



NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCE

COURSE CODE: BHM 735

ELEMENTS OF BUSINESS ADMINISTRATION

COURSE GUIDE

Course Code:	BHM 735
Course Title:	Elements of Business Administration
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Introduction

BHM 735 – Elements of Business Administration is a two credit and a first semester course available for Post Graduate Students of Business Administration in the School of Management Sciences. The course consist of 16 units, covering such general areas as what business is, Business Environment, legal aspect of business, branches of business i.e. Marketing, Finance, Accounting, Human Resources, who a consumer is and Entrepreneurship Development, etc. This course guide tells you briefly what the course is about, relevant textbooks to consult, and how you can work, your way through these materials. It also contains some guidelines on your tutor-marked assignments.

What You Will Learn in the Course

BHM 735 – Elements of Business Administration is an introduction to the rudimentary aspect of Business Administration as it covers the in various courses that constitute Business Administration. Before graduation you are likely to specialize on areas like Marketing, Business Administration, Accounting, Public Administration, Entrepreneurship and small scale business, etc. It gives a general background of what all these courses are and how they relate to each other.

Business is the life wire of any economy, you will learn about how to organize people, use some business tactics to achieve a goal for an organization.

Course Aims

The course aim is to give you a broad framework of what business is all about. At the end of the course, you should be able to decide to set up your own business or join with others to set up a business and know the factors to look at how to deal with them to succeed in your own business. This will be achieved by aiming to:

- Introduce you to principles and concepts of business.
- Discuss the various types and kinds of business
- Discuss factors you will consider as a businessman.
- Demonstrate practically what constitute business
- Explain how to use accounting to keep record.
- Explain how to use marketing to create customers for your company.
- Explain how to manage your human resources.
- Discuss other necessary factors of business that would aid you be on your own.

Course Objectives

In order to achieve the aims set out above; the course set overall objectives. You will also realize that each course unit objectives are always included at the beginning of each unit. It is advisable to read through their specific objectives before studying through the unit. The following are the broad objectives of the course. By striving to meet these objectives, you should have achieved the aims of the course as a whole.

On successful completion of the course, you should be able to:

1. Describe the nature and scope of business
2. Concept of business and administration
3. Explain kind of businesses
4. Discuss types of businesses
5. Know who a consumer is
6. Explain different business environment
7. Discuss various legal issues in business
8. Discuss the role of government in business
9. Explain the ethics and responsibilities of a business
10. Discuss accounting in business
11. Explain what marketing is in the business
12. Describe how communication helps in the business
13. Analyze the roles on business concern.
14. Discuss entrepreneurship
15. Who are the people involved in business
16. What has insurance got to do with business?

Working through this Course

It will be very essential that you thoroughly read the study units, consult the suggested texts and other relevant materials at your disposal. Most of the units contain Self Assessment Exercise and Tutor-Marked Assignment the latter will be assessed by your tutor.

Course Materials

Major components of the course are:

1. Course guide
2. Study units
3. Assignment file
4. Presentation schedule

Study Units

There are 16 study units in this course; these are:

Module 1 Nature and Scope of Business Activities

- Unit 1 What is Business?
- Unit 2 Concept of Business and Administration
- Unit 3 Kind of Business – Sole Trader
- Unit 4 Kind of Business – Partnership
- Unit 5 Kind of Business – Joint Stock Company

Module 2 The Global Business Environment

- Unit 1 Types of Business
- Unit 2 Business Environment – General
- Unit 3 Business Environment – Specific
- Unit 4 Legal Issues in Business – Sales of Goods
- Unit 5 Legal Issues in Business – Law of Contract

Module 3 Functional Areas of Business Administration

- Unit 1 Social Responsibility of a Business and Business Ethics
- Unit 2 Accounting in Business
- Unit 3 Marketing in today's Business
- Unit 4 Communication in Business
- Unit 5 Entrepreneurship
- Unit 6 Insurance

Textbooks and References

There are no compulsory books for the course. However, you are encouraged to consult some of those listed for further reading at the end of each unit.

Assignment File

The assignment file will be made available to you. You will find all the details of the work you must submit to your tutor for marks. The marks you obtain for this assignment will count towards the final mark you will obtain for this course. Any further information on assignment will be found in the assignment file.

Assessment

Your performance in this course will be based on two major approaches.

First, are the tutor-marked assignments (TMAs). The second method is through a written examination.

Tutor-Marked Assignment

With respect to TMAs, you are expected to apply the information, knowledge and techniques gathered during the course or studying this material. The assignment must be submitted to your tutor for formal assessment in accordance with the laid down rules.

The total score obtained in the TMAs will account for 30% of the overall Assessment. There are a total of four (4) TMAs in the course and you will be required to attempt all four, however you will be assessed based on the best three with the highest scores which will be credited to your overall course mark.

Final Examination and Grading

At the end of the course, you will need to sit for a final written examination of two hours duration. This examination will account for 70% of your overall course mark. The examination will consist of questions which reflect the types of self-testing, practice exercises and TMAQs you have previously encountered. You are advised to prepare adequately for the examination. Since the general broad area of the course will be assessed.

Course Marking Scheme

The following table lay out how the actual course marking is broken down.

ASSESSMENT MARKS

Final examination is 70% of overall course marks while TMA is 30% of overall course marks, making a total of 100% of overall course marks.

How to Get the Most from this Course

The distance learning system of education is quite different from the traditional or conventional University system. Here the study units replaces the University lecturer, thus conferring a unique advantage to you to learn and do it yourself at your own pace and convenience. For instance, you can read and work through specially designed study materials at your own pace; and at a time and place that suit you best. You should understand right from the onset that the contents of the course are to be worked at and understood step by step, and not to be read like a novel. The best way is to read a unit quickly in order to see the general aim of the content and then re-read it carefully, making sure that the content is understood step by step. You should be prepared at this stage to spend a very long time on some units that may look difficult. A paper and pencil is a necessary piece of equipment in your reading.

Facilitators/Tutors and Tutorials

Detailed information about the number of tutorial contact hours provided in support of this course will be communicated to you. You will also be notified of the dates, times and location of these tutorials, together with the name and phone number of your tutor, as soon as you are allocated to a tutorial group. Your tutor will make and comment on your assignments, keep a close watch on your progress and on any difficulties you might encounter, and provide assistance to you during the course. Please do not hesitate to contact your tutor by telephone or e-mail if you need help. The following might be circumstances in which you would find help necessary.

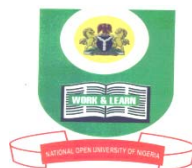
- When you do not understand any part of the study units
- When you have difficulty with the self-tests or exercises
- When you have a question or problem with an assignment or with the grading of an assignment.

However, you should endeavour to attend tutorial classes, since this is the only opportunity at your disposal to experience a physical and personal contact with your tutor, and to ask questions, which are promptly answered. Before attending tutorial classes you are advised to thoroughly go through the study units and then prepare a question list. This will afford you the opportunity of participating very actively in the discussions.

Summary

Osuala (1986) summarizes everything about business; he says it plays an important role in our lives. Business helps in job creations and produces goods and services. Business includes those activities in which others endeavour to produce and to distribute the goods and services that are important to the wellbeing, comfort and happiness of individuals,

and for the benefit of a society as a whole. The owners of business are usually motivated in their activities not only by the need for the material contributions to the welfare of communities of which they are a part, but also by the desire to make a profit.



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COURSE DEVELOPMENT

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MODULE 1 Nature and Scope of Business Activities

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Unit 2	Concept of Business Management and Administration
Unit 3	Kinds of Business (1) - Sole Trader
Unit 4	Kinds of Business - Partnership
Unit 5	Kind of Business - Joint Stock Company

UNIT 1 INTRODUCTION TO BUSINESS

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- 2.0 Objectives
- 3.0 Main Content
 - 3.1 What is Need and Want?
 - 3.2 Making Choices
 - 3.3 What is Business?
 - 3.3.1 Providing Goods and Services
 - 3.3.2 What Business does?
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 - 3.4 Characteristics of Business
 - 3.5 Objectives of Business
 - 3.6 You and the Business World
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 - 3.7.4 General society
 - 3.8 Business Terms
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit of introduction to business introduces you to the business world. It starts by telling you what need and wants are, how to make choices and what business does, its objectives and characteristics. The study equally introduces you to your role as consumer, wage earner and citizen. However, the unit gives you various definitions of business and how you can benefit from it.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Define business
2. Explain your relationship with business
3. Explain the benefit you derive from business

3.0MAIN CONTENT

3.1 What is Need and Want?

You can't know what business is except you know some basic concepts.

Wants - these are things you wish you could have for instance you wish to have a jeep car, a job in NNPC, to be a governor.

Needs – these are necessities of life. You cannot do without them; they include food, shelter and clothing

Your needs and wants are translated into goods and services. **Goods** – they can be physically weight or measured e.g. bicycle. **Services** – are tasks that people or machine performs. For example, A doctor attending to your health problem. You know that your resources are not enough to attend to all your problem. Resources mean anything you can use to value or obtain, what you need and want i.e. salary, influence etc.

3.2 Making Choices

In making your choice between the list of goods and services, it means that there is cost attach to it. For instance of you have N200 to buy either a recharge card or going to town to see a friend. If you decide to see a friend and not buying a card, then you have given up the later which is an opportunity cost. Opportunity cost could be in term of money or another item. In making your choices you attach value and goals to the goods and services. The value differs from product to product. While your goal equally determine your choices of products.

3.3 What is Business?

Brown et al (1997) says Business is all of the activities of an individual or group of individuals in producing and distributing goods and services to customers. Business wants to know your needs, wants, goals, values etc before they can sell their goods to you. Business therefore is involved in the following activities.

3.3.1 Producing Goods and Services

Business provides goods and services to you. In today's business goods and services are many. Examples:

Goods

- Handset
- Cloth
- Computer

- Radio
- House etc

Services

- Education
- Doctor attending to you
- Traveling by air
- Lodging in a hotel

3.3.2 What a Business Does

A lot of activities happen before goods and services get to your door step. A product is not just made in a day and finds its way to the store. These are some of the activities that are performed by business.

i.Organising - within a company someone will be in charge to organize people and machines as to provide products.

ii.Manage - if there is no one to manage finance, human resources and production, the company can't go on smoothly.

iii.Production - it is the responsibility of a business to produce those physical item you are using i.e. radio, wrist watches etc.

iv.Marketing - business is involved in advertising, distributing and selling those products produced.

3.3.3 Resources Business Use

Companies use resources to be able to perform those functions in 3.3.2 and 3.3.1 above. We have told you what resources are. Resources that business will use include:-

- **Human Resources** - salesmen, accountants, manager.
- **Materials** - building offices, stores, raw materials for production. Business decides on choices of how to combine their resources and many more everyday at what cost to achieve their aim.

3.4 Characteristics of Business

Business has some of all of these characteristics:

1. Exchange sale or transfer of goods and services. For every business there must be exchange of goods and services for money.

2. Profit motive. For every business activities it is for profit making.

But profitable organizations and some corporation they are established to provide services.

3. Dealing in goods and services. For every organization that is business oriented, it must produce goods and services

4. Uncertainty and risk bearing. Every business undertaking must take risk and there is always uncertainty. Uncertainty may arise as a result of competition, wrong decisions unethical.

5. Continuity and regularity. A business undertaking must always be in business and not on and off.

3.5 Objectives of Business

1. Profit. The aim of an organization is to make profit
2. Survival. Every business must have as a goal to continue to survive or exist.
3. Growth. A business must not only survive, but it must have as goal to be the biggest.
4. Market share. Every business concern must be able to carry out its market share to control, aid sale its product to.
5. Productivity. It must continue to produce.
6. Innovation. Business must try to see that it's the first and best to bring up new ideas.
7. Employee's welfare. Business must maximally want to take care of its workers.
8. Service to consumer. Consumers are well satisfy as another objective of any business concern.
9. Social responsibility. Apart from doing 1-8 it must do to other things that people around the business must benefit.

SELF ASSESSMENT EXERCISE

1. List five characteristics of a business
2. List five objectives or goals of a business.

3.6 You and the Business World

Directly or indirectly, you affect a business. Have you ever heard someone saying, who becomes Nigerian president or my state governor I don't care. I want to believe, it is out of ignorance he is saying so. If a company produces soft drink in your locality, your decision to buy or not to buy has an effect on the business. If you decide not buy any product, you have made business decision. You as a consumer, citizen or a wage earner, business and you have a relationship.

3.6.1 Your Role as a Consumer

Consumers are always referred to as a king. If you make purchases of a company's product you are telling the company that you like their company. If you continue to buy, you increase the company's profit. If you don't buy a company's product, the company can stop production and fold up to relocate. Your role as a consumer is to continue to patronize the company so that the company can grow.

3.6.2 Your Role as a Wage Earner

As a wage earner you earn some income, there is need for you to develop your career. Your thinking is what you will get and what will be your contribution.

As a wage earner, you may want to gain

- Recognition
- Respect
- A great deal of money

Your contribution to the business will be dependent on the following factors

- Skills
- Job market
- Personality
- Your interest

As a wage earner, you have a great deal to contribute to a business.

3.6.3 Your Role as a Citizen

As a citizen the first in mind is that I will be law abiding, pay my tax. A lot of you have forgotten that you are suppose to participate in running of government and make important policy decision affecting the public. The people you elect into leadership position affects business activities of a country. Obasanjo's government brought in privatization, commercialization, liberalization etc.

Brown et al (1997) concluded that business plays an important role in your life today and will play an increasingly important role in the future. Likewise, you affect what business does now and will do in the future. It's important to know business tricks and how you can relate to the business world.

3.7 Who Benefits from a Business?

Business as we know includes the production of goods and service those consumers want. Business tries to find out what is good for the consumer, so that businesses will reach out to each other. Because of these, business produce goods and services not only quality goods, they do the following to benefit others.

3.7.1 Business Owners

Businesses owners are proud to be their own owners of business i.e. there is satisfaction of being their own boss. Income comes into the business owner's hands. There is equally an opportunity to grow.

3.7.2 Employees

Workers are paid salaries. It therefore means you earn an income that enable you attend to your own personal problems like building a house, buying a car. It enables you as a worker to make choice of what to buy. Employee's benefit from business training opportunity. Business enables you to gain on the job experience about the job. After that you can establish a business on your own. Business could send you for training outside the organization and gain experience, which could lead you to getting another job outside the organization. Employees gain from business other benefits like health insurance, retirement plan, sick and vacation leave etc.

3.7.3 Government

The basic thing that government gains from business is tax. Business pays various taxes to government, which enables government to provide other services to the general public.

3.7.4 General Society

Whether you patronize a business or not these days, you are likely to benefit from business. Business provides to the general public what we call social responsibility. For instance MTN provide computer centers to some secondary schools in Nigeria. Businesses build schools in some countries to operate on. These are some of the social responsibilities that the general society benefits from businesses. General public has started benefiting from business producing friendly products. In the US it is referred to as Green product i.e. environmentally friendly product i.e. non-toxic and non-polluting clean products.

3.8 Business Terms

Some of these terms are mostly used in business:

1. Business enterprises. This is the sum total of business activities that have creation, maintenance, expansion of a corner which came to exist for a profit.
2. Business form. A business firm is an economic unit, entity or organization.
3. Industry- this consists of a number of firms.
4. Commerce. It is made up of trade and all activities that make trade possible.
5. Trade. It refers to the sale, transfer or exchange of goods and services and constitute the central activity armed with the auxiliary function i.e. banks, transportation etc. It is the exchange of goods and services for money or other goods.

SELF ASSESSMENT EXERCISE

1. Define wants, needs, goods, services and resources with examples.
2. What costs do you encounter when you give up one choice in favour of another? Give practical example.

4.0 CONCLUSION

You have learnt in this unit what business is, its function and its benefit to all and the society. Business therefore is how to better the life of all within a given society by providing them with qualitative goods and services.

5.0 SUMMARY

Business activities include how to identify your needs and wants and make choices among the numerous options. As a consumer you have an effect on any services whether you patronize them or not. The government, consumer and the general public benefit from a business concern once the location is within their territory.

6.0 TUTOR-MARKED ASSIGNMENT

What is Business? What are the benefits that can be derived from a business?

7.0 REFERENCES/FURTHER READINGS

Brown, B.I. & Clon, J.E. (1997) Introduction to Business: Our Business and Economic World. New York: McGraw Hill Inc.

UNIT 2 CONCEPT OF BUSINESS MANAGEMENT AND ADMINISTRATION

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- 2.0 Objectives
- 3.0 Main Content
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 - 3.2 Comparison between Management and Administration

3.3 Administrative Organisation
3.3.1 Types of Administrative Organization
3.4 Types and Functions of Management
3.4.1 Scope of management
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3.5.1 Classical Theories of Management
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3.5.3 Management Science
3.5.4 System Approach
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Readings

1.0 INTRODUCTION

The unit of Business Management concept and administration introduces you to the basic origin of business administration and management. Some early contributors to the theory of management will be discussed as well as types of management.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Differentiate between administration and management
2. Understand the evolution and function of management
3. know some theories of management.

3.0 MAIN CONTENT

3.1 Differentiate Between Business Administration and Management

Dictionary of management, by Hartzell (2006) says this about Business Administration and Management, 'the terms management and administration have been used by different management authorities in a manner that sometimes they seem to be one and the same while at some other time; they diverge. According to most of the modern writers like Fayol, Koountz, Alleri and Perry, there is no real distinction between the two terms. Fayol for instance stated "All understandings require planning, organization, command, coordination and control and in order to function properly, all must observe to some

general principles, we are no longer confronted with several administrative sciences but with one which can be applied equally well to public and private affairs”.

3.2 Comparison Business Administration and Management

Hartzell (2006) has differentiated administration and management as follows:

1. Administration is main functions include the formulation of broad objectives, plans and policies where as the main function of the management are getting the work done through others in order to achieve the set goals.
2. Administration is basically a policy and decision-making function while the management is an executive function.
3. Administration decides what is to be done and when it is to be done whereas the management decides who has to do it and how.
4. Administration is important at the top levels of management where as the management is more important at middle levels.
5. The term administration is commonly used for non-business institutions where as the term management is used to business enterprises.

