. The seller does not have a bank account.
    - Which *two* payment methods would you recommend? Justify your choice for each based on safety, reliability, and the seller's situation.
    - Which *one* payment method would you strongly advise against? Explain why.
2. **Practical Exercise:** Create a simple flowchart titled "Choosing a Payment Method." It should guide a small business owner through the decision-making process by asking questions based on the factors listed in the lesson (e.g., "Is the amount large?" → "Use Bank Draft.").

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WEEK 6: SPECIALISED AND FORMALISED PAYMENT SYSTEMS

Topic: Beyond Cash and Basic Banking

Sub-Topics: Postal Payment Systems and Formal Business Payment Instruments.

1. PAYMENT THROUGH THE POST OFFICE

Post offices provide vital financial services, especially in areas with limited banking infrastructure.

1. **Postal Order:** A document of a fixed denomination bought from a post office to send small amounts of money. A fee (poundage) is charged. It is safe because it is payable only to the person named on it.
2. **Money Order:** Similar to a postal order but used for larger amounts. It is a secure way to send money through the post to someone who may not have a bank account.
3. **Telegraphic Money Order:** An urgent version of the money order where the paying post office is instructed via telegram (or electronic message) to pay the beneficiary. It is faster but more expensive.
4. **Postage Stamps:** While primarily for mailing letters, stamps can be used to settle very small debts or to make up the exact amount on a postal order.
5. **Postal Giro:** A system where individuals have accounts with the post office, allowing them to transfer money to others or make payments using Giro cheques, similar to a bank's current account system.

2. BUSINESSMEN'S MEANS OF PAYMENT

These are more formal instruments used primarily in business-to-business (B2B) transactions.

1. **I Owe You (IOU):** A simple, informal written acknowledgment of a debt. **It is not a legal order to pay**, but merely evidence that a debt exists. It relies entirely on the debtor's honesty.

2. **Promissory Note:** A *legally binding* written promise made by a debtor (the maker) to pay a specified sum of money to a creditor (the payee) on a fixed or determinable future date. It is a negotiable instrument.
3. **Bill of Exchange:** An unconditional *written order* from a creditor (the drawer) to a debtor (the drawee), requiring the debtor to pay a specified sum to a third party (the payee) on demand or at a fixed future date. It is also a **negotiable instrument**, meaning it can be transferred to another party. It is commonly used in domestic and international trade.

Key Distinction: An IOU is an **acknowledgment** of debt. A Promissory Note is a **promise** to pay. A Bill of Exchange is an **order** to pay. The latter two are legally enforceable financial instruments.

EVALUATION

1. When would a Postal Order be a more suitable payment method than a Bank Draft?
2. What is the primary disadvantage of an IOU compared to a Promissory Note?
3. Explain the key difference between the *parties involved* in a Promissory Note and a Bill of Exchange.
4. Why is a Telegraphic Money Order more expensive than a regular Money Order?

ASSIGNMENT

1. **Comparative Table:** Create a table comparing the three "Businessmen's Means of Payment." Your table should have columns for: **Instrument Name**, **Who Creates It (Drawer/Maker)**, **Key Function (Promise/Order/Acknowledgment)**, and **Legal Status (Enforceable or Not)**.
2. **Case Study & Role Play:**
    - **Case Study:** A small furniture company in a rural town (with a post office but no bank) supplies ₦75,000 worth of chairs to a school in another city. The school needs 30 days to process the payment. Analyze the situation and recommend the most secure and efficient payment method for both parties. Justify your answer.

- **Role Play:** Write a short dialogue between a business owner (creditor) and a client (debtor) where the client wants to issue an IOU for a large order. The business owner should persuasively explain why they require a more formal instrument like a Bill of Exchange instead.

WEEK 8: MARKET-ORIENTED POLICIES (DEREGULATION, COMMERCIALIZATION & PRIVATIZATION)

Topic: Shifting Economic Control from the State to the Market

Sub-Topics: Deregulation, Commercialization, and Privatization.