3.3 Administrative Organisation

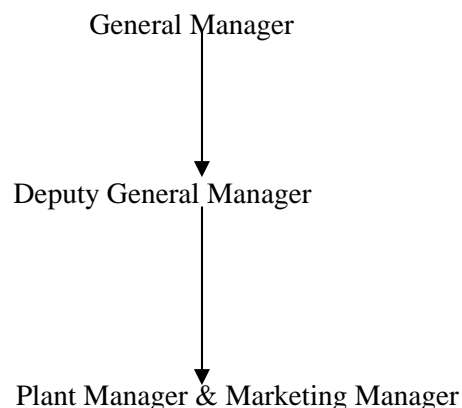
It can be defined as an organization in which the jobs or functions to be carried out are clearly defined in order to achieve the target. The responsibilities and authorities at various levels of managerial positions are clearly defined Hartzell (2000).

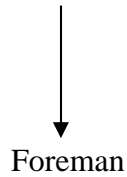
3.3.1 Types of Administrative Organisation

You can classify administrative organization into three:

1. Line Organization

This is the type of organization that you have direct authority over your respective subordinates through chain of command. All the managers have full authority to decide and act with respect to their area of functioning such as: General Manager, Deputy General Manager, Plant and Marketing Managers and Foreman in the shop floor. See the line structure in the next page.





2. LINE AND STAFF ORGANIZATION

In this type of organizations, there are two type of authority relationships i.e. true authority and advising authority co-exist most of the managers have line authority to decide and act as in a line organization. However, there are some positions where job is of advisory and supportive nature. Some of the examples are personnel managers, company secretary.

3. FUNCTIONAL ORGANIZATIONS

It is define as an organization in which line authority, staff authority and functional authority exist together. A functional authority is a limited form of line authority given to functional experts over certain specialized activities under the normal supervision of managers belonging to other department e.g. if personnel policies are observed in all the departments throughout the organization Harztell (2006).

3.4 Types and Function of Management

Management type can be classified according to

- level of responsibility and
- range of activities they are responsible to.

They are classified as:

- **Junior or First-Line Management** - These are set of managers at a lower level, they are in charge of other workers. Example of junior manager is a foreman who is in charge of builders, senior driver in charge of other drivers.
- **Senior Management** - You take titles like Chairman, Managing Director, Chief Executive, Rector, Vice Chancellor, etc. They are charge with a lot of responsibilities which include strategy formulations.

3.4.1 Scope of Management

Wilkson et al (1994) sees a functional manager as responsible only for a single area of activity, such as production, finance or personnel. A general manager, by contrast, is responsible for many activities.

3.5 Evolution and Development of Management Theory

Before now human beings were leaving on their own, the history of barter is still fresh in your memory. People were operating in groups; this came as a result of the extension of

family and tribes .As the society develops, and things become more complex, there is need for managers.

Technological development leads to rapid industrial revolution, this leads to:

- Specialization
- Division of labour
- Systematic approach to managers

Business and organization become the order of the day, factories were growing, and the question was how to manage human and natural resources and how to manage responsibilities. This in fact led to theories of management.

3.5.1 Classical Theories of Management

These theories include Specialization and the division of labour. A professor of mathematics known as Charles Babbage (1792-1871), who invented the first mechanical calculator which led to today's computer, believed that application of scientific method of production could lead to increase in output and reduction in cost. He therefore advocated for division of labour. He believed that workers could specialize on a specific job, by so doing, he may require less training. This thinking has led to today's modern assembly line method of production.

Scientific Management

Fredrick Taylor, whose study on how to improve productivity of workers was carried out in Midvale Steel Company in Philadelphia and Simonds Rolling Machines and Bethlehem Steel. He rose to a management position in a rolling mill at age 31. His study brought about the following:

- Improving productivity of workers
- Importance of selection and training procedures.
- Need for proper cooperation and communication between workers and management.

Henry Gantt (1861-1919) worked with Taylor he developed idea on incentive scheme:

- Instituted a reward for workers
- Reward from supervisors of training employee
- Gantt chart for producing scheduling

Frank Gilbreth (1869-1924) and Lillian Gilbreth (1879-1972) – Their study is popularly known as time and motion studies, it involves fatigue involved in a variety of jobs, resulted in a number of new techniques. Their study recalls that:

- It will raise the morale of workers
- Their position plan- teaching, doing and learning.
- Scientific selection of workers.
- Stress the importance of training some of the problems with this finding.
- They see managers as born and not made.

- It stresses material gains and income psychological and social needs.

ORGANIZATION THEORY

This theory is attributed to Henry Taylor (1841-1925), who sees his success as a mining engineer with a French coal and Iron company because of his application of management principle, rather than personal qualities. The five functions include:

- Planning
- Organizing
- Commanding
- Coordinating
- Controlling

Taylor expanded his principles into fourteen (14):

- i. Division of work
- ii. Authority and responsibility: the right to command others
- iii. Discipline: firm but fair
- iv. Unity of command: an employee received order from one superior only
- v. Unit of declaration: everyone pulls the same way
- vi. Subordination of individual interest to general interest
- vii. Remuneration: the pay must be fair
- viii. Centralization: the extent to which authority is delegated through departments
- ix. Chain of authority: ranging from ultimate authority to lower levels.
- x. Order: there must be a place for every employee.
- xi. Equity: treating employees well, foster loyalty
- xii. Stability of tenure of staff: job security
- xiii. Initiative: thinking out a plan and executing actions
- xiv. Esprit de corps: team work and harmony build up the strength of the organization.

3.5.2 Behavioural Theories of Management

Hugo Mintsberg and Elton Mayo undertook a study: having in mind that psychology and sociology has developed rapidly and that it has effect in a worker than the environment as such they could be used in selecting, training and motivating worker. The use of lightening to measure the effect of worker productivity was inclusive, because the productivity improves when and there was no lightening. It means therefore that there are other factors that affect workers rather than the artificial condition. Some of the things that workers care for include:

- Sympathetic supervision and care about their welfare
- Group pressure at work
- Relationship at home.

3.5.3 Management Science

The statutory of management science can be traced back to after the Second World War. Operational research teams were set up consisting of mathematicians, physicists and other scientists, who pooled their knowledge together to solve problems. They try to solve problem that could not be solved by conventional means with the development of scientific means i.e. computers problem could be solved fast. Management science is more useful in planning and control i.e.

- Capital budgeting
- Production scheduling
- Control of stocks
- Scheduling of bus, transportation etc.

This scientific method has little or no effect with people. Management science differs from other schools, because management science depends on overall planning and decision making process. It advocates the use of computers and mathematical models in the planning and the evaluation of effectiveness of models.

3.5.4 The System Approach

In an organization a systematic approach is a combination of interrelated parts, for a common purpose under the same environment. There is at the end of the day a coordination which results into a synergy. This system rely on

- Information and
- feed back

All these are to achieve the same goal which include:

- i) Human input;
- ii) People;
- iii) Money;
- iv) Materials;
- v) Information;
- vi) Outputs;
- vii) Products;
- viii) Services; and
- ix) Profits.

The system approach to management adopted from modern business administration 6th ed. Robert C. Appleby (Tidman Publishing N Y 1994).

SELF ASSESSMENT EXERCISE

Differentiate between administration and management. How can Henry Taylors 14 principles of management be applied in managing a business.

4.0 CONCLUSION

You have learnt the difference between Business Administration and Management. A business concern cannot be achieved expect you administer it through planning, organizing, commanding and controlling. All are coordinated into a system to achieve customer's satisfaction.

5.0 SUMMARY

Business activities has two basic dimensions, in the process of implementing it, from the history we have classical and behavioural aspects of attending to management problem of business. All these human aspect of management must be looked at seriously so as to achieve a targeted business goal.

6.0 TUTOR-MARKED ASSIGNMENT

Describe with examples, the responsibilities of top, middle and junior management.

7.0 REFERENCES/FURTHER READINGS

Wilkson, R. (1994) *Business Studies an Introduction to Management and Business Studies*. Oxford: Heinemann.

Hartzell, D. (2006). *Dictionary of Management*. Nigeria: EPP Books Services Nig Ltd.

UNIT 3 KINDS OF BUSINESS (1) - SOLE TRADER

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Definition of a Sole Trader
 - 3.2 Features of a Sole Trader
 - 3.3 Sources of Funds of a Sole Trader

3.4 Advantages of a Sole Trader
3.5 Disadvantages of a Sole Trader
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Readings

1.0 INTRODUCTION

This unit discusses the sole trading or sole proprietorship which is a type of business ownership that involves a single person or an individual. Sole trading business is very common in our environment. This unit will see us defining what a sole trader is, features of a sole trader, and sources of funds for a sole trader, its benefits and problems.

2.0 OBJECTIVES

After studying this unit you should be able to:

1. Define a sole trader
2. Differentiate a sole trader from other kinds of business
3. Explain how a sole trader source for funds for his business
4. Identify the benefits of a sole trader
5. Identify the disadvantages of a sole trader.

3.0 MAIN CONTENT

3.1 Definition of a Sole Trader

Definition of a sole trader is almost the same from different authors:

(i) A sole trader is a person who enters business working for him/herself. He/she puts in the capitals to start the enterprise, works either on his/her own or with employees and, as a reward receives the profit. Carol (1993:6)

(ii) A sole trader is a form of business enterprise in which one man owns and manages the business. Denedo (2004:2). A sole trader goes with other names as “one-man business”, “sole proprietor”. Sole trading is mostly found in retailing business. This type of business is the oldest type of business in Nigeria. Up to 19th century, most production companies were owned by individuals. In Nigeria it is one of the commonest types of business you see around. You see them around the cities and villages. The sole trader starts his business with his own capital and labour (sometimes he may borrow money from friends or relatives assisted with labour by same people). He organizes the business himself and takes all the profit or loss that arises. The sole trader therefore represents many things at the same time. He is a capitalist because he alone owns the business and

receives the profit. He is a labourer because he performs most or all the work in the business; he is an entrepreneur because he takes on his stride the risk of financial loss. He is also a manager because he takes decisions and controls the operation of the business.

SELF ASSESSMENT EXERCISE 1

Look around your environment and name about ten one-man businesses you see.

3.2 Features of a Sole Trader

(i) **Ownership:** A sole trader as the name implies is a type of business owned and managed by one person.

(ii) **Liability:** The liability of the one man business is unlimited. i.e., if the owner is indebted, both, the business asset and his personal asset can be sold to offset the debt.

(iii) **Sources of Capital or Finance:** The capital outlay is provided by the owner. This source of fund could be through:

- Personal saving
- Intended capital
- Credit
- Borrowing from relatives
- Banks etc.

(iv) **Legal Entity:** It is not a legal entity. By law the business and the owner are regarded as one person. They are not different, unlike corporate business; a company is a legal entity, different from the owners.

(v) **Motive:** It is believed, that a sole trader is into business to make profit.

(vi) **Method of Withdrawing Capital:** The owner can withdraw his capital anytime from the business without consulting with anybody.

(vii) **No Board of Director:** Because he is the owner, no board of directors that is why he does what is in (vi).

(viii) **Its Nature:** It is a simplest and the commonest type of business unit you can think of.

SELF ASSESSMENT EXERCISE 2

From the ten sole traders listed above. Name other five characteristics that are not mentioned on the ones above.

3.3 Sources of Funds of a Sole Trader

(i) PERSONAL SAVINGS

I have met a friend who was a civil servant for about thirty five years. After his service, he opened a shop where he sells paint at his retail shop. When I engage him in a

discussion, he said at a time in his working life he decided to save ten thousand Naira (N10,000) monthly and that is the money he used in setting up his business. We have a lot of sole traders who got money from this method to setup their business.

(ii) BORROWING PARTICULARLY FROM FRIENDS AND RELATIVES

It is common, among the Igbo business traders that once their brothers are willing to do business, they give him a helping hand by borrowing him some amount of money to start his business, when he starts making profit, he will pay. This borrowing is not limited to brothers alone; friends and relatives equally help out in this situation for people to start up a one man business.

(iii) CREDIT PURCHASE FROM MANUFACTURES OR WHOLE SALE'S

Some individuals involved in Sole trading get finance for their businesses through credit buying from the manufactures or a wholesaler by selling goods to sole traders at credit the wholesalers are financing a sole trader.

(v) DONATIONS FROM FRIENDS AND RELATIVES

Friends and relatives can dash you money purposely to help you continue with your business.

SELF ASSESSMENT EXERCISE 3

If you are to start your own business as a sole trader where will you source for funds?

3.4 Advantages of a Sole Trader

(i) It requires small capital. Can be established quickly and easily with small cash, there are no organization fees and the services of lawyers to draw up terms are not generally required. It is the commonest and the cheapest form of business organization.

(ii) Easy to establish: This is because it requires no formalities and legal processes attached to establishing the business and is subject to very few government regulations as no business of balance sheet to the registrar of companies is required.

(iii) Ownership of all profit: The sole trader does not share profit of the business with anyone

(iv) Quick decision-making: The sole trader can take quick decisions since he has no parties to consult or a boss whose permission he must get. He takes action as soon as circumstances arise or as soon as he conceives an idea, such flexibility could be very vital to his success.

(v) Easy to withdraw his assets: Proprietorship can be liquidated as easily as it is begun. All what he needs to do is to stop doing business. All his assets, liabilities and receivable are still his.

(vi) Single handedly formulates all policies: He determines the firm's policies and goals that guide the business internally and externally and works towards them. He enjoys the advantage of independence of actions and personal freedom in directing their own affairs.

(vii) Boss: He is free and literally his own boss but at the same time continues to satisfy his own customers.

(viii) It is flexible: The owner can combine two or more types of occupation as a result of the flexibility of his business e.g. a barber can also be selling mineral and musical records.

(ix) Personal Satisfaction: There is a great joy in knowing that a person is his own master. The sole trader has a great deal of that. He also knew that the success and failure of the business completely lies with him. This gives him the incentive to make his business as efficient as possible.

(x) Cordial Relationship, with workers and customers: Because the sole trader is usually small, the owner can have a very close relationship with his workers to the extent that domestic/personal issues can be discussed and addressed. He also knows firsthand from customers what their wants are. It also enables him to know which of the customer's credits are worthy. This kind of relationship is usually beneficial to all the parties.

(xi) Tax saving: Unlike in companies the profits of the sole trader are not taxed, the owner only pays his income tax.

(xii) Privacy: The sole trader is not under any legal obligation to publish his accounts for public consumption as in joint stock companies.

SELF ASSESSMENT EXERCISE 4

List other five benefits of being a sole trader

3.5 Disadvantages of a Sole Trader

(i) Bear All Losses and Risks Alone

Business is full of risks and uncertainties and unlike other forms of business organizations where risks and losses are shared among partners, the owner of one-man business does not share these risks and losses with anybody as it does not share the profits of the business with anybody.

(ii) Limited Financial Resources

The greatest single cause for the abandonment of one-man business form is the desire for expansion and the resultant need for additional capital which is not forthcoming because the capital used in running the business comes from only one-man and is limited to the extent of his own personal fortune. His inability to raise more capital limits its plan of expansion.

(iii) Unlimited Liability

Unlimited liability means that in the event of failure of the business, the personal assets of a person can be claimed to pay debts of the business. For a sole trader, it means that everything he owns is subject to liquidation for the purpose of setting the ability of the business if the business fails.

(iv) Lack of Continuity

When the sole proprietors retires or dies, the business may end like that. Though his children or relatives may attempt to continue with the business but most often than not, they lack the zeal and or, the ability to operate efficiently. The imprisonment or bankruptcy of the sole proprietor spells similar doom for the business.

(v) Absence of Specialization

As stated earlier the sole proprietor does so many things by himself. As a result of this, he may not handle aspects of the work efficiently. This negatively affects the prospects of the business.

(vi) Limitation on Expansion

Because of limited capital, the sole proprietor may not be able to increase the size of his business no matter how ingénue he is. As enumerated earlier, the sole proprietor has few source of capital. Except for banks, he may not get any substantial capital for expansion frantically; his ability to borrow from banks depends on his collateral which may not be enough for bank finding.

SELF ASSESSMENT EXERCISE 5

The following story was referenced from Carol (1993:7). Read it and answer the questions that follow:

When he left school, Tony Sinclair trained to be a hair dresser; he has worked in three salons since, the latest being the most prestigious and expensive hair dresses in the town. He has built up his own list of clients who refuse to have their hair done by anyone else and he is now chief stylist where he works. He earns a good salary and excellent tips and gets on well both with his boss and the other employees. Last month Tony's Aunt died and left him with N50, 000. At the same time he found out that suitable premises for a hairdressing business are for sale on a prime town center site. He is very tempted to leave his job and start up on his own, especially as he knows many of his customers will follow him. Tony's Friend, Neil is in favour of this idea and they have talked nearly every night of the advantages of Tony setting up on his own. However, his sister, Panla, who is two

years older, is more worry, she has told Tony to think carefully about the scheme. She has pointed out to Tony several disadvantages which could occur if he “goes it alone”.

Questions

- (1) What advantages do you think Tony has put forward in favour of the change?
- (2) What disadvantages do you think Panla has put forward

4.0 CONCLUSION

Sole proprietorship, is a business owned by one person who raises his finance from himself, relatives and friends. He has freedom in his business, but failure could be fatal because he will have nothing to hold on to.

5.0 SUMMARY

The one man business is easy to establish. It is one of the most popular businesses in Nigeria. Benefits of this type of business include being the sole owner of all profit, takes decision and so on. While the business is limited by lack of finance, lack of expansion etc. Despite all these a sole trading is worthwhile a business because you are your own boss.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the benefit of being a sole trader

7.0 REFERENCE/FURTHER READING

Denedo, C. (2004). *Business Methods Simplified*. Bida: Blessed Concepts Prints.

UNIT 4 KINDS OF BUSINESS – PARTNERSHIP

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
- 3.1 Definition of Partnership

3.2 Features of Partnership
3.3 Types of Partnership
3.3.1 Ordinary Partnership
3.3.2 Limited Partnership
3.3.3 Kind of Partners
3.4 Sources of Funds for Partnership
3.5 Article of Partnership on Deed of Partnership
3.6 Advantages of Partnership
3.7 Disadvantages of Partnership
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Readings

1.0 INTRODUCTION

This unit of a partnership tries to let you know what partnership is, its features, types of partnership, there sources of funds. The benefits of partnership, its weakness i.e disadvantage of partnership.

2.0 OBJECTIVES

At the ends of this unit study, you should be able to:

1. Define partnership
2. Explain how partnership is formed
3. Identify the types of partners
4. Identify benefit of partnership
5. Explain problems of partnership.

3.0MAIN CONTENT

3.1 Definition of Partnership

Denedo (2004) says partnership is an association of two to twenty persons carrying on a business in common with the view of making profit. The partners contribute both funds and efforts to set up and manage the business sharing profit (or loss) on an agreed basis.

Partnership can also be define as the relationship that exist when two or more persons who contribute small money or monies worth in order to establish, own and manage business organization with the sole aim of making profit. Partnership is an association of 2-20 persons or 2-10 persons as in case of a bank to carry on as co-owners of business for profit. They also share the losses that arise from such businesses.

3.2 Features of Partnership

1. Ownership: It is formed by between 2-10 people and between

- 2-10 people in case of banks
2. The initial capital is contributed by partners
3. Liability: Their liability is unlimited except for limited partner.
4. Formation motives: They are formed for profit reasons.
5. Sources of capital: contribution from the partners ploughing back profit, loans from banks
6. Method of withdrawing capital must be approved by other partners as laid down in their partnership deed.
7. It has no separate legal entity
8. It has no board of directors.

3.3 Types of Partnership

We have principally two types of partnership namely; ordinary and limited partnership.

3.3.1 Ordinary Partnership

All members or partner take active part in the management of the business and are generally liable to any loss or risk. All partners have equal responsibility and bear all the risks of the business equally. All the partners have equal powers, unlimited liabilities; take active part and profits are shared equally.

3.3.2 Limited Partnership

Any members in this category, his debts are restricted to the amount of money contributed in running the business. Not all partners take equal part in the management of their business. But there must be a member who bears the risk and also takes active part in the business activities. In other words, in limited partnership, there is at least one ordinary partner who has unlimited liability.

3.3.3 Kinds of Partners

We have five types of partners and they include:

- i. **Active Partner:** This is the partner(s) who take active part in the formation, financing and management of the business. They receive salary for the role they play as a manager or managing director or director of the business as spelt out in the partnership deed.
- ii. **Dormant/Sleeping Partner:** This partner contributes only the money needed for formation of the business or for running of the business. He is not involve in managing of the business and doesn't receive salary. He is only entitled to profit sharing and losses as it is agreed upon before formation.
- iii. **Normal/Passive Partner:** A normal partner is one who is not actually a partner but who allows his name to be used in the partnership or who gives the public the impression that he is a partner even though he may not share in the profit of

the business. This is a partner appointed because of his experience, fame or wealthy position. These members may be men and women of substance whose name are greater than silver and gold like retired army generals, politicians, civil servants ,successful business men.

iv. Silent Partners: A silent partner is an individual who is known to the public as a partner but who does not take active part in the management of the firm.

v. Secret Partner: A secret partner is that who is active in the affairs of the business but not known to the public as a partner.

SELF ASSESSMENT EXERCISE 1

If you are to form a partnership today which type of membership would you prefer. Name five reasons for choosing the type.

3.4 Sources of Funds for Partnership

The following method could be used by partner to fund their business.

- (i) Contribution from members
- (ii) Ploughing back profits
- (iii) Borrowing from the bank
- (iv) Enjoying credit facilities

3.5 Article of Partnership or Deed of Partnership

This is the document that regulates the activities of the partnership business. It is the “constitution of the partnership business aimed at guiding against, or resolving disagreements. It is normally drawn by a solicitor for the partners. The partners agree and sign the document. The deed of partnership is not legally required. It is very essential. The style and contents of the deed of partnership vary from partnership to partnership. They include all or some of the following:-

- Name of the firm
- Name of the partners
- The place of business
- The description of the nature of business
- The amount of capital that each part is to contribute,
- The role of each partner in the business
- The method of profits and losses sharing,
- The compensation, if any, the partners are to receive for services rendered to the business
- The right of partners in the business

- How long the business shall last
- Partner's rights in the business
- How matters shall be determined either by majority vote or not
- Provision for the admission of new members
- The arrangements concerning withdrawals or additional investment
- Arrangement for the dissolution of the firm in the event of death, incompetence or other causes of withdrawal of one or more of its members.

Once each partner agrees to sign this document, it becomes a legal document that is enforceable in a court of law.

3.6 Advantages of Partnership

The following are the advantages of partnership:

- (i) **Greater financial resources:** Unlike a one-man, business between two and twenty persons forms the partnership. It translates into more capital for such business compare to the one-man business. By so doing ability to borrow i.e. from bank and be approved is higher and better compare to one-man. Benefits of expansion are higher because more funds are available.
- (ii) **Combined Abilities and Skills:** In partnership, there are various partners, with various ideas, i.e. accountants, marketers, bankers, historians, managers etc. may come to together to form a business. They will put into use various talent which may advance the company more compare to a one-man business, who is the only talent.
- (iii) **Greater Continuity:** Relative to the sole proprietorship, the partnership has a very great tendency of continuity even in death. The death of a partner may bring about a re-organization of the partnership, but the remaining members are likely to have some knowledge that will enable them to continue with the business.
- (iv) **Ease of Formation:** Like-one-man business, the partnership is fairly easy to organize as there are few governmental regulations, governing the formation of partnerships. The investments duties, privileges, liabilities and other relationships of the partners are mutually agreed upon, and as soon as the new members and materials have been brought together, the business is ready to function.
- (v) **Joint and better decision:** That two good heads are better than one and this is applicable to partnership business where joint and better decisions are taken.

- (vi) Creation of employment opportunities: The large size partnership is in a vantage position to employ more in their business because of its huge financial resources.
- (vii) Employment of valued employees: In order to secure the advice and experience of esteemed employees. They are made partners in the firm. This is a way of enhancing their personal work as well as that of the firm.
- (viii) Tax advantage: Partnership enjoys tax advantage. Taxes are therefore levied upon the individual owners rather than upon the firm as it is not recognized as a legal entity.
- (ix) Application of Division of Labour: This is applicable in its managerial and administrative hierarchy.
- (x) Privacy: Like the sole proprietorship, partnerships are not under any legal obligation to publish their books of accounts for public consumption.

SELF ASSESSMENT EXERCISE 2

List five other benefits of partnership that are not mentioned above.

3.7 Disadvantages of Partnership

- (i) Unlimited Liability: If the business fails in the process, assets will be sold to offset their liabilities. In a situation where the assets cannot pay for the debt, the owners' personal belongings could be sold to offset such debts.
- (ii) The business is not a legal entity: Most of the partnership business has no legal backing.
- (iii) Disagreement and Resignation: Death of a partner can lead to the death of a business especially the active partner. Most of the partnership ends with disagreement. Disagreements because of action or Opinion lead to resignation which could lead to total death.
- (iv) Decline in pride of ownership: Since the partnership is owned by at least two people the pride and joy associated with sole ownership is reduced, unlike in sole proprietorship where the owner enjoys great pride in his business.
- (v) Bureaucracy leads to slow decision and policy making: Meeting that require quorum, may not always be formed.
- (vi) Risk of mandatory dissolution: Where a member withdraw his membership or admission of a new partner becomes necessary, the partnership will be dissolve and

another agreement reached to admit such member. The rigors involve in this is tedious, which may be a problem for such act.

(vii) Limited capital: This partnership cannot get more capital through shares except through members.

(viii) Restriction on sale of interest: There is a difficulty in affecting transfer of ownership. The interest of operation is not transferable without the consent of other partners.

4.0 CONCLUSION

Partnership is an improvement on a one man business whose chances in business are higher in terms of finance expansion, management and continuity. Partnership is formed between two to twenty members who agree to come together. An article of association is written to serve as a legal document. Partnership is not a legal entity and there liability is unlimited at a point of indebtedness.

5.0 SUMMARY

You have seen in this unit that partnership is a business form between 2-20 people who has an article of association as a guide. There source of finance is through partners banks and other legal sources. They are guided by their article of association as regard sharing of profit /losses. As a member of a partnership business there is so much benefit to derive i.e. more capital compare to one man business and looking at the adage that two heads are better one. The problem of a partnership is mostly in areas of dissolution, distrust and liabilities are unlimited.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss 5 advantages and disadvantages each of partnership

7.0 REFERENCE/FURTHER READING

Denedo, C. (2004). *Business Methods Simplified*. Bida: Blessed Concepts Prints.

UNIT 5 KIND OF BUISNESS - JOINT STOCK COMPANY

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Definition of Joint Stock Company
 - 3.2 Method of Formation

3.3 Features of a Private Company
3.4 Features of a Public Limited Company
3.5 Advantages of a Private Company
3.6 Disadvantages of Public Private Company
3.7 Advantages of Public Limited Company
3.8 Disadvantages of Public Limited Company
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Readings

1.0 INTRODUCTION

This unit is discussing about the joint stock company as a type of business, it is an improvement on that of partnership, this business is not own by one person neither is it own by two people. These types of corporation are both classified into private and public company. The owners of the business buy shares in the company. Their benefit and demerits are stated, and then sources of funds are as well stated.

2.0 OBJECTIVES

At the end of the unit, you should be able to:

1. Define a joint stock company
2. Differentiate between a private and a public company
3. Explain the benefits of both private and public company
4. Explain the problems of both private and public company
5. Discuss their sources of funds.

3.0 MAIN CONTENT

3.1 Definition of Joint Stock Company

A company is an association of individuals who agreed to and jointly pool their capital together in order to establish and own a business venture distinct from others. You can define it again as an association of investors who buy or own shares in a company for the purpose of carrying on a business. Those who buy or own shares are known as shareholders. They are regarded as the owners of the company. A joint stock company could be a private limited company or a public limited company. We have two kinds of companies.

- (i) **Unlimited Liability Companies:** Their liabilities do not end on the money contributed to the business; their personal belongings could be sold to recover money from them in case of a company's indebtedness.

(ii) **Limited Liability Company by Guarantee:** This business is for promotion of science, religion, arts, education and not for profit making. They source their fund from members. Their liabilities are limited by promise or guarantee.

(iii) **Limited Liability Companies by Shares:** Liability is limited to the amount they contributed for the formation and management of the company. If a company is liquidated, they lose only the shares they have in the company. We have two types of limited liability companies, they are:

(iv) **Private Limited Liability Company:** This Company when formed has a minimum number of two people and a maximum of fifty. The number includes employees of the company.

(v) **Public Limited Liability Company:** Minimum numbers of people that can form this company are seven while the maximum is not stated. The owners are shares holders, people are free to come in and free to sell-off their shared.

3.2 Method of Formation

Formation of Joint Stock Company starts with preparation of documents that will be presented to the registrar of companies for his action and subsequent registration. The document use for registration includes:

(A) Memorandum of Association

It states how the company will relate with the outside world. It will state the name, location and objectives of the company. Memorandum of Association includes:

- The name of the company with “limited” as the last word.
- Location of the company
- Objectives of the company
- Amount of the registered capital proposed
- Liability of the company’s shareholders (statement).

B. Article of Association

It tells you to about the regulation that is laid down for the internal rules and regulations of the government organization, and management of the company. They may include:

- The duties rights and position of each member of the company
- The method of the appointment of the directors
- How dividends are to be shared
- How general meeting are to be held and the procedure
- Method of electing directors and the voting rights at such election
- Method of auditing the company’s account.

C. The Prospectus

This is a document of notice, circular, advertisement or other invitation offering the public subscription or purchase of shares or debentures of a company.

D. Certificate of Incorporation

This certificate is issued by registrar of companies and cooperate affairs commission Abuja to show that a business is legally incorporated and recognize by government.

E. Certificate of Trading

It is issued to public limited liability company. He can start a business and exercises borrowing powers.

3.3 Features of a Private Company

- **Membership:** a minimum of 2 and a maximum of 50
- **Issuance of Shares:** cannot sell shares to the public
- **Transferability of Shares:** can only be transferred with the consent of other shareholders
- **Quotation:** private companies are not quoted on the floor of the stock exchange
- **Publication of Accounts:** not required to publish annual account. However they must send a copy of their audited account to the registrar of companies each year.
- **Limited Liability:** each shareholder possesses limited liability.

3.4 Features of a Public Company

- (i) **Membership:** Minimum of seven and no maximum, but article of association could specify maximum.
- (ii) **Issuance of Shares:** can sell share to the public
- (iii) **Transferability of Shares:** shares can be transferred without the consent of other share holders.
- (iv) **Quotation as Public Companies:** are quoted on the floor of the stock exchange
- (v) **Publication of Accounts:** required by law to publish account and to also send a copy of audited account to the registrar of companies each year.
- (vi) **Limited Liability:** each shareholder possess limited liability

SELF ASSESSMENT EXERCISE 1

List five different headings that exist between private and public company.

3.5 Advantages of a Private Company

i. Limited Liability: Liability is limited to the amount of money you put into the business. In case of liquidation, your personal properties are not touched.

ii. Privacy: Just like the public company, it is not compulsory to publish its account yearly as such the company has the advantage of keeping its secret.

iii. Continuity: The minimum number of holder of a company is two and maximum is fifty. If for instance you have forty members and two dies the company will still continue, compare to a one man business

iv. More Capital: Compare to partnership business, the chances of sourcing for funds to be granted i.e. from banks is higher.

v. Legal Entity: The Company is a legal entity as such it can sue and be sued.

3.6 Disadvantages of a Private Company

i. Taxes: Most of these companies pay corporate tax compare to a sole trader or partnership that pays personal income tax, the tax may be so heavy that it may be a burden on the company.

ii. Share: It is unfortunate that the companies share are not publicly subscribed, even in the exchange of shares, all member must be notify. A new member may be rejected.

iii. The shares of private limited companies are not quoted on the floor of the stock exchange; hence they cannot be transferred without the consent of other share holders.

SELF ASSESSMENT EXERCISE 2

Give five reasons why you will not put your money in a private company

3.7 Advantages of Public Limited Company

(i) Legal Entity: It is a corporate body; it can sue and be sued.

(ii) Limited Liability: The liabilities of the owners is limited to the shares brought into the organization

(iii) Ease of Raising Additional Capital: Because of the large numbers of the owners it makes it easy to raise fund from their contributions or selling of shares or bonds.

(iv) Expansion is Unlimited: There is no limit to where the company can expand to provide the company has a large capital.

(v) Continuity: This company life is long, even if hundred members die at a time the chances of its survival is still there. Even in a period of resignation, disability etc., the company is not threatened.

(vi) **Adaptability:** It is adaptable to small medium and large scale companies according to the fund available to the firm.

(vii) **Capital Transfer:** you can transfer your capital at will if you are not satisfy with the company.

(viii) **Flexibility:** for the fact that we have many members as shareholders, members of board, managers etc with diverse experience and knowledge, the running of the company will be perfect using the verse of experience personnel thereby giving room for flexibility.

(ix) **Enjoyment of Large Scale Production unlike One-Man Business:**

Because of the number of owners, finances, flexibility etc. a company has a better advantage of producing goods in a large quantity.

(x) **Share Holders Interest is Safeguarded:** Because there is no secrecy, the shareholders have nothing to fear.

(xi) **No managerial Responsibility:** You can be a share holder and yet you are not part of the management. It means that others are managing the business for you.

(xii) **Employees may become Co-owners:** Employee will become owner either by deliberate action of the management of the companies or by buying shares.

(xiii) **Democratic Management:** The Company is run democratically; election of board of directors is by vote. In meeting, if no quorum is formed there will not be a meeting.

3.8 Disadvantages of Public Limited Company

(i) **Double Taxation:** Most corporations are faced with double taxation. In Nigeria, federal, state and local government charge companies different taxes.

(ii) **Hard to Establish:** Methods of establishment and finance needed for such kind of business is high and it require a large capital outlay which may scare out a lot of investors.

(iii) **No Privacy:** Company and allied matter decree expect this type of company to publish its account annually, making it public affairs.

(iv) **Non-Flexibility:** It is hard to switch business because the papers for registration state what they are to do. If you change condition, it means you are to form another company entirely.

(v) **Special performance must be sought from government to transact business outside the location in which you were registered.**

(vi) **Cooperation is Non Existence:** Most companies have problems of misunderstanding between both managers and managers or with workers; it may be because of the large nature.

(vii) **Owners are Separate from Managers:** Therefore there is the tendency of the managers not running it well since they are not the owners.

(viii) **Huge capital is required for its formation, it therefore become more complex to manage compares to one-man business.**

(ix) **Delay in policy and decision making.**

(x) **Suppression of individual initiatives.**

4.0 CONCLUSION

We have two types of joint stock Company, i.e. public and private. Their formation is almost the same; the benefit of public is the improvement on the private. All of them have basic benefits and disadvantage to its owner. In whatever angle, this kind of business has a brighter future compared to one man business to partnership.

5.0 SUMMARY

This unit was able to look at the definition of a joint stock company, the requirement for registration. Joint stock is of two types private and public. Company's advantage takes care of the weakness of the public company.

6.0 TUTOR-MARKED ASSIGNMENT

Enumerate five (5) reasons why you will prefer a private company.

7.0 REFERENCE/FURTHER READING

Denedo, C. (2004). *Business Method Simplified*. Bida: Blessed Concepts Print.

MODULE 2 The Global Business Environment

Unit 1	Types of Business
Unit 2	Business Environment (General)
Unit 3	Business Environment (Specific)
Unit 4	Legal Issues on Business - Sales of Goods
Unit 5	Legal Issues in Business Law of Contract

UNIT 1 TYPES OF BUSINESS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
- 3.1 Types of Business
- 3.2 Producers
- 3.3 Processors
- 3.4 Manufactures
- 3.5 Intermediaries
- 3.6 Service Business
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

1.0 INTRODUCTION

This unit, types of business introduces you to the study of various businesses that you can decide to enter into, for you to be on your own. We have about five types of business depending in how you look at them. This unit discusses five types of business, their definition and the detail of each type.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Define types of business
2. Explain different types of business
3. Explain which business you can decide to embark on.

3.0MAIN CONTENT

3.1 Types of Business

You may want to ask what the difference between type and kind of business is.

- Types of business, is the distinct business activity that one can center into with the aim of satisfying customers.
- While kind of business is how to organize a business concern in order to carry out any of the types of business.

3.2 Producers

A producer is that person who is involved in producing those goods and services for distribution. Producers are more involved in producing goods that we can refer to as raw materials.

You take an example of:

- Farmer- he is a producer, involve in producing yam, beans, cassava eggs.
- Mining: He dig for minerals like gold, diamond etc
- Fishing: He goes into the sea and catch fishes for sale to other to use for consumption or for producing other products.
- Forestry business: Bringing in timbers into the market to sell to builders etc.

All these people are involved in gathering products in their original forms, from natural resources such as land and water.

3.3 Processors

These are business for any man that may not be able to produce product from their natural form, what they do is to add value to such product in order to sell it to another buyer. Businesses that change products from their original forms into more finished forms are processors; take an example of the following:

- **Paper Mills:** They get raw materials from woods, waste paper and produce exercise books, tissue papers
- **Oil Refineries:** Crude oil is gotten from the ground and refine into petrol, diesel, jelly etc
- **Steel:** Raw materials are gotten from various locations and they are turn into steel and steel is produce into another product.