1. DEREGULATION

Definition: Deregulation is the process of reducing or removing government rules, controls, and restrictions in an industry to promote greater competition, efficiency, and free-market operations. It is based on the belief that excessive regulation can stifle business growth and innovation.

Reasons for Deregulation:

- **Promoting Competition:** To break up monopolies and allow new companies to enter the market.
- **Reducing Business Costs:** To lower the compliance costs and bureaucratic hurdles for businesses.
- **Maximizing Economic Welfare:** To lead to lower prices, better quality, and more choices for consumers.
- **Efficiency:** To encourage a more efficient allocation of resources by market forces rather than government decree.

Advantages of Deregulation:

1. **Lower Prices:** Increased competition often forces companies to lower prices.
2. **Innovation:** Companies are driven to innovate to gain a competitive edge.
3. **Consumer Choice:** A wider variety of products and services become available.
4. **Reduced Corruption:** Less government intervention can reduce opportunities for bribery and favoritism.

Disadvantages of Deregulation:

1. **Risk of Monopolies:** Can lead to market dominance by a few powerful companies.
2. **Reduced Safety and Quality:** Companies may cut corners on safety and quality to reduce costs.
3. **Systemic Risk:** In sectors like finance, deregulation can lead to instability and crises (e.g., the 2008 financial crisis).
4. **Neglect of Public Services:** Essential services in remote areas may be ignored if they are not profitable.

2. COMMERCIALIZATION

Definition: Commercialization is the process of transforming a state-owned enterprise (SOE) to operate on profit-making, commercial principles, *while the government retains ownership*. The entity is expected to cover its costs and generate revenue without relying on government subsidies.

Reasons for Commercialization:

- To reduce the burden of public expenditure on loss-making SOEs.
- To improve efficiency and productivity by introducing market discipline.
- To generate more revenue for the government.

Advantages of Commercialization:

1. **Reduced Government Spending:** Stops the drain on the treasury from subsidizing inefficient SOEs.
2. **Improved Efficiency:** Management focuses on profitability and customer satisfaction.
3. **Revenue Generation:** The enterprise starts contributing to government coffers instead of draining them.

Disadvantages of Commercialization:

1. **Higher Prices for Consumers:** Services that were once subsidized become more expensive.

2. **Job Losses:** The Company may downsizing to become leaner and more efficient.
3. **Social Welfare Neglect:** The focus on profit may lead to the neglect of unprofitable but socially important services.

3. PRIVATIZATION

Definition: Privatization is the full or partial transfer of ownership, control, and management of a public enterprise to the private sector. This is often done by selling shares to the public or to a strategic investor.

Reasons for Privatization:

- To improve efficiency through private sector expertise and the profit motive.
- To attract foreign direct investment and modern technology.
- To reduce government debt and raise capital for other projects.

Advantages of Privatization:

1. **Increased Efficiency:** Private owners have a strong incentive to cut costs and innovate.
2. **Better Quality of Services:** Competition drives improvements in service delivery.
3. **Reduced Government Burden:** The government is freed from the financial and administrative burden of running businesses.

Disadvantages of Privatization:

1. **Job Losses:** The new owners often restructure and reduce the workforce to improve profitability.
2. **Creation of Private Monopolies:** A state monopoly can simply become a private monopoly, still exploiting consumers.
3. **Loss of Social Objectives:** Profit may become the sole focus, disregarding public welfare, especially for the poor.

EVALUATION

1. In your own words, explain the key difference between Commercialization and Privatization.
2. State two reasons a government might choose to deregulate its telecommunications sector.
3. List two potential advantages and two potential disadvantages of privatization for a national electricity company.
4. Why might commercialization lead to higher prices for consumers?

ASSIGNMENT

1. **Case Study Analysis:** Research the privatization of NITEL (Nigerian Telecommunications Limited) in Nigeria.
    - Write a brief paragraph on why the government decided to privatize it.
    - List two positive outcomes and two negative outcomes that resulted from its privatization.
2. **Debate Preparation:** "Privatization of all government-owned companies is the best way to develop the Nigerian economy."
    - Prepare a one-paragraph argument *for* this motion.
    - Prepare a one-paragraph argument *against* this motion.