These products that are processes are transformed into processed goods.

- Do you consider yam that is turn into yam flour. (elubo), cassava turn into (Garri). All business operating in this fashion are referred to as processors.

3.4 Manufacturers

You may be thinking of manufacturers as the only business people are involved in, when manufacturing is mentioned, but they are not. Manufacturers could combine the activities of producers and processor together to get a finished product. Dangote for instance may have a sugar cane farm, producing sugar cane, Dangote hare is a producer: -

Sugar cane may be process into granulated sugar he is a processor. A situation where sugar is cubed, packaged makes Dangote a manufacturer and combining all the characteristics of a producer, processor and a manufacturer. Manufacturer therefore turns raw or processed goods into finished goods. Finished goods are those products that are produced and ready for the market. Manufactures are business set up to carry out the activities involved in making finished goods out of processed goods Brown (1997).

Other examples of Manufacturers are:

- **Bakery:** Producing different types of product of various sizes.

-**Automobile factory:** make cars out of processed goods like steel, aluminum, glass, plastic etc.

Manufacturers are just involved in producing

- Consumer goods- you buy in the shops
- Consumables- (food, drink, cigarettes)
- Consumer durables, which has a longer life (e.g. Radios, domestic appliances, televisions and cars)
- Producer goods- include

Machinery, raw materials, commercial vehicles wares etc.

Manufactures are concern with:-

- Product mix-Range of product and brands they produce.
- Diversified - making a range of goods which may be sold to different markets.

SELF ASSESSMENT EXERCISE 1

1. List ten different manufacturers within your area.
2. Mention five companies that is able to combine two or more characteristics of types of business, apart from Dangote

3.5 Intermediaries

The function of intermediaries is for them to transport and distribute goods.

An intermediary is a business that moves goods from one business to another.

These intermediaries are mostly wholesalers and retailers.

- **A Wholesaler:** Is that business man that buys goods from a manufacturer in large quantity and resell to retailers in a smaller quantity.

Wholesaler performs the following functions:

Buying

Selling

Dividing or bulk breaking

Transportation

Ware housing

Financing

Risk bearing

Market information

Management services and advice

A retailer is that business that buys goods from a wholesale and resell them directly to the final consumer. Retailers like wholesales perform the function of wholesalers but added are:

- Breaking the bulk
- Give credit to customer
- Located close to customer

These and more are the functions of retailers different from wholesale's.

The entire producer takes decision on either to sell directly or through an intermediary. There are four main methods:

- i. Direct from the producer to the customers;- Is the system mostly used by mail order companies
- ii. The traditional method is via a wholesale's to a retailer outlets and then to the consumer
- iii. Many companies deal directly with retailers particularly large retail chain
- iv. Manufacturers that produce goods for tradesmen usually distribute them via a specialist merchant

One important aspect of intermediation business is transportation.

As a manufacturer you decide on the best method of transporting goods.

This will depend on

- The distance involved
- Types of goods
- Urgency
- Cost
- The customer

Because of these factors, you have to choose any of these modes of transportation:

Air transport

- It is faster than most methods
- Use for goods that are needed urgently
- The disadvantage is the air disaster Nigeria has been witnessing

Road Transport

More flexible

Use for adverting

Cost- if driver travel along distance

Rail

Carry heavy goods at the same time

Less accident

Not flexible

3.6 Service Businesses

Service business is that business that is increasing in number very rapidly: In the U S by "mid 90s, 75 percent of the workforce was employed by service business"(Brown 1997). In Nigeria, the story is not different since the coming in of Obasanjo's administration and attention given to tourism, there has been an increase in service industry and more Nigerians have been employed in the service industry. Service business provides services instead of goods to consumers. Goods service industry sells are intangible, which you can not touch. Examples of such service industry include:

- Movie theatres

- Car washes
- Airlines
- lawn care specialist
- Mechanics
- Doctors

Service industries are operated to provide:

(i) Assistance for Business - for instance if you leave your destination to anywhere in Nigeria with plane you decide to lodge in a hotel before the following morning business discussions, it means that your business has been assisted by service industry.

Banks could equally serve as assistance for business. For instance banks grant credit to business men to carry out their activities. Importer and exporter require bankers to aid them in their businesses.

(ii) Insurance is another service area that is required to reduce the risk of trading. It covers all standard risk like theft, fire, goods on transit.

(iii) Communication is another service area that aid business. It helps because up-to date information is required. This information can be accessed through computers, satellite links and fax machines.

(iv) Service industry employ specialist for instance you need advertising agencies to plan a campaign, design of art work etc.

4.0 CONCLUSION

You have learnt in this unit that there are basically about five types of businesses. Being you, sole Trader Company etc your business fall under any of these categories.

5.0 SUMMARY

A business man may combine all the characteristic, or may be involve in almost all the types of business .Dangote business for instance is found in all these classes of business i.e. in production, processing, manufacturing intermediating and service production. These activities if well managed help in customer satisfaction.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the intermediation function of wholesalers and discuss four methods a producer can get through to a customer.

7.0 REFERENCES/FURTHER READINGS

Brown, B. & John, D. (1997). *Introduction to Business Our Business and Economic World*. New York: McGraw-Hill Inc.

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UNIT 2 BUSINESS ENVIRONMENT – GENERAL

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 What is Business Environment?
 - 3.2 Business Environment

3.2.1 Economy
3.2.2 Technology
3.2.3 Natural Environment
3.2.4 Politics and the Law
3.2.5 Culture and Society
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Readings

1.0 INTRODUCTION

This unit introduces you to some of the business environments these unit will discuss the economy technology and natural environment as it affect business.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Discuss how the economy affects businesses
2. Explain effect of technology on business
3. Understand the natural environment and its effect on businesses
- 4, .Identify the effect of Politics and the Law on the Business
5. Discuss the effect of Culture and society on Business.

3.0MAIN CONTENT

3.1 What is Business Environment?

A business concern cannot operate in isolation; there are forces that shape every business. There are factors that a business concern can control and some he cannot control. Those factors that a business man cannot control are called external or macro factors to a business man, try to look at the environment and operate his business within the limit of this environment. For instance, if sharia do not allow selling of alcohol in a particular state, and your interest is to sell alcohol in that state, you look at the environment and see where you can take advantage for instance in Niger state alcohol can only be sold in Barracks, if that is the case, your interest of selling alcohol in Niger State, will be limited to Barracks. The factors that cannot easily be changed, which are referred to as macro environment include the following:

- Demography
- Economy
- Social and cultural factors

- Political and legal forces
- Technology
- Competition

Micro factors, which you can refer to as controllable factor, are those factors that you can manipulate to your advantage. They include employees, managers, owner, financial institution, suppliers, consumers, government agencies, competitors, and the public.

A business concern couple with its environment can be depicted thus

3.2 Business Environment

3.2.1 Economy

The economic environment consists of factors that affect businesses; these factors may be those factors that affect consumers in terms of purchasing power and patterns, because at the end of the day, consumers' action affects business either to buy or not buy. The purchasing power of a consumer depends on.

- Income
- Prices
- Savings

Credit companies must be aware of major trends in income and of the changing consumer spending patterns. Attention should be based on the following:

(a) Changes in Income- real income per capital are affected by inflation, high unemployment and increase taxes. These reduce the amount of money people have to spend. If this happen, you will turn to more cautious buying. Many companies will introduce economy versions of their products and will use price appeals in their advertising. Some people will postpone purchases of durable products while others will purchase them out of fear that prices may increase in the future. Many families will begin to feel that a large home, two cars, foreign trips and a private higher education are beyond their reach. However, as economic conditions improve, incomes will rise and people will demand higher quality products and better service and they will be willing to pay for it. They will buy more-time saving product and services; engage in more travel and entertainment, buy of more physical fitness products, engage in more of cultural activities and more continuing education. These behaviours of consumers based on income, has effect in a business concern that you're operating in.

(b) Changing Consumers Spending Patterns- consumers spending on major goods and services categories has seen changing over the years, food, housing, household operations and transportation consumes two third of their one's personal income, i.e two third of one's personal income is expended on these items.

(c) Low Rate of Savings and High Debt - Consumer expenditures are affected by consumer's savings and the amount of money owned (debt) other people. Your savings are a major source of financing your purchases. You can increase your purchasing

power through borrowing. Your credit has been a major contribution to the rapid growth of the economy in some countries. It enables people to buy more than their current income and savings can allow this, creating more jobs and still more income and more demand. Major economic changes in variables such as income, cost of living, interest rates on loans, savings and borrowing patterns has a big impact on businesses in an economy. Companies whose product has high income and price sensitive need to invest more money in sophisticated economic forecasting. This will give adequate forewarning which will enable the company to take the necessary steps to alter its products, reduce its cost and come out of economic storm.

SELF ASSESSMENT EXERCISE 1

1. Are you a civil servant? Look at the economy from 2003. List some of the items you have acquired.
2. What has lead to increase in your assets?

3.2.2 Technology

Technology creates opportunities for a company to increase consumer satisfaction and thereby gain competitive advantage over others. Today, many products are available that were not in existence even a decade ago, for example computers, communication satellites, compact disc and birth control pills often an improvement in a vital component of a product can make the difference that is needed to create large market opportunities and spur competition. Technology has been called the process to “creative distribution” in the sense that new development in technology not only creates new products and new markets but also destroy existing ones.

For example, as colour TV sets are introduced, black and white sets have lost a substantial part of their market. Again a country's economy growth rate is affected or influenced by how many major new technologies are discovered. Each new technology creates major long term consequences that are not always enforceable. The contraceptive or family planning pill, for example, has led to smaller families, more working wives and larger, discretionary incomes resulting in higher expenditures in convocation, travel, durable goods and other things. Technology has however got its limits. Technological improvement is limited by the laws of nature. The goal of technology management is to identify the limits of a given earlier technology so that a new technology can be developed to replace it. Businesses men need to understand the changing technological environment and how new technologies can serve human needs. They must be alert to the undesirable side-effects of any new technological innovation that might harm the users and create consumers distrust and opposition.

Again, various groups are opposed to technological development because they see it as threatening the natural environment, individual privacy, simplicity and even the human

race. All these affect business positively and negatively. It is left for the business to scan the environment and take advantage of the positive aspects.

SELF ASSESSMENT EXERCISE 2

1. In 80's as a student in a college, we were use to charcoal iron, toady I may not be able to use it again. Look around you and list items that have improved technologically.
2. Does this have any effect on any business you have seen or you are running?

3.2.3 Natural Environment

The Natural environment can affect the location of a business, what activities they undertake and how costly these activities are in recent times. There has been a growing awareness of the effect of industrial activities on the physical environment, both directly through the depletion of resources, (such as minerals and forests) and through air, land and water Roy et al (1994). Kotler (1999) the deterioration of the natural environment is a major global concern. In many world cities, air and water pollution have reached dangerous levels. There is great concern about certain chemicals creating a hole on the Ozone layer and producing a "green house effect" that will lead to dangerous warming of the earth. Natural environment provide the following challenges:

- Shortage of Raw Materials: Raw materials that are gotten from the earth can be classified into two finite renewable and non renewable infinite. Renewable include products like forests, and food. Those company that use goods for production are expected to get their raw material from the forest. This result to deforestation these companies must use this resources wisely. When this land is deforested, farming becomes a problem.

- Finite Non-Renewable i.e. Oil, Coal Platinum: Zinc, Silver:

"Firms making products that require these increasing scarce minerals face substantial cost increase. It is difficult to pass the cost to consumers. Companies are expected to go into research to find alternatives.

- Increased Energy Costs: Nigeria crude has risen to a high price of N70 per litre because of this, we look for alternative energy i.e. use of alcohol and ethanol. If the prices of oil goes down it will have effect on oil exploration and it help companies that use oil if the prices are low, all these affect business. –

Increased Pollution Levels: Businesses that are engaged in production are found of polluting the environment. for instance polythene are littered everywhere in Nigeria. i.e. waste from pure water, it may have effect on ozone layer. All these have effect on businesses.

3.2.4 Politics and the Law

Political environment could be looked at from the point of view of the type of leadership in the nation. What are the policies of the leaders a times? How peaceful is the nation under the leadership? In Nigeria 1993, we had three different Head of State within six months with the annulment of June 12 election, the political situation in the country was dicey, foreign investors were repatriating their investment. Nigerians were not sure of what will happen in the next minute. Easterners were relocating from north to the east and vice versa. There is no doubt that this political situation must have affected company's strategies. Nigeria leadership under the ruling party of PDP (People

Democratic Party) is dispose to privatization, deregulation and commercialization. This style of leadership or this idea will in no small way affect business. Benue cement Gboko is a good example because of privatization; the company was closed down for over one year because of the resistance from the Benue people. Legislation are promulgated to regulate business activities just as citizens are responsible for knowing and obeying the laws of the land, businesses must be aware of the laws and regulation affecting their activities because violations of such laws and regulation not only subject the company to prosecution but they are also costly in terms of the bad publicity the company receives as a result.

Reasons for Government Laws:

- i. To protect businesses from each other
- ii. To protect consumers from unfair business practices
- iii. To protect the interest of the society against unofficial business behavior.

In addition to the laws themselves companies must be aware of regulating agencies because the impact of legislation depends largely on how companies and the court interpret the laws and how they are enforce. Examples of Government law enforcement agencies in Nigeria that regulate businesses:

1. Standard organization of Nigeria- (SON) 1971
2. National Agency far ford and Drug administration and control (NAFDAC)-1993
3. Drugs and Related products-1992
4. Environmental impact regulation
5. Trade malpractice (miscellaneous offences) Decree 1992
6. Consumer protection council.

Others

- Nigeria invested promotion council 1995
- Foreign exchange (monitoring and miscellaneous provisions) 1995
- Immigration Act 1963
- Dumped and subsidize at Act No 9 of 1955
- Customs duty drawback regulation 1958
- Privatization and commercialization Dec 1988 etc.

3.2.5 Culture and Society

The socio-cultural environment consists of institutions and people that make up a social grouping. A company's environment scanning must focus on the beliefs, value and norms of behaviour that are learned and shared by the people in that social grouping, values are defined as the likes and dislike, the positive and negative feelings that colour a persons view of the word and influence his behaviour, clearly they are the source of consumers needs and what that businesses most try to satisfy. Kotler has identified the following cultural characteristics and trend that may be of interest to business

(a) Core Cultural Values are Difficult to Change: The people living in a particular society held many core beliefs and values that are difficult to change. For example, people in a particular society may believe in being hard working, in getting married, in giving charity and in being honest. Core beliefs are passed on from parents to children and are reinforced by the major social institutions such as the schools, churches, government.

(b) Secondary Cultural Belief is more open to Change: From example, believing in the institution of marriage is a core belief but believing that people ought to get married is a secondary belief therefore, businesses selling family planning product can make more impact on people by arguing that people should not be married at all.

(c) Each Culture Consists of Sub-Cultures: A sub-culture refers to various groups with shared values that result from their special life of experiences or circumstances. These people share common beliefs, preference and behaviours. To the extent that sub-cultures have different needs and wants as well as consumption behaviour.

(d) Peoples Views of Themselves: People differ in some relative emphasis they place on self-gratification been very strong over the years. The implications of a "me me society" are many. For example, people will buy products, brands and services that are a symbol of self expression.

(e) People View of others: In recent years also, there has been a gradual shift away from a "me me society" to "we we" society more and more people now look for serious and long-lasting relationship with others. Some recent adverting features people in groups sharing things with others. This create a bright future for social support, product and services that promote direct relationships between human beings such as health, clubs,

vacation games, picnics, camping etc. These things allow people who are alone or feel isolated to begin to feel that they are not. Product such as televisions, home videos, games and computer are often used.

(f) People's Views of Organsation: People differ in their attitude towards corporation government agencies, trade unions and other organization. Most people are willing to come for those organizations although they may be critical of particular ones.

(g) People' View of Society: People also differ in their attitude towards the society. There are those who want to defend it (the preservers) those who want to run it (the makers) those who want to take what they earn from it (the takers) those who want to change it (the changers) those who are looking from something deeper from it (the seekers) and those who want to escape from it (the escapers).

(h) People's View of Nature: People's love for nature is leading to more camping's, linking and fishing. Business has responded to this with hiking boards, tenting equipment and others.

(i) People's View of Universe: People vary in their beliefs about the origin of the universe and their place in it. More people are (losing their religious orientation as a result, they seek more of the good life here on earth. Self-fulfillment and immediate gratification are raising cultural values.

4.0 CONCLUSION

Natural environment economy and technology has a serious effect on business. Business need to scan this environment very well and take advantage of the areas that has advantage.

5.0 SUMMARY

These environment help business in a great deal: for instance if the income of an individual increase it is likely to increase his purchasing power. This environment presents never ending opportunities; these opportunities tell business the trends to follow.

6.0 TUTOR-MARKED ASSIGNMENT

1. FROM 1999 that Obasanjo took over from your view point, assess the economy of Nigeria and its effect on business. You can limit your assessment to salary increase and technology (i.e GSM).
2. List five different types of laws in Nigeria that can affect business in Nigeria.

7.0 REFERENCES/FURTHER READINGS

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UNIT 3 BUSINESS ENVIRONMENT – SPECIFIC

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content

3.1 Specific Business Environment
3.2 Employees
3.3 Managers
3.4 Owners
3.5 Financial institutions
3.6 Suppliers
3.6.1 Forecasting
3.6.2 Materials Management
3.6.3 Statistical Stock Control
3.6.4 Material Requirement Planning
3.7 Customers
3.8 Government Agencies
3.9 Competitors
3.10 The Public
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Readings

1.0 INTRODUCTION

This unit will discuss some specific environment of business which can conveniently be referred to as internal or micro environment, that is, a business whose operation is within. It means that he can manipulate some of these factors to his own advantage. In this unit, we are going to discuss the effect of employees of an organization, the managers, the owners and financial institutions as they affect a business.

2.0 OBJECTIVES

At the end of the unit study, you should be able to:

1. Identify who is a manager and his effect on business
2. Identify who are the owners and its effect on business
3. Discuss the financial institution that relates with a business
4. Discuss the effect of suppliers, customers, competitors, government agencies and the public on a business.

3.0 MAIN CONTENT

3.1 Specific Environment

The environment that is referred to as specific unlike the general is what a business man can face head on that is directly related to his business. In this unit, the following are discussed.

- Employees
- Managers
- Owners
- Financial institutions
- Suppliers
- Customers
- Government agencies
- Competitors
- The Public

3.2 Employees

In an organization, workers are employed that will help organization continue to interact with its customer for profit. ABC enterprise Nigeria Limited is a business outfit, it provides services in the area of fumigation, it has on its pay roll about eighteen workers. The eighteen workers are the employees of ABC enterprises. Has an employee any effect on an organization? Employees can make a business to fail or succeed. If a business succeeds, the employees are therefore encouraged to work for the organization. If a business fails, it means workers do not cooperate with the organization. Unit of the study has been able to discuss those factors that can affect workers positively and negatively which we refer to as satisfiers and dissatisfies of an organization,. The pay and conditions of employees covered by trades unions are deal- with through collective bargaining, other workers such as the managers where the employees are more likely to make individual bargains and their pay and conditions may be related to their individual performance.

3.3 Managers

Managers are the decision makers in an organization; they embody its attritions and philosophy and therefore play a central role on its performance. The success of the organization is usually bond up with their personnel performances. The knowledge of manager about their own organization can be of great value to a competitor for whatever reason has tends to be almost instantaneous. Effect of managers from the positive side can:

- Increase the profit for an organization.
- Improve cordial relationship among workers.
- It multiplier effects is that, it can improve on customer's inflow to the organization.
- It improves on the prospect of a business

The side effect of bad managers is:

- Company can go under due to bad management.
- Frequent strikes
- Low sales, low profit etc.

3.4 Owners

Private companies are owned and often managed by the same individuals whereas public companies are owned by shareholder who may or may not be managers. Large public companies are owned by their share holders who may have voting right through which they can influence the policy of the organization, but the effectiveness of their degree of control is a matter of debate. Many years ago, James Bumhan, in the management revolution argued that ownership had been divorce from control. It is certainly true that companies like ICI have thousands of shareholders who it would be very difficult to organize to exert an influence on the other hand; the existence of thousands of shareholders provides a great opportunity to a few large shareholders to act collectively. The effective ownership and therefore the policy of the organization can be changed by a “take over” by large shareholders who will then replace the top management by those whose active aid objectives are on line with their own small shareholders can indirectly extent influence operations by selling their shares. The function in share price and therefore in the value of the company, is a major influence on management. An important objective has to be keeping the shareholders happy.

SELF ASSESSMENT EXERCISE 1

From your own opinion name at list five (5) effects and benefits of the owners of a business on a business.

3.5 Financial Institutions

Organization has links with a variety of financial institutions, such as commercial and merchant banks both at home and overseas, insurance companies and building society. Borrowing takes place from commercial banks to finance both short – term and long-term operation, such as the purchase of machinery. Merchant banks are often used in an advising capacity to help in a takeover bid or to protect against a hostile takeover and they also help to organize the issue of shares to raise capital. There is usually a very close relationship between an organization and its bankers, or stock brokers and the development and maintenance of the relationship may be the responsibility of Finance Director.

SELF ASSESSMENT EXSERCISE 2

List five areas banks can help or relate with business.

3.6 Suppliers

An important activity of all organization is the purchase of supplies of equipment, Raw materials, service, and energy and so on. An organization is dependent on its suppliers

and managers need to ensure that the business does not become so dependent on one supplier that it assumes a dominant position. By dividing purchases among different supplies it may be possible to encourage competition and thereby obtain better prices and services. Before you choose which of the best supplier of your services, the following must be looked into

- Forecasting and its uses
- Material management
- Statistical stock control
- Material requirement planning

3.6.1 Forecasting

Market forecast as needed so that short, medium and long-term plans can be constructed by operations managers. The tactical plans are usually for a period of up to one or two years ahead, where strategic plans are usually concerned with the achievement of longer term objectives e.g., of:

Tactical

- inventory (stock) planning
- Purchasing planning
- Financial planning

Strategic

- Supply planning
- Training planning
- Financial planning

All these will affect which supplies to choose for supplies of services or production.

3.6.2 Material Management

As automation reduces the amount of labour in the production process materials and machinery become relatively more important. It is a major part of the operations of managers' job to control and utilize effectively the flow and stocks of materials throughout the factory system, from purchase of the raw materials to dispatch of the finished goods to the customer

3.6.3 Statistical Stock

When doing things, you consider:

- Re-order level at what quantity will look for supplier to supply me more.
- Economic order quantity that the most convenient quantity of items to order so as not to have overstocked items in the warehouse or under stock. When to order and how much to order when graphically display, where the arc equates, that is the economic order quantity.

3.6.4 Material Requirement Planning

In many manufacturing concerns, production of the finished products is scheduled for some time ahead (weeks or perhaps months). When the scheduled output of the finished product is known, it is possible to derive the exact requirement for the components from which that product is constructed. It can be ensure that stocks of those components are available for use as required, such a system, possible only when the demand for components or parts is dependent on that for a finished product, clearly allows operation at low stock levels than would be the case for reactive systems of statistical stock control.

3.7 Customers

The buyers of an organizations' products wants value for money, i.e. low price, high quality and good service, they may be knowledgeable about the products or may be susceptible to persuasive advertising. Final consumers are in a weak bargaining position as individuals, but when they act collectively they can determine the future of a business. Consumers have become more militant through the formation of protection agencies and pressure group such as the consumer association. Where organizations sell to other organization, they may be in danger of being dominated by a single customer.

3.8 Government Agencies

All organization have to deal with governmental bodies, for example the departmental of trade and industry has special sections which concentrate on the situation in and prospect for particular industries and which maintain connection with the trade association, employer and employee bodies, representing those in the industry. Other bodies exist to stimulate export, give advice to business and deter monopolistic practice and to protect consumer. The extent to which the government should seek to influence business practice and to protect consumers is a subject of debate. In Nigeria here, we have some organization like:

- Nigerian export promotion council. If an organization wants to export any of their products outside Nigeria, this organization is contacted. They equally look for products that are worthy to be exported so as to encourage exportation.
- Nigerian Investment Promotion Council: This organization tries to encourage foreign investors to come and invest in Nigeria. These and many more are such organization that has contact with businesses operating within and outside this country.

SELF ASSESSMENT EXERCISE 3

List five organizations that have a relationship with business concerns.

3.9 Competitors

In some ways the most immediate elements of a firm's environment are the numbers, size and behaviour of competing firms. There are several characteristics, types of market

which may be classified according to the type of product and number of competitors. Market behaviour is interdependent, if a firm tries to expand its share of the market, it can only do so at the expense of the other. If it charges lower or higher price than its competitors it may either lose or gain business or start a price war. In markets where there are few competitors, there is a high degree of interdependence of decisions as competitors analyze each other's strategies and the result might see an uneasy truce or a collective decision to share the market and not to compete. The type of market in which you operate in will determine the number of competitors you have and the intensity of competition. The following are the different types of market:

i. Monopoly

This is a case of a single seller in the market. This can come up because of:- Natural circumstances Legal reason. Monopolies face a downward – sloping market demand curve and therefore have the price to fix either price or output, but not both. A monopoly supplies can increase profit at any give level of output by price discrimination, the most common form of which is to charge different parts of the market. This is to treat the market as if divided into segments. Example of monopoly market in Nigeria is:

- Nigeria railways
- Power holding company of Nigerian (PHCN).

SELF ASSESSMENT EXERCISE 4

Monopoly is in a downward turn. List five examples of companies in Nigeria that had monopoly and know they are into a competitive market.

ii. COMPETITION

The most price competitive market is one in which there are no dominant firms, the products of all firms are identical (and therefore impossible to differentiate) and both consumers and producers know and can take immediate advantages of any opportunities. this describes the perfect market in which customers and supplies have perfect information on buying and selling, there is a single homogeneous (identical) product and each firms' share of the market is so small that if it went out of business or if it doubled its output, it would have no effect in the market price. Markets characterized by monopolistic competition and much more common. Hence firms are relatively small but they seek to become the monopolist product of their product by market it different firm those of their competitors.

iii. OLIGOPOLY

Where there are a small number of firms each of which has significant market share their decisions about production and price have repercussions on competitors. There may be mixture of large and small firms. In such circumstances the small firms have to take their

lead from the large ones when it comes to pricing. Price leadership is also characteristics of markets in which one firm is much more efficient than the rest and is used as a guide by the rest of the firms for their pricing policy. The products of oligopolistic industries may be identical or differentiated. In either case the firms have to consider the effect of their decisions on their competitors; oligopolistic market tend to be characterized by inform and stable prices and competition which takes place through advertising and sales technique design, packaging and the development of new products.

3.10 The Public

Most people have direct relationships with only a few organizations through their more or purchasing behaviour on the other hand, they may be inflated indirectly by a great many. The whole nature of society is that the numbers of it are interdependent. Efficient companies ultimately bring benefits to everyone through lower prices and better quality products. Poor products and after sales service in exports can lead to a bad reputation from which all firms might suffer in the end, irrespective of whether or not they deserve to. Similarly, managers and workers who had been well trained help to raise the general level of ability of the work force from which the whole economy will benefit. Many large companies and public bodies now employ public relations specialists in order to create a favourable image with the general public through radio, television and the newspapers. When public opinion is favourable, companies become esteemed and known for that, for example, they have plenty high – quality applicants for jobs. An area of potential conflict between organization and the general public lies in the natural environment, companies, public or private can be a force for good or even by affecting the quality takes and through the land, rivers, lakes and oceans, the air we breath and the buildings we work in and look at. The interests of the general public are not only represented by government studies but also increasingly by bodies such as Green peace, the customers association and the Rambles Association.

4.0 CONCLUSION

No business can operate in isolation because of this any businessman that run either one man business or organization they need to consider factors like: Suppliers, Customers, Competitors, The public, Government agencies must be looked into seriously because they have: Positive-- effect on a business and if well utilized, a company can succeeds. Negative-- if not well looked into can cause a company to fail.

5.0 SUMMARY

At the end of the unit, we've been able to learn about supplies and how to study them to know when, where and how they should supply you goods while costumers are of corporate and individual in nature. Government agencies are set up to regulate, promote and help business to carry out their business. Depending on which market you operate it will determine your level of competition, which the public has a stake in any business established.

6.0 TUTOR-MARKED ASSIGNMENT

List 10 states in your business and discuss one as it affects your business.

7.0 REFERENCES/FURTHER READINGS

Business Studies: An Introduction to Management and Business Studies Oxford:
Heinemann.

UNIT 4 LEGAL ISSUES IN BUSINESS - SALES OF GOODS

CONTENTS

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
- 3.1 Sales and Agreement to Sale

3.2 Sales and Other Contracts Distinguished
3.2.1 Bailment
3.2.2 Hire Purchase
3.2.3 Exchange
3.3 Condition and Warranty
3.4 Transfer of Property
3.5 Transfer of Title
3.5.1 Sales by Agent
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3.8 Delivery of Wrong Quality
3.9 Breach of Contract of Sale and Remedies
4.0 Conclusion
5.0 Summary
6.0 Tutor-Marked Assignment
7.0 References/Further Readings

1.0 INTRODUCTION

The unit of sales of goods is one of the legal issues in business, the unit introduces specifically those agreements to sell, the importance of warranty to sales of goods .The unit also discuss those breach of contract in terms of sales and how they can be addressed.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Define sales and agreement
2. Distinguish sales and other contracts
3. Discuss how to transfer title
4. Explain what are breach of contract and how it can be resolved.

3.0MAIN CONTENT

3.1 Sales and Agreement to Sale

Kurfi (2005) defined contract “as a contract where by the seller transfer or agreed to transfer the property to the buyer for money consideration, called price”. If you are into a business and you have an item to sell or willing to sell, it either.

- (i) When you transfer the title of the goods to a buyer this contract is called sales.

(ii) In a situation where an agreement is to pass on the possession of an item in a future date, with some conditions attached, it is called agreement to sales. In a situation where the conditions are fulfilling, sales has taken place. If you sell and deliver well then, contract of sales has taken place and the first owner will cease to be the owner and the second party takes possession. Goods that can be used for this sale are:

- Motor vehicles
- Ships
- Aero planes etc.

3.2 Sales and Other Contracts Distinguished

Contract of sales is different from the following:

3.2.1 Bailment

This is an agreement between two parties that goods should be delivered to another party or that goods should be transfer from second party to the third party based on the instruction given by the first party.

3.2.2 Hire Purchase

It is an agreement between two parties for the second party to have an item under some conditions, until such conditions are fulfill, the item is still that of the first party.

3.2.3 Exchange

It is a transfer of goods from one party to another. There may not be exchange of money. It could lead to contract, if where price is partly involved and party of goods are settle with goods.

SELF ASSESSMENT EXERCISE 1

- (1) Give good example of bailment.
- (2) State a very good example of hire purchase.
- (3) Have you ever exchange any good? State your experience.

3.3 Conditions and Warranty

These are terms commonly found in sales of goods.

- Conditions -is a term use that if not fulfill can cancel a contract.
- Warranty: It is a condition of sales that if discovered lead to a right of damage only or possible replacement. Some conditions of warranty.

(i) Stipulation as to the Time

In a commercial contract, time of delivery is necessary especially where perishable items are involved. If the time stipulated is breach, it means that the contract has been breach, the injured party can ask for refund.

(ii) Undertaking as to Title

Once a contract of sales is entered into, it is agreed that:

- You have a right to sales, subject to any agency agreement or sale by the holder of power of attorney.
- There is implied warranty from the seller that the buyer will enjoy “a quite possession of the goods”
- Warranty as to freedom of encumbrances that the goods brought shall be free from any disturbances by the third party that was not declared by the seller.

(iii) Sales by Description

If your, sale goods are by description, the description should correspond to the description given, if not there will be a breach of contract.

(iv) Sales by Samples

It states that

- There is an implied condition that the bulk shall correspond with the sample or quality and quality.
- That the buyer should have an opportunity to compare the bulk with the sample.
- There is an assume condition that the goods shall be free from any defect rendering them unmarketable which will not be apparent in the sample.

SELF ASSESSMENT EXERCISE 2

Name five products that have warranty.

3.4 Transfer of Property

Once goods are sold they are to be transferred especially from one party to another.

One of the reasons for doing this is to know the rights, duties or liabilities of the parties involved. Who is to pay for damages, destruction or loss of the goods because of these the difference between the following is necessary.

(1) Specific or Ascertain Goods

Kurfi (2005) says specific goods are goods identify and agreed upon at the time of the sale. Under this condition goods are to be transferred to the buyer at the time the parties

intend it to be transferred. In this contract intention of the parties must be known there are from way in knowing the intention of the parties. Kurfi (2005) state the form of the condition thus. Where there is an unconditional contract from the sale of specific goods in a deliverable stage the property in goods passes to the buyer when the contract is made and it is immaterial whether time of payment or of delivery or both postponed. If a seller is bound to do something for the purpose of putting them into a deliverable state, the property does not pass until such thing is done and the buyer has nothing thereof. If goods sold are to be weight or measured for the purpose of ascertain price, it must be done. If not, the buyer has nothing thereof. If all condition are fulfilled the goods must be pass on to their buyer. It is established that

- If the buyer signify approval
- If they do not singly approve

(2) Unascertained Goods

Kurfi (2005) states that in unascertained goods are “where there is a contract for the sales of unascertained goods, no properly in the goods is transferred to the buyer unless and until the goods are ascertained.

3.5 Transfer of Title

In business law, it is believed that “no one is legally capable of giving what he does not have. It means that you can’t sell what you do not have, where there is an agreement to sell, you should have the right to sell at the time when the property or goods is to pass. It is only the owner of goods that has the right to transfer the title of such goods to another person. Sometime it may not always be so. In such cases we have;

3.5.1 Sales by Agent

You can sell goods to another person with the consent of the original owner, you are now the agent. If you sell without his consent, he (the owner) can recover his goods. “However, the owner is liable to compensate the purchaser for any improvement he had affected on the goods while they are on his possession”.

3.5.2 Estoppels

Kurfi (2005) Say a person by his conduct or acquiescence allows others to believe in a state of things and they acted to his detriment. Such a person will be excluded or denied the state things. He went further to say it is a situation whereby the owner of the goods by his conduct is precluded from denying the sellers authority to sell, and it applies in cases of agency by estoppels based upon the general representations made by the principal i.e. the seller has his authority to sell.

3.5.3 Sale under Special Power

Goods can be sold under some special common law or any statutory power e.g.

- Liquidator of a company
- Unpaid seller of goods

3.5.4 Sales in Market

Where goods are bought in a market place, you can buy from the market provided you buy in good faith.

3.5.5 Sale by a Factor

Kurfi (2005) a factor is a type of mercantile agent entrusted with a sale of goods for sale only, and it is allowed by law to sell in his own name.

3.6 Performance of Contract of Sale

This involves delivery of goods sold, either on behalf of the seller and their acceptances and payment of the price on behalf of the buyer.

- **Delivery:** Kurfi (2005) says it's the voluntary transfer of possession from one person to another, this transfer may be actual or constructive".
- Constructive delivery may be any of the following form
- By affirmation i.e. the third party acknowledges to the buyer he holds the goods on his behalf
- Transferring to the buyer
- Possession passes to the buyer without actual delivery
- Transfer of document of title

3.7 Place and Time of Delivery of Goods

When an agreement is reached for delivery of goods, the time and place must be stated. If not stated, you deliver to his place of business, if he has more than one place of business, where the transaction took place, which is where to deliver. In case where time is not stated, you will deliver at a reasonable time.

3.8 Delivery of Wrong Qualities

It is expected that the seller, write delivery the exact goods agreed upon. If the goods are less or more, the buyer has the right to accept or reject such goods.

3.9 Breach of Contract of Sale and Remedies

Contract between a seller and a buyer may be breached. Disagreement may arise i.e. the form of refusal or rejection of goods and refusal to pay. In such situation the law will prevail.

- Breach by the Seller

The seller can breach a contract and you can react to such a breach in one of the following ways.

- Right to reject the goods
- You have the right to bring an action for damages as well as for specific performance.
- An action for money paid for the goods in the contract.

Breach by the buyer

The following remedies are available to him

- Failure to take delivery
- Failure to accept goods
- Failure to pay for the goods
- The seller has the right to resell

4.0 CONCLUSION

You have learned in this unit that the business of sales has its legal implication for you as a buyer and the seller. Once you agree to sell and buy you are legally bonded. In case of failure you can face legal implication.

5.0 SUMMARY

Sales of goods in business in particular as such it helps in areas of sales of goods, and agreement to sales. A sale of goods is a general guide to business men so that they can be ethical in their day to day business of selling. Once you are at fault as a buyer or seller you will know which action and how to rectify such a problem.

6.0 TUTOR MARKED ASSIGNMENT

Discuss the following:-

- i. Hire purchase
- ii. Delivery of wrong quantity
- iii. Warranty
- iv. Sales by description

7.0 REFERENCES/FURTHER READINGS

Kurfi, A.K. (2005). Business Law in Nigeria. Kano: Bench Mark Published.