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WEEK 9: STATE AND LOCAL INTERVENTION POLICIES (NATIONALIZATION & INDIGENIZATION)

Topic: Government Intervention for Control and Local Empowerment

Sub-Topics: Nationalization and Indigenization.

1. NATIONALIZATION

Definition: Nationalization is the process by which a government takes control and ownership of a privately-owned industry, company, or asset. It is the direct opposite of privatization.

Reasons for Nationalization:

- **To Protect Citizens:** To prevent the exploitation of consumers by private monopolies (e.g., in water and electricity).
- **National Security:** To ensure that vital industries like oil, steel, or defense are under state control.
- **Strategic Economic Sectors:** To allow the government to direct investment in key sectors for national development.
- **Save Failing Industries:** To rescue a large, failing company whose collapse would cause massive job losses.
- **Ensure Equitable Distribution:** To provide essential services to all regions, even if they are unprofitable.

Advantages of Nationalization:

1. **Prevention of Exploitation:** The government can provide essential services at affordable prices.
2. **Job Security:** It can protect jobs that might be lost if a company were purely profit-driven.
3. **Unified National Development:** Services can be extended to rural and underserved areas for the national good.
4. **Profit for Public Good:** Revenue generated goes to the state treasury to fund public projects like schools and hospitals.

Disadvantages of Nationalization:

1. **Inefficiency and Bureaucracy:** Lack of competition often leads to inefficiency, waste, and poor service quality.
2. **Political Interference:** Management decisions may be based on political rather than economic reasons.
3. **Financial Burden:** Loss-making nationalized industries can become a heavy drain on public funds.
4. **Corruption:** Mismanagement and embezzlement of funds can be rampant without proper accountability.

2. INDIGENIZATION

Definition: Indigenization is a government policy designed to increase the participation and control of a country's citizens (indigenes) in the ownership, management, and control of the economy. It often mandates that a certain percentage of a business must be owned by local citizens.

Reasons for Indigenization:

- To reduce foreign dominance and control of the national economy.
- To promote the development of local entrepreneurial and managerial skills.
- To ensure that the wealth generated from national resources benefits the local population.

Advantages of Indigenization:

1. **Economic Empowerment:** It creates a class of local business owners and capitalists.
2. **Skill and Technology Transfer:** Encourages the training of locals in advanced managerial and technical skills.
3. **Retention of Capital:** Profits are reinvested within the country rather than being repatriated abroad.

Disadvantages of Indigenization:

1. **Discourages Foreign Investment:** Foreign investors may be reluctant to invest if they are forced to give up ownership and control.
2. **Capital Flight:** It can lead to a withdrawal of foreign capital and expertise, which can harm the economy.
3. **Elite Capture:** The benefits are sometimes hijacked by a small, wealthy elite, widening the gap between the rich and poor.
4. **International Tensions:** It can lead to diplomatic friction with other countries.

EVALUATION

1. Define Nationalization.
2. What is the primary goal of an Indigenization policy?
3. Give two reasons why a government would nationalize its oil industry.
4. State two major problems often associated with nationalized industries.
5. Explain one key disadvantage of Indigenization from the perspective of an international investor.

ASSIGNMENT

1. **Comparative Analysis:** Create a table comparing Nationalization and Indigenization. Your table should have columns for: **Definition**, **Primary Goal**, **Typical Methods**, and **One Major Criticism**.
2. **Policy Proposal:** You are an economic advisor to the Minister of Mines and Steel Development. A large foreign company has discovered a huge lithium deposit and plans to mine and export all the raw material.
    - Write a short memo proposing how the government could use a *balanced* indigenization policy in this sector. Suggest two specific measures that would empower locals without completely scaring away the foreign investor (e.g., mandatory training programs, local content quotas for supplies, or a gradual ownership transfer plan).