UNIT 5 LEGAL ISSUES IN BUSINESS LAW OF CONTRACT

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1.0 INTRODUCTION

This unit of legal issues in business faces on law of contract. Its helps you to know what contracts are in business. If you are doing business, contract is a serious agreement between two parties. Different types of contracts exist, that you will learn what constitute a contract. If contracts are violated, you will know how to handle such.

2.0 OBJECTIVES

By the end of this unit, you should be able to:

1. Explain what a contract is, its characteristics
2. Distinguish the different types of contract
3. Discuss what constitute the violation of a contract
4. Explain the remedies to the violation of a contract.

3.0MAIN CONTENT

3.1 Definition of Contract

Kurfi (2005), defined a contract as a promise or a set of promises, for the breach of which the law gives a remedy or the performance of which the law recognizes as a duty.

Contract is classified into two:

- Contract under seal
- Simple contract

Contract under seal is a written form of contract that, is signed by both parties and sealed on it. Simple contract is an informal contract. This contract may be written, oral or mere conduct of the parties.

3.2 Classification of Contract

Kurfi(2005) Identify nine classes of contract, they are:

3.2.1 Expressed Contract

A contract is expressed when the parties manifest their agreement by words. Contract that is written, oral or under seal is called expressed contract.

3.2.2 An Implied Contract

It is implied by the act or conducts of the parties and it is sanctioned by the law.

3.2.3 Quasi-Contract

Quasi means something looking or resembling something. A Quasi contract can best be described by an example of a doctor who treats an accident patient brought in by a passerby. The doctor will recover his cost of services from the patient. In this case, it is to discourage one party from unjustly benefiting from a contract that was not expressed.

3.2.4 Bilateral Contract

A contract where two parties are making a mutual promise:

3.2.5 Unilateral Contract

It's a situation where an offer is made and acceptance is subject to legal obligation. For instance, assuming I lost my handset and I promise to reward the person who finds it with a cash gift of N500. If the handset is found, I am bound by my promise to give the individual who finds it N500.

3.2.6 Joint Contract

It's a contract where two or more people are involved and jointly bound to fulfill the obligation.

3.2.7 Joint and Several Contracts

It is a contract where by two or more people are not only equally bound together in a contract also individually bound.

3.2.8 Entire Contract

It is a contract where the contract in question must be hundred percent completed before, the contract sum is given in full.

3.2.9 Several Contracts

Contracts where the contract can be executed in pieces.

3.3 Essential Element in a Contract

Kurfi (2005) says there must be seven conditions fulfilled in a contract before it can be enforceable. They are:-

3.3.1 Offer

Is a promise or a commitment to do or refrain from doing some specifying things in the future. An offer has also been defined as a proposition, made by one party called the offeror to another party called the offeree. Three conditions must be fulfilled for an offer to be legal.

- Offer must be definite and certain
- Proposition must come from the person, liable to be bound should the said terms be accepted.
- The offer must be communicated to the offeree.

The following are limitations to treat; as such, they do not amount to an offer:

- Exhibition of goods for sales in a shop
- Advertisement of sales in catalogue or mass media
- An auctioneer's request for bids
- An invitation to tender
- Negotiating for sales of land and or other complicated contracts.

Offer can be terminated by:

- Rejection
- Counter offer
- Revocation
- Lapse of time.
- Occurrence- a non-occurrence of a condition

- Death

3.3.2 Acceptance

If an offer is made, a reply to it is referred to as acceptance. The acceptance must not attach any other condition to accept the offer, if not; it will be regarded as a counter offer.

Acceptance is genuine, if the following are present:

- You must display an intention to accept,
- You must communicate the acceptance to the offeror.

In terms of communicating an offer, the following condition must prevail:

- Silence is not an acceptance
- In a special case you can waive an acceptance
- Communication will depend on the type of offer
- There are various rules under the post rules

3.3.3 Consideration

Kurfi (2005), defined consideration as the price for which the promise is bought. All contracts must be supported by a consideration. A bare promise is not legally binding.

The following four rules governing consideration must be observed:

- It must be sufficient and need not to be adequate.
- It must move from the promisee though not necessarily to the promisor.
- Consideration may be executory or executed but must not be past.
- It must not be illegal; immoral or contrary to public policy

3.3.4 Intention to Create Legal Relation

In business any contract should have an intention to have a legal intention. If not it will not be a contract. When there is an agreement that relates to commercial or business, it means, there is an intention to create legal relationship. Where the parties to a contract expressly exclude an intention to create legal relationship, domestic, family or social affairs have no intention to create a legal relationship.

3.3.5 Legal Capacity of the Parties

To enter into any legal contract with anybody, you must assess his capacity to do so.

The following may have a limited capacity.

- Infants
- Persons of unsound mind or lunatic
- Drunkard persons
- Illiterate etc

3.3.6 Formalities Required by the Law

- i. Contract which must be under seal
- ii. Contract which must be in writing
- iii. Contract which must be evidence in working

3.3.7 Legality of the Object of the Contract

When if contract entered is illegal, the entire contract becomes null and void

A contract is illegal if any of the following happen:

- To Violation the law of the land
- If it is contrary to public policy

SELF ASSESMENT EXERCISE 1

List five conditions, of rejection of offer.

3.4 Contractual Terms

Terms versus representation.

- Terms dictate the rights and obligations of the parties to the contract.
- Misrepresentations are statements that are not part of the contract and not binding on any of the party.

3.4.1 Condition and Warranties

Kurfi (2005), says condition is a very important contractual term if, breach the whole contract may be canceled. If a warranty just like condition is breached, damages might be paid. It does not lead to cancellation of contract.

3.5 Violating Elements in a Contract

A contract may be null and void depending on any of the following reasons:

Mistake- it could come as a different mistake from both parties, ignorance by two parties on a contract agreement.

Misrepresentation

Contract can be violated if there is misrepresentation .Because of that, buyers must be aware and the sellers must deal with the buyers in an utmost good faith.

Undue influence: - A contract is valid when it is discovered that there was no special relationship between the parties.

When if you enter into any contract with your master and you can't fulfill it, if a case is taken up it could be assume to have been agreed upon because of undue influence. Other examples are: - Lecturer and student, Doctor and patient e.t.c

Illegality- any contract that is not based on rule of law, is void and it cannot state the test of law

3.6 Remedies for Breach of Contract

(i) Damages may be paid: - If it is established as to who breach the contract, either the buyer or the seller.

(ii) Quantum meruit (as much as he desires) it could be claimed in a variety of circumstances e.g. where the defendant has abandoned or repudiated the contract.

Contract done under a void contract include:

- Where the parties have agreed to terminate the contract
- Where one party has obtained a benefit.

(iii) Specific Performance: Kurfi (2005) says it is a specific performance; it is an equitable remedy for breach of contract. It is a decree issued by the court ordering a defendant to perform a promise that he has made under the contract. It may be awarded in addition to or instead of damages.

(iv) Injunction: It is a decree by the court ordering a person to do or not to do a certain act.

3.7 Privities of Contract

It means here that a person, who is not a party to a contract, cannot suffer or enjoy the burden of contract.

There are exceptions to these:

- Agent-an agent can be brought into a contract
- Assignment of contractual obligations
- Certain comments concerning land.
- Statutory exception.

3.8 Discharge of a Contract

A contract may be discharged by the following way:

- Performance
- Express agreement
- Breach of contract
- Frustration

4.0 CONCLUSION

In this unit we have discussed contract, various types of contract, the essential of contract, whom you should and you should not enter into contract with. All will assist in doing business as you go along in establishing your own business.

5.0 SUMMARY

This unit gives you more or less a first aid when you have a problem with contract that you have entered into or you are about to enter into before any other action is taken. No

business will ever progress without contract; this will assist in guiding your day to days activities in business so, that you will not waste your finances on contracts that are not legal in the sight of law.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss all the essentials of a contract.

7.0 REFERENCES/FURTHER READINGS

Kurfi, A.K. (2005). *Business Law in Nigeria*. Kano: Benchmark Publishers.

MODULE 3 Functional Areas of Business Administration

- Unit 1 Social Responsibility of Business
- Unit 2 Accounting in Business
- Unit 3 Marketing in today's Business

Unit 4	Communication in Business
Unit 5	Entrepreneurship
Unit 6	Insurance

UNIT 1 SOCIAL RESPONSIBILITY OF BUSINESS

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3.3 The Case of Social Responsibility of Business
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3.5 Social Responsibility and the Nigerian Entrepreneur
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1.0 INTRODUCTION

The public is becoming an increasingly vocal component of the external environment of business. As consumers become better informed and more aware of their rights, authority is likely to be challenged by people who have grievances as customers or as employees. In Nigeria, for the past few years government has taken the view that it should be less involved and interfere less in social life. This puts a greater onus on managers to take new initiatives to deal with the issues arising in the business environment, to achieve the socially desirable trends that otherwise would be the responsibility of government.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Explain what social responsibility is
2. Discuss the need for social responsibility
3. Explain the reason why businesses neglect their social responsibility
4. Identify the effect of social responsibility and the entrepreneur.

3.0MAIN CONTENT

3.1 The Social Responsibility of Business

The pervasive influence of large business organizations of the society, makes the issue of social responsibility very important. Business venture will not survive if it fails, to contribute to the needs of the society in which it is located. Social responsibility is the obligation (of managers) to pursue the policies, to make decisions, or to follow lines of action which are desirable in terms of objectives and values of our society. More so, social responsibility is an interpersonal relationship mutual interdependence that exists when people are continuously or continuously dependent upon one another in both an organized and unorganized way. Social responsibility can also be regarded as implied, enforced felt obligation of managers, acting in their official capacities, to serve or protect the interests of groups other than themselves.

As a working definition, social responsibility is personal obligation of people as they act in their own interests, to assure that the rights and legitimate interests of others are not impinged. Thus, socially responsible persons will obey the laws of the land because the rights of others are at stake. They are free moral agent social responsibility is seen as: the intelligent and objective concern or the welfare of society which restrains individual and corporate behaviour from ultimately destructive activities, no matter how profitable and which leads in the direction of positive contributions to human betterment.

3.2 Implication of Social Responsibility

The neutral and negative aspects of personal behaviour are as important as the positive. Social obligation is owed by individuals and not by organizations. A university, social club, church, corporation does not discharge a responsibility; it can act only by means of the persons who invoke its name. Social responsibility is a personal attribute; there is no action without personal action. Everybody in the society has social responsibilities to discharge because, as the owner of an enterprise, he is also a member of the greater society will also affect the businessmen. They will breath polluted air, drink polluted water, be part of the crowded city lives in the slum, use unsafe products; be misled by false advertising and could be denied of some of their social benefits because of their political party, ethnic group or religious beliefs. The organization must make a positive social impact on the society on which its economic well-being depends.

3.3The Case of Social Responsibility of Business

Business social responsibility exists in all the enterprises with their customers, owners, employees, suppliers, creditors, management, government, and the society as a whole. The social responsibility of economic enterprises is in the efficient use of resources, to produce economic wealth (production of goods and services to satisfy people's material wants). In the production of goods and services, a business enterprise is socially

responsible in such a way, that no restriction is placed upon the legitimate rights and interests of any person to observe by word and deed the ethical standards of society.

Business enterprises discharge their obligations to employees by giving them better-than-competitive wage and fringe benefits. Economical prices and quality merchandise to consumers and gifts and scholarships to educational institutions in their vicinity. In terms of education and research which have a direct relationship to the future of the business by making available better trained human resources or advanced knowledge which will be beneficial to the business. Donations, provision of social infrastructures e.g. clinic, good roads, etc to the society, donating services and maintaining uneconomical operations and job generation. Free tax collections and donations of services of gifted managers to the government, and Sacrificing the right to manage to the unions.

3.4 Factors that Accounts for the Neglect of Social Responsibility

There are many factors that accounts for the apparent neglect of social responsibility in Nigerian Business Enterprises. They include: Relative small size of Nigerian business enterprises: The smallness in terms of size and financial strength of social responsibility, as a task that must be seriously considered. Profit maximization pursuit, by large enterprises owned by foreign firms to the detriment of caring less for social responsibility. They see social responsibility on the part of the indigenous businessmen as acts of patriotic gesture on their part. Unethical, business practices such as -dishonesty, embezzlement, smuggling, hoarding etc may be attributed to limited educational background of many entrepreneurs.

The Lack of initiative on the part of the government is another factor for example, the general down turn of the economy resulting in laying off of employees while at the same time, the government is fighting to reduce unemployment, are working against national interests. Lack of professionalism in management style: many Nigerian managers do not perceive social responsibility as one of the key functions of management. Their training and experience do not arouse such consciousness in them as some, considered it a novel, or at best informal and intuitive managerial function. Societal little expectation of social responsibility as the various bodies to play dominant role in enforcing conformity (FEPA, SON, Federal Ministry of Health FIRO etc) were non-functioning. Generally, there is no well established department of public affairs, scarcely any group of individual bodies that scrutinize corporate social responsibility or social welfare in any Nigerian business organization. At best, the only effective tool that the government uses to obtain compliance is persuasion.

Some of the foreign entrepreneurs come from countries where the consciousness for social responsibility is at best in its basic infancy e.g. Britain, Taiwan, India etc.

Total reliance of publicly owned enterprises in the provision of services in rail, air, port, broadcasting, (radio and television) health, postal and communication services, Electricity, Oil drilling, refining and distribution, water, iron and steel etc. Since these

large enterprises are financed by the tax payers, it is assumed that they are socially responsible since, their pre-occupation is in social welfare redistribution. Ignorance of the role business enterprises should play in the area of social responsibility. For our society to survive, practical importance must be attached to business social responsibility such as its being attached to profit. The society should not be allowed to decay or degenerate into slums, due to lack of attention but, all business owner, management, creditors, employees, customers have a loud role to play in social responsibility by, supporting social needs with company revenue thus, achieving credibility. It is highly expected on the part of Nigerian business enterprises to have charitable and cultural programmes, get involved in youth projects, make liberal donations to educational institutions, and be keenly interested in the personal needs of the individuals who participate directly or indirectly in their organizations.

3.5 Social Responsibility and the Nigerian Entrepreneur

The frequently mentioned social responsibility includes:

- Contribution to community development.
- Employment opportunities generation.
- Price control.
- Avoidance of smuggling.
- Environment sanitation.
- Product safety guarantee.
- Consumers oriented labeling.
- Prevention of product defects.
- Assist government in identifying and making credit facilities available to qualified farmers, fish and shrimps farmers etc.
- Fair advertising.
- Generous donations and support for games and sports.
- Contributions to arts.
- Rural development.
- Donations to orphanages and rehabilitation centers.
- Contributions to educational institutions and research centres in form of scholarship and research grants.
- To eliminate poverty and provide quality health care.
- Apprenticeship schemes for the unemployed e.g. Leventis group, UAC etc.
- Releasing understandable accounting statements.

Students revealed that majority of Nigerian business enterprises, have not shown sufficient interest in their social responsibilities. No enterprise exists in isolation; managers should respond to socially approved values and help in formulating and articulating ethical norms as part of their social responsibility so as to be successful in their business endeavours.

4.0 CONCLUSION

Social responsibility in our daily business is important in such a way that it assists government in providing less for the environment where a particular business operates though, not highly enforced in Nigeria. If done, it will help a great deal.

5.0 SUMMARY

Social responsibility of an organisation, is to continue to provide for its immediate environment while interacting with their customers. Social responsibility may include, building of schools, hospitals, scholarship etc to a business environment. Nigerian factor has contributed to businesses that are not carrying out its social responsibility. In years to come, more and more businesses will carry out its social responsibility.

6.0 TUTOR-MARKED ASSIGNMENT

Briefly discuss five reasons why businesses do not carry out its social responsibility.

7.0 REFERENCES/FURTHER READINGS

Wilkinson, R. *et al* (1994). *Business Studies an Introduction to Management and Business Studies*. Oxford: Heinemann.

UNIT 2 ACCOUNTING IN BUSINESS

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- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content

3.1	Definition of Accounting
3.2	Books of Accounts
3.2.1	Ledger
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1.0 INTRODUCTION

This unit tries to see what accounting is. Its roles in a business, concern like, one-man business, or corporate organization. Books like ledger journal cash book balance sheet are use regularly when relating accounting information's.

2.0 OBJECTIVES

At the end of this unit, one should be able to:

1. Define accounting
2. Differentiate various books of accounts
3. State reasons why accounting is needed in business
4. Define balance sheet trading profit and loss account and trial balance.

3.0 MAIN CONTENT

3.1 Definition of Accounting

Accounting is generally regarded as the language of business, as used in describing the transactions entered into, by business transactions and also the result of such transaction. Accounting data in the contemporary society is the systematic formulation and communication of economic data related to all types of business and government

activities. The most important function of accounting data is to provide information which will enable all that have anything to do with a business concern know the result or activities of the business. Although accounting records are empirical in nature as they show the results of the past activities of establishment. If one assumes that the factors that shaped the past are likely to continue to shape the future, the accounting records also have a predictive value. This is the major assumption that makes the interpretation of accounts a worthwhile exercise. Financial accounting is the art of identifying, recording, analyzing, summarizing, and finalizing business transactions and interpretation of result because money, fund, capital, finance, investment, dividend policy and profit and loses in business needs to be accounted for and properly managed. This is therefore based on accounting equation which states that:- **CAPITAL + LIABILITIES = ASSETS**

The capital is the total amount supplied by owner of the business or owners' equity or net worth; while liabilities consist of money owing on goods supplied to the firm, and for expenses and loans given to the firm. Assets include the resources possessed by the firm. Assets consist of properties of all kinds; such as building, machinery, stocks of goods, motor vehicles, also, benefits such as debts owing by customers and amount of money in the bank account. The accounting equation is assessed in a financial position statement called the **BALANCE SHEET**. Accounts have to obey the principles of double entry system in recording transactions so as to make sure that the total naira amount of its most equals the total naira amounts of credits. The **RULE** is (In every debit entry, there must be a corresponding credit entry and vice-visa). There, it shows that our account must balance. Henceforth, in recording any transaction, always debit the receiver and credit the giver.

The following diagram shows the application of this rule to each class of accounts.

CASH ACCOUNTS PERSONAL ACCOUNTS REAL ACCOUNTS

Debit Credit Debit Credit Debit Credit

Receipts Payment Receiver Giver Property Property

Acquired Realized

NOMINAL ACCOUNTS

Debit Credit

Expenses & Loses Incomes & Gains

Date Particulars Folio No Date Particulars Folio No

3.2 Books of Accounts

The books used in accounting are the following; (a) Ledger (b) Journal; and (c) Cash books.

3.2.1 Ledger

The principal book of accounts is the **LEDGER** which contains a permanent record in a classified form, of all the transactions of trader. The ledger accounts are a means of

accumulating in one place, all information above changes in specific assets, liabilities and owner's equity. No entry can come inside the ledger without going through the journal or the subsidiary book. Hence, the journal is an instruction to the ledger. This will help to prevent fraud. A ledger is ruled as:

DB CR

From the above, the ledger is divided into two namely:

- 1) Debit Column and
- (2) Credit Column.

A page of a ledger is referred to as Folio. A folio can contain many accounts and many accounts are contained in a folio. The classification of entries into appropriate ledger accounts demands extreme accuracy on the part of the book keeper, but provided a few simple rules are observed; the work presents no difficulties which cannot be easily overcome. Thus, the whole of a trader's transaction with another person, recorded in a ledger account, bearing that person's name.

LEDGER ACCOUNTS

Ledger account is divided into Personal and Impersonal.

PERSONAL

This is divided into: - Debtors-persons who owe money
- Creditors- persons to whom you owe money

IMPERSONAL

This is divided into: - Real - Such as land, plant and machinery, furniture and fitting, Lorries and car etc Debit the account if receive (receiving value) but credit the account if giving value For example ledger account for asset cash provides a record of the cash receipts, cash payments, and the current cash balance. Maintaining a cash account, the internal management can keep track of amount of cash available for meeting payrolls and for making current bases of assets or services. The record of cash is also found useful, planning future operations and advance planning of applications for loans. The development of the annual budget requires estimating average; the expected receipts and payments of cash, those estimates cash flow are naturally based to some extent on the ledger accounts using past cash receipts and payments.

3.2.1 Journal

A journal is a subsidiary book, a book of prime entry as book of original entry where, we record our financial transactions in chronological order or as they occur. The journals are day-to-day record of the business wherein both aspects of all transactions are recorded in chronological order. To the internal management thus, the journal is found useful in the following ways:

- a) Shows all information about a transaction in one place and also provides an explanation of the transaction.

- b) Provides a chronological record of the entire event in the life of a business.
- c) Helps to prevent errors and irregularities.

3.2.1.1 Reasons for Using Journal

- (1) It removes dependence on the brain because, transactions are recorded as they are made.
- (2) Omission is totally reduced or removed to the barest minimum.
- (3) It encourages the use of staff in areas that they are best suited (specialization).
- (4) Errors, irregularities and fraud are reduced to the barest minimum because, the journal provides enough explanation of the entries and details the necessary supporting evidence.
- (5) Some transactions are of a complicated nature and without the journal the entries may be difficult, if not impossible, to understand.
- (6) If a book-keeper left a firm, the absence of a journal could leave many items unexplained.

3.2.1.2 Uses of Journals

- a) The purchase and sales of fixed asset on credit,
- b) Correction of errors.
- c) Opening entries
- d) Other transfers

3.2.1.3 Types of Journal

There are about five types of journal, namely:

- (1) Sales
- (2) Purchase
- (3) Return inwards
- (4) Return outwards and
- (5) Journal proper or principal journal.

All the above mentioned types of journal are all books of prime entry. The journal in its usual form is divided by vertical lines into 5 columns in which you can enter, in respect of each item, namely:

- (1) Date, (2) the particulars or the Narrative, (3) the name of accounts to be debited, (4) the name of accounts to be credited and (5) The reference (folio).

3.3 Cash Account

Cash account or cash book is a part of ledger. Cash account is a book in which particulars of all monies received or paid are recorded. Cash account thus fulfills the functions of both a ledger account and a journal. Cash receipts are values coming in; hence, amounts of cash received centered on the debit side of the cash account and posted to the credit

side of the appropriate ledger accounts. Cash payments are values going out: such transactions must therefore be recorded on the credit side of his cash book and posted to the debit side of the ledger account of the persons or things receiving the value. The cashbook is merely the cash account and the bank account might be together in one book. The cash book is ruled so that the debit column account and the credit columns of the cash and bank accounts placed alongside each others.

3.4 Accounting Terms

BALANCE: Trial balance is not an account itself and it is not part and parcel of the double entry system. It only tests the arithmetic accuracy of the entries or postings in the ledger thus, helping to show debit and credit balances on the ledger accounts.

TRAINING, PROFIT AND LOSS ACCOUNT: Is drawn by management to compare the result obtained with the result expected because, the sole aim-of business venture is making profit.

BALANCE SHEET: The balance sheet is a snap short picture of a business, owning its financial position at a point in time and if properly interpreted, can provide the management with a good deal of useful information as regards strengths and weakness of the business as a whole and its individual sections as well.

3.5 Roles of Accounts in Business or Why do we Prepare Account

At this junction, having known the various accounts available to any business venture, we will like to consider the role of accounting data in internal performance evaluation. An organization can be looked at in the following functions performed:

- 1) **Profit Determination:** Once a profit can be determined, you will be able to know how much one can spend out of profit without consuming capital and how much that can be set aside for ploughing back or reinvested into the business. Also, he will want to know the actual profits compared with the profits he had hope to make.
- 2) **Credit Dealing:** It helps in knowing one's debtors and creditors. his is made possible from the available transactions (data) that has been recorded during the period.
- 3) **Determination of Solvency Level:** that is the capacity to pay debts of the business enterprise. This also provides needed information as a basis for making business decisions that will enable management guide the company on a profitable and solvent course. Management therefore, need the assurance that the accounting data received

are accurate and dependable through the development of internal control unit and that, all the following will be measures, taken by the organization:

- (i) For the purpose of protecting its resources against fraud, waste and inefficiency;
- (ii) Ensuring accuracy and reliability in accounting and operating data;
- (iii) Securing compliance with company's politics;
- (iv) Evaluating the level of performance in all divisions of the company.

The prospect for the solvency level are affected by an enterprise's ability to generate enough cash to meet its obligation when due and its other cash operating needs to reinvest in income operation and to pay cash dividends. Accounting data provides information for predicting comparing and evaluating enterprise earning power.

3)It Helps Management as a Control Measure: financial accounting is found useful in business development because it helps management as a control measure. It aids control, it avoids pilferage of stock through the use of stock bin-cards, store requisition card, ushers, vouchers etc.

4) Budget Planning: Another role of accounting data is the internal performance valuation of an organization's budgeting vis-à-vis: - planning and control of daily operations of business activities for the future. Management needs specialized information for long and short range planning and for major decisions such as, the introduction of new product(s) or the closing of older plant, arrangement or not to arrange short term borrowing to finance operations. They use the best available quantifiable information to make the organization function in most effective and efficient manner possible.

5)Furthermore, financial accounting in Nigeria business environment aids planning by giving direction to the organization so that, one can tailor ones actions towards achieving the set goal, establish objectives for the organization; helps the business enterprise to manage uncertainty thus, paving way in making certain assumptions of the future occurrences, and also helps in strengthening and unifying the organization.

6) Helps to know the financial position of a business as at a given time.

7) Serves as a tool to find out the efficiency of the management.

8) Serves as a bed-rock of decision making process for willing entrepreneur or investor.

9) Supplies information in judging management ability to utilize enterprise resources in the most effective way.

10) It also provides factual and interpretive information to satisfy user's needs.

11) Gives a true and fair view of all transactions which may be useful to security analyst, stock exchange and managers of other companies, analyzing the position of the company in the light of circumstances and policies; proper valuation of assets and adequate provision can be made for any loss or diminution in the value thereof.

12) It enables the company to rationalize their expansion, diversification, retrenchment, Mergers and acquisition.

4.0 CONCLUSION

Accounting follows double entry system where debit is equal to credit. In accounting capital plus liabilities is equal to assets. We have three books of account which include:

- Ledger.
- Journal and.
- Cash account.

Accounting helps business in determining:

- Profit.
- How to manage a business.
- Credit planning and a host of others.

All these records are presented in trading profit and loss account and balance sheet.

5.0 SUMMARY

At the end of this unit, we have been able to see how corresponding, entry help in accounting for a business concern. Information can be collected from journal, ledger and cash account to help in business plans which include profit making, future investment, and a host of others.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss briefly the role of accounting in business

7.0 REFERENCES/FURTHER READINGS

Wood, F.& Omuya, J. (1999). *Business Accounting I. West African Edition*. Harlow, Essex UK: Longman Group Limited Bank Mill.

UNIT 3 MARKETING IN TODAY'S BUSINESS

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1.0 INTRODUCTION

This unit provides you some insight into marketing as it affects the practice of business activities of today. Marketing in today's business has gone beyond merely providing goods and services for public to make money, instead the customers' needs and wants satisfaction is seen as the first objective for business existence and the provision of qualitative goods and services as the means to achieve the objective. The world's marketing environment is fast changing so much so that, any business firm that lags behind fizzles out. For any company to remain in business therefore, its marketing activities have to be closely coordinated and made compatible with one another and with all other activities of the company. The company also has to adapt itself to delivering the desired satisfaction in the areas of qualitative and desired product or service development, right base price determination for the product or service, most effective distribution method that provides time and place utility, and the best ways to promote the product or service.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. State the place of marketing, in today's business
2. Explain what marketing mix is
3. Identify the various marketing variables
4. Discuss what product planning involves
5. Identify types of product
6. State the stages involved in product life cycle

7. Explain how consumers are motivated
8. Define marketing research and state the importance
9. Explain distribution of goods and services.

3.0MAIN CONTENT

3.1 Marketing Mix

Basically, marketing mix can be defined as the combination of marketing decisions that are used to market specific products over a specified time period. The term is used to describe the way a company continues or blends the four inputs or variables of marketing which are the product, price, place, and promotion to appeal to its target customers. These four ingredients are popularly called the four Ps of marketing and they are the controllable marketing variable because a company can control them to achieve its objectives in the target market.

3.1.1 Product

This is defined as “everything the customer receives that is of value in terms of a perceived want, need or problem”. Product can also be defined as “anything that can be offered to a market for attention, acquisition, and consumption that might-satisfy a need or want” Kotler *et al* (2001). A product represents an array of various benefits, attributes, characteristics or satisfactions that are valuable according to your needs and desires. To manage the product attributes successfully, marketer must find an unsatisfied need or want and a unique way of satisfying such a need.

3.1.2 Price

Price is what is paid in exchange for the product (goods) received or service enjoyed. It is also defined as the kindness or money that has to be paid for a commodity or service. Kindness refers to a bartering situation where parties involved exchange goods and services. Price can have more than one meaning in non-businesses marketing. Thus, museums ask for donations, churches pass collection plates and politicians seek votes, these are included in the general concept of price. In pricing, a company must determine the right base price (the minimum price it is prepared to receive in exchange for its products). It must then establish policies concerning discounts to be offered, freight (transport) payments and many other price-related variables.

3.1.3 Place

This is otherwise known as distribution which is a process of ensuring that product or service is available when and where it is required. Distribution provides time and place utility and sets the stage for possession utility since a product is of no use if it is not readily available at the time you need it.

3.1.4 Promotion

This is a marketing mix variable that is used to inform, remind and persuade the customers to make purchases of the company's products. It consists of such activities as; personal selling, advertising, sales promotion, and public relations/publicity. This together are called the promotional mix.

3.2 Product Planning

This involves all activities which enable producers and middlemen to determine what should shoot up the company's line of products. Product planning takes into consideration the strength of the firm, the firm's market potential, the firms' sales potential and the profit possibilities of the product to determine whether product development is feasible. The activities centering on product planning and development include decision making in the areas like:

- (i) The product the company should make and the one it should buy.
- (ii) Whether the company should expand or simplify its line.
- (iii) The new uses available for each item.
- (iv) The quality of the product for the intended use and in which market is it right?
- (v) The fraud, package and label to be used for each product.
- (vi) The style and design of the product and the size, colours and materials.
- (vii) The quantities of each item to be produced and inventory controls to be established.

3.2.1 Types of Product

Products and services fall into two broad classes depending on the types of consumers using them:

1. Consumer products and;
2. Industrial products

Broadly defined, products also include other marketable entities such as experiences, organization, persons, places etc.

1. Consumer Products: These are those products bought by final consumers for personal consumption. Marketers usually classify these goods further based on how consumers go about buying them. Consumer products include convenience products, shopping products, specialty products and unsought products. They differ in the way they are bought and marketed.

i. Convenience Products- are products and services that consumers buy frequently, immediately and with less or minimum comparison and effort. Examples include soap, candy, newspapers and fast food. They are usually low-priced and placed in many locations for easy availability.

ii. Shopping products- are less frequently purchased consumer products and service that consumers compare carefully on suitability, price, quality, and style. Consumers spend more effort and time gathering information and comparing them. Examples are furniture, clothing, used car, major appliances, and hotel and motel services. Marketers of this class of products distribute them through fewer outlets but provide deeper sales support to help customers in their comparison efforts.

iii. Specialty Products- are consumers' products that the customer really wants by, making special effort to get them. Specialty products are products that customers are willing to search for. They don't have to be expensive and may be once-in-a-lifetime purchases. Any branded product that consumers insist on by name is in this category.

iv. Unsought products- are consumer products that the consumer either does not know about or knows about but does not normally think of buying. Most major new innovations are unsought until the consumers don't search for products in this category and in fact, they probably won't buy the products if they see them unless advertising, personal selling, and other marketing efforts can show their value. There are two other types of unsought products, new unsought and regularly unsought products.

(a) New unsought products- are products offering really new ideas the potential customers don't know about yet (innovations) Information promotion can help convince customers to accept or even seek out the product.

(b) Regularly unsought products-are products (like encyclopedia and gravestone) that stay unsought but are bought forever. There may be a need but potential customers are not motivated to satisfy such need. Personal selling is very important for this class of product.

2. Industrial Products: These are products purchased for further processing or use in conducting a business. Thus, the difference between a consumer product and an industrial product is based on the purpose for which the product is bought. If you buy a tractor for use personally, the tractor is a consumer product but where the same tractor is purchased for use in an agricultural firm (commercial farm), it becomes an industrial product. The three groups of industrial products and services are:

(a) Materials and parts which include raw materials and manufactured materials and parts. Raw materials consist of farm products (wheat, livestock, vegetables, cotton, fruits) and natural products like fish, crude petroleum, lumber, and iron ore).

Manufactured materials and parts consist of component materials (iron, wires, yarn, and cement) and component parts (castings, small motors, tires). Most manufactured materials and parts are sold directly to industrial users. Price and service are the major marketing factors, branding and advertising seem less important.

- (b) Capital items are industrial products that aid in the buyer's production or operations, including installations and accessory equipment. Installations include major purchases like buildings (factories offices) and fixed equipment like generators, drill presses, large computer systems, elevators). Accessory equipment includes portable factory equipment and tools (hand tools, lift trucks) and office equipment (fax machines, desks). They have a shorter life than installations and simply aid in the production process.
- (c) Supplies and services: Supplies include operating supplies like (hurricanes, pencils paper, coal) and repair, maintenance items like (paint, nails, brooms). Supplies are the convenience products of the industrial field, as they are usually purchased with minimum effort or comparison. Business services include maintenance and repair services (window cleaning, computer repair) and business advisory services (legal, management consulting, advertising). Such services are usually supplied under contract.

3.2.2 Product Life Cycle (PLC)

This is the course of a product's sales and profits over its lifetime. It involves five distinct stages:

- i. Product development begins when the company finds and develops a new-product idea. During product development, sales are zero and the company's investment costs mounts.
- ii. Introduction: Is a period of slow sales growth as the product is introduced in the market. Profits are nonexistent in this stage because of the heavy expenses of product introduction.
- iii. Growth is a period of rapid market acceptance and increasing profits.
- iv. Maturity is a period of slowdown in sales growth because the product has achieved acceptance by most potential buyers' Profits level off or decline because of increased marketing outlays to defend the product against competition.
- v. Decline is the period when sales fall off and profits drop. Not all products follow this product life cycle. Some products are introduced and die quickly; others stay in the mature stage for a long time. Some enter the decline stage and are then cycled back into the growth stage through strong promotion or repositioning. The product life cycle concept can describe a product class (petrol -powered automobiles), a product form (minivans), or a grand (the Toyota). The product life cycle concept applies differently in each case. Product classes have the longest life cycles because their sales stay in the mature stage for a long time. Product forms, in contrast, tend to have the standard product life cycle shape. Product forms such as "cream doctorates," and the "dial telephone" passed through a regular history of information rapid growth, maturity, and decline

3.2.3 Meeting Consumers' Needs

To sell products successfully, marketing experts must understand the needs of consumers. As a consumer, you spend your money to meet three basic needs: physical needs, social needs, and psychological needs. Physical needs include the necessities of life such as food, clothing, housing, transportation, the need for health, safety, and security. When you go to the doctor, purchase a life insurance policy, or put dead bolt locks on your doors, you are meeting physical needs. Social needs are the need to be loved and accepted by others.

The desire to be attractive, especially to the opposite sex grows out of these needs. Marketing specialists appeal to our social needs when they sell such items as skin care products and deodorant. Psychological needs involve, the need for approval and prestige. To meet psychological needs, people buy things that show they have accomplished something. One person might buy very expensive shoes. Another might go to a fashionable restaurant, what “basic needs” is a debatable issue. Since people buy items to meet their need, a distinction is made between non discretionary and discretionary income. Non discretionary income is used to buy items to meet basic needs.

Discretionary income on the other hand is the income left over after the basic needs are met. Knowing this distinction enables the marketer to determine the marketing plan to use, for example, advertising; appealing to the emotions is more frequently used for marketing items purchased with discretionary income, rather than non-discretionary income.

3.2.4 Consumer Motivation

Two people cannot buy exactly the same goods and services to satisfy their needs. You buy one brand of toothpaste, and your best friend buys another brand. Both brands, however, meet the same need. Each of us has different motives for buying the products that we do buy. There are three types of motives and these are:

3.2.4.1 Rational Motives

Consumers with this motive are motivated to think logically about a purchase. When you compare the prices and quality of similar products, you are being rational.

3.2.4.2 Emotional Motives

Feelings or attitudes cause you to buy on impulse or to buy a product when logic tells you that you really cannot afford it. They also influence you to select a particular model, colour, or style of a product.

3.2.4.3 Patronage Motives

You may always go to the same hair stylist or drink the same brand of soft drink. Patronage motivation also causes you to be loyal to certain shops and companies. You may like to shop at one clothing store, even though it is farther away than another. Companies spend a great deal of money each year trying to win the loyalty of consumers to their products and services.

3.2.5 Market Research

This involves the gathering of information that business can use to determine what kind of goods or services to produce. Market researchers commonly, ask shoppers to take a few minutes to answer questions, taste a new food or watch a new commercial. So, they study people to find out what they want to buy and what they are buying. By using market research, forecasters predict how many goods or services a business man can expect to sell. Market researchers also gather information from a wider group of people. To do this, they use demographics, which is the study of population. Where people live, how much income they have to spend, and what newspapers they like to read are just a few examples of information that market researchers collect. Researchers gather such information from maps, local businesses, census reports and chambers of commerce, utility companies, and bus and rail lines. Please note some market research studies are elaborate and expensive while others can be quite simple and cheap.

3.3 Pricing

Price is the value that products and sellers place on goods or services. There are many factors involved in the pricing of a product or service. The price must cover the total costs of producing, shipping, and promoting the product, plus a profit. In determining the total cost of a product, say popcorn, oil, popping the corn, boxes, and salaries of the workers are costs to be considered. Other costs could be fixed, costs that remain the same regardless of how much popcorn is produced which may include rent for workspace, cooking equipment, any executive salaries; variable costs change depending upon how much product produced. The costs of oil, popping corn, boxes, and salaries for people who are making and boxing the popcorn are included in the product's total costs.

Break-even point is the point reached when the money from product sales equals the costs of making and distributing the product. After that point is reached, businesses begin to make a profit on the product. The way a product is priced delivers certain messages to consumers. If two similar products range widely in price, the consumer may think that the higher priced product is of better quality. A very high price suggests exclusiveness. A very low price may suggest low quality, even though many low-priced products offer very good value for the money. Businesses must remember that their pricing strategy conveys an image of their product in the market place. In many cases, sellers set the price

recommended by the manufacturers, some sellers base their price on market research that has determined how much consumers are willing to pay for a particular product. A change in consumer's demand may affect the price the seller has set. Price can be used as a competitive strategy; marketing specialists may try to lure consumers away from their favourite brands by offering nearly identical products at slightly lower prices. Marketing people also use pricing to make products more appealing. They might offer special sale prices on certain products.

3.4 Packaging

The way products are packaged strongly influences consumers as a lot of thought goes into the packaging. Packaging must be attractive. If the product is a good, the package must explain clearly how to use it. It must prevent tampering and protect the contents from breaking or spilling. Some goods such as medications are packaged with special tops so that, small children cannot open them. The labels on packages are advertisements for the product. Labels include the logos, which is the symbol of the manufacturer, and the brand name of the product. The label also may give directions for using the product and list the ingredients. Many food labels provide nutritional information as well.

3.5 Promotion

This includes all of the activities involved in selling product. It means telling consumers about a product and creating demand for it. Advertising is paid promotion. Businesses and organizations use advertising to promote products and services and to generate ideas and educate the public. The people who purchase advertisements are sponsors and they advertise in many different ways. They use television commercials, categories, magazines and newspaper ads, billboards, direct mail, and even the products themselves. The makers of designer jeans and T-shirts display their logos and brand names in a prominent place on their products. Consumers advertise the product whenever they wear it. Advertising firms are service business that design and produce advertisements. Advertising is a highly competitive business. Some advertisements, particularly television commercials, are very costly to make. A television commercials may cost N1 million to produce. It may cost another N500, 000 to purchase air time on television for the commercial. Although, television commercials cost a lot to make, they usually generate many millions of naira in product sales.

3.6 Distributing Goods and Services

The place decision that marketers have to take is how and where consumers will buy their goods and services. To make this decision, marketers must decide on their channel of distribution which includes all the people who direct products to consumers. Because these people work at getting the product from the producer to the final user, they are called intermediaries. They include:

- i. Distributors who are intermediaries that represent a single manufacturer in a specific geographical area. Cosmetics, cars, furniture, and shoes are sold through distributors.
- ii. Wholesalers are another kind of intermediaries. They receive large shipments of products from many different producers. They break the shipments into smaller batches for resale. A company that makes canned peas may sell a truckload of its peas to a wholesaler. The wholesaler, in turn, will sell a few cases of peas to each of several local supermarkets.
- iii. Retailers who sell goods directly to the consumer, the final stop in the channel of distribution. When you buy something in a supermarket, drugstore, or department store, you are dealing with a retailer.

4.0 CONCLUSION

You have learned in this unit that for marketing activities to take place, decisions have to be reached concerning the product type needed to satisfy the needs of prospects, the price affordable by them, the best way to distribute such products or services and the corresponding promotional efforts that will sensitize people of the product or service availability and perceived satisfaction packaging is also seen as a silent salesperson for products as it gives a first-hand information about products whether on display or on offer.

5.0 SUMMARY

The marketing mix consists of product, price, place and promotion. Market planning entails decision on whether to produce consumer or industrial goods and services and considering the life cycle of the product. Producers of goods and services must understand the psychological needs, rational, emotional and patronage motives of consumers for buying goods and services. It was also gathered that market research helps producers determine what people need and want to only, products are priced, packaged and promoted to persuade customers to try them.

6.0 TUTOR-MARKED ASSIGNMENT

Differentiate between shopping and specialty products

7.0 REFERENCES/FURTHER READINGS

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UNIT 4 COMMUNICATION IN BUSINESS

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1.0 INTRODUCTION

This unit introduces you to the study of communication in business, it deals with the strategies and skills needed for effective communication in business and organizations. The quest for a new information and communication order as a matter of fact brought to the fore, the need for businesses to make a scientific study of communication and its processes within their immediate environments and its contribution to international business relations. As a result, communication studies have, within the last decade, become the focus of attention of many business and organization. The universal nature of communication has led to countless definitions of the term by different authorities.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

1. Define the term communication explain the
2. Differentiate the communication types
3. Highlight the qualities of a good communication
4. State the barriers to good communication

5. Use telephone effectively to make and answer calls
- 6 Identify the techniques involved in making and answering telephone calls.

3.0MAIN CONTENT

3.1 What is Communication?

Communication affects every sphere of human endeavour. It informs all of your actions because, it is occasioned by your need to interact with your fellow-men. It manifests itself in symbolic, verbal forms. Animals and trees also communicate, but it is your ability to create symbols, ascribe meanings and interpret messages that elevates you above the status of the lower animals and gives form and character to your existence.

Communication is a means by which power is acquired, exercised and sustained. It is the medium through which relationships are established, extended and maintained. It provides a means by which people in business, politics and the professions act and interact, exchange information and ideas, develop plans, proposals and politics, make decisions and manage men and materials. In business and industry, communication helps to orient workers to one another and to the goals of the organization, and it is the means by which such goals can be pursued, attained, sustained and improved. It is the lubricant that keeps the machinery of the organization functioning; it is the means through which roles are identified and assigned; it is the life-blood of any business. To organize is to communicate. Thus, no business or organization can survive without communication.

Dance and Larson (1976) listed 126 published definitions of communication, but there are still others. Let us examine some of these.

1. Communication is any means by which a thought is transferred from one person to another (Chappell and Read, 1984).
2. Communication is the process by which one person (or a group) shares and imparts information to another person (or group) so that both people (or groups) clearly understand one another Udall and Udall, 1979:5).
3. Communication is not just the giving of information, it is the giving of understandable information and receiving and understanding the message. Communication is the transferring of a message to another party so that it can be understood and acted upon (Eyre, 1983:1).

4. The communication process involves all acts of transmitting messages to channels which link people, to the languages and symbolic codes which are used to transmit messages, the means by which messages are received and stored, and the rules, customs, and conventions which define and regulate human relationships and events (Frank Uatoajah, 1985:2).

5. At all levels in the business among and between executives, managers, staff, personnel, supervisors and foremen and employees, the communication process is continuously in action, conveying information, ideas, attitudes and feelings among individuals and among groups of individuals (Chruden & Sherman, 1978:325).

3.2 The Process of Communication

This is also known as communication models. You may also see diagrams and explanations on how communication is carried out. The most influential of these models and discussions is that of Shannon and Weaver, two mathematicians. It is known as the Shannon Weaver Model of communication. Gold Haber (1983) observes that we can talk about a process because, the phenomenon of creating and exchanging messages is on going, ever changing and continuous. What it really means is that the communication process involves actions, reactions, and interactions. Let us see what each of these terms means.

3.2.1 Actions

This refers to the initiative you take (as a sender) to share information, observations, or opinions with others. You may do so by speaking or writing, drawing or gesturing.

3.2.2 Reactions

This is a response to the action taken by you (sender). In other words, the person addressed (the receiver) responds to your initiative of starting the communication. Depending upon the type of response given, we are able to determine whether or not the receiver is willing to be a party to the communication encounter.

3.2.3 Interaction

This has to do with the exchange of messages between you the senders and receivers. If the receiver is willing to participate, he sends his response to the initiator. The response may be verbal or non-verbal; that is, he may write it, speak, or merely carry out an appropriate action. An interaction can involve two or more persons provided those who take part in the encounter share common experiences, codes or symbols. There will then be a see-saw of continuous exchange among them as long as there is information to share,

or ideas and thoughts to put across. Here is a practical example of the communication process.-:

Case Study 1

You are an industrialist and your company manufactures Garment using imported cotton. Suddenly the government announces a ban on imported cotton and urges manufacturers to find local alternatives. Just as you are thinking about the serious implications of this action, a friend tells you about Fantua Cotton Farms Limited. You write a letter to enquiring about their line of business and what they could do for you. They reply, giving details of the range of products and their price list. You then place an order. The goods are sent, you are satisfied and you write back to thank them and to effect payment, they acknowledge. You have now become their stable customer and have continued to be involved in the business transactions as long as the natural goodwill lasts.

This is the form of exchange, the flow of information desired, and the satisfaction that can characterize a smooth flow of communication. It is this flow that makes people describes communication as a process. This flow is also called the model of communication.

3.3 Types of Communication

Human communication falls into two broad categories, Verbal and non- Verbal. Verbal communication may take the form of written or oral form.

3.3.1 Written Communication

This is the translation of oral messages into alphabetic symbols. These symbols are then organized together to convey ideas, messages or information between those who participate in the communication encounter. The process of learning to write and to organize your thought in writing begins from childhood and continues into adulthood. Learning to write, what we want to say and reading what others have written is a life-long pre-occupation of all serious minded literate people. Once you have learnt to read and write, you could pick up a biro, a pencil, or any writing instrument to record your message. It is also of major importance in the business world because, faulty and imprecise written messages can lead to business losses, such as loss of time, corporate image, potential customers and profits. Written communication is normally used in the following situations:

- i. For personal and business letters.
- ii. In queries (normally used to discipline erring staff).
- iii. In reports.
- iv. For circulars and memos.
- v. In essays, compositions and all forms of creative writing.
- vi. For questionnaires and forms designed for collecting information.

vii. In telegrams and telexes.

3.3.2 Oral Communication

This is a form of verbal communication in which your speech organs are used to produce sounds. It is different from the written form where you make use of your muscles to produce symbols (letters of the alphabet and words). Oral communication is used in interpersonal, intrapersonal and group communication situations.

3.3.2.1 Intrapersonal Communication

It is a process of information transfer, which goes on within you as an individual. You know very well that ideas and thoughts are not transmitted as soon as they are generated in you. Rather, each idea or thought that develops is first weighted, tossed here and there, then you decide how best to put it before you allow it to escape from within you.

This process is necessary to ensure effective and suitable construction of messages. At times, during the process of tossing ideas up and down in your mind, you unconsciously verbalize (say aloud) what is going on within you. In such situation, no particular receiver is intended. But if somebody happens to be around then, and he learns you muttering, he might accuse you of talking to yourself.

3.3.2.2 Interpersonal Communication

Otherwise known as “face –to-face communications” it is the exchange of ideas and information between two people – you and your friends, you and your boss in the office or you and your tutor. In this case, you do not keep your ideas to yourself. You share them directly with someone else, face-to-face or by telephone or other gadgets of communication. Interpersonal communication dominates our activities at home, in the school, in the clinic, in the market, and almost everywhere. In business, Industry and similar organizations, interpersonal communication helps to break the barrier of formal relationships, generate warmth and create harmony, essential for increased productivity. It is therefore a very significant form of communication. This form of communication has a singular advantage of immediate response.

3.3.2.3 Group Communication

When three or more persons come together accidentally, or by design, to work towards a specific goal, a group is formed. **Group Communication**; therefore, involves the exchange of ideas and information among members of a group. Groups exist in several areas of our lives-at school, at home, in the office, in the club, etc. other examples of groups include members of a class, or a social organization, and people who belong to the same political party. Members within a given group share ideas and information with one another, and this enables them to accomplish the tasks they set themselves. As a result, if

you are a member of any of the groups mentioned above, you will take part in group communication.

The group decides collectively who should lead, how to raise money, what tasks to undertake and how to carry out the tasks undertaken. In this kind of situation, the mode of communication is peculiar to the group and essential to its survival. You engage in one or other of the three forms of oral communication discussed in the course of your daily activities whether in lectures, interviews and meetings. Oral communication then can be described as concentric in nature. We begin with our own internal dialogues; move on to sharing our thoughts with someone else, then with the group.

3.4 Quality of a Good Communicator

Already, a lot has been said on the art of oral communication and to wrap it up, every communicator should aim at the following for a successful outing:

- a. **Ability to Maintain a Balanced Communication Flow:** A good communicator is one who is able to maintain a moderate and balanced flow of communication as too much and inadequate flow adversely affects communication.
- b. **Ability to Manage Interference:** The effectiveness of a communicator lies on his capability in keeping under control, to the bearest minimum, interferences like noise, ridiculous gesticulations, inaudible presentation and so on which hamper communication effectiveness.
- c. **Reality:** A communicator could either be given a topic or asked to choose one. Once a topic has been received, regardless of its source, it must be considered as very important. The communicator therefore should ensure that it is ideal, realistic to the purpose of the gathering and the target listeners or simple that the topic is authentic.
- d. **Sensitivity:** Certain moves should be made by the communicator to demonstrate how much he cares for the topic and audience. Such moves are being thorough in his search for data and ensuring a complete design with a logical outline, in addition to being responsive or sensitive to the purpose of the presentation.
- e. **Timing:** A good communicator is one conscious of the timing of communication message as it is only when message is sent at the right time that the desired result can be obtained.

- f. Ability to Select the Right Channel is Another Quality:** A good communicator should have the ability to select the right channel. Inappropriate channel selection brings about obstacles in message delivery and comprehension. **g.** Another quality is the ability of a communicator to articulate ideas and combine words in the right order.

3.5 Barriers to Good Communication

This can be defined as blockages that obstruct the flow of information. Many at times, a well-intended message does not achieve its purpose. This is because of several factors, which include the speaker, the receiver and the environment in which the communication takes place. Some of these barriers include:

Timing

On your part as the speaker, ineffective timing of the communicated message could be a barrier to its being accepted. It is totally unacceptable to call a group of workers during the peak hour (when they are feeling overworked and under severe pressure) and intimate them of management's decision to cut wages. This can lead to a riot.

Channel Selection

Inappropriate channel selection could also lead to communication barrier. Some messages are best related in a face-to-face situation while some are better written. It is left to the selector to choose the appropriate one. For example, a reprimand given orally could have a more positive effect than the one formally typed out like query. Also, a confidential thing is best expressed in a face-to-face situation which is better than to write out formal reports or statistical analysis. A wrong selection easily leads to obstacles.

Feedback

This is supposed to aid the progress and success of communication. The discerning speaker can use feedback to adjust his message if it is not getting the desired effect or use it to intensify the message if the effect it is producing is positive.

Geographic Distance

Distance between an organization's headquarters and its divisions could be a barrier if it is too far. Messages can take a long time in reaching the divisions and when they do receive the message, implementation may be late.

Lack of Proper Consultation

If a person is affected by a decision, the person ought to have been consulted before such a decision is made public. If this is not done, the intention could be misunderstood.

Personality and Ego Conflicts

These can lead to a block in communication because the parties would just be seeing their personal differences instead of the message. The bias underneath would colour the message and distort it. Of course, this generates misunderstanding.

Communication Load

If the flow of communication is too much, it can be a barrier to communication as there would be overload which would lead to conflicting signals. Also, if the communication taking place in an organization is too little, the organization cannot function properly.

There are other barriers to good communication that one can get from the speaker and the listener. On the part of the speaker, these barriers tend to distract the attention of the listener and draw him away from the substance of the communication to unimportant things. An example of these is noise, Ridiculous gesticulations, too much loudness, inaudible presentation, inappropriate dressing. All this distract one from communication.

3.6 Telephoning

The telephone is a system used for talking to somebody over a distance using a wire. The telephone is unarguably one of the most important technological developments ever. It has eliminated great distances and has immensely contributed in making the world we live in today to be a "global hamlet". The person who operates the telephone is a telephonist and telephone diplomacy is concerned with the knowledge as skills of operating the telephone. The telephonist (mostly the secretary) needs to cultivate good telephone diplomacy. This is because he/she is perhaps the organizations' most regular public relations person. Many organizations have lost patronage and good will due to the awkwardness of their telephonist.

3.6.1 Techniques of Making Telephone Calls

The techniques involved in making telephone calls include:

Ensure you have the number you want to call ready. If you are in doubt, consult the telephone directory. Conceptualize what you want to say in mind. This is even more so for very important calls. It is embarrassing to be inarticulate. Familiarize yourself with the telephone tones. When the call goes through, greet the receiver, introduce your self

and say whom you wish to speak with e.g. “Good morning, this is Mr. Bello of Zagayi pharmacy minna, I wish to speak with the human resources manager. Apologies for mistakes, e.g., if you are connected with the wrong number, say “I am sorry, I have the wrong number”. Speak directly into the mouthpiece. Your voice should be neither too loud nor too faint. You should maintain the golden medium. Don’t talk too fast, because you may not be understood and don’t be too slow either, because you may bore your listener. If you want some information from the other person and it may take time, ask if you could call back later. When you want to end the call, thank the person at the other end, particularly if it is an official call. Always update your personal directory.

3.6.2 Techniques of Answering Telephone Calls

The techniques include:

Be prompt in answering. It is courteous and efficient. Introduce yourself or your organization if you are representing an organization. It is a good tradition for secretaries to say something like “Good morning sir, this is **TONUAD PUBLISHERS LTD**, Lagos”. Talk clearly and fondly, be friendly and pleasant without daring, playful and unserious. Be prepared with writing materials in case the caller wants to leave some messages. Callers should not be kept waiting. If an incoming call has to be transferred to another extension, announce the caller’s name and request to the new extension so that he / she does not have to repeat him or herself. If there is a disconnection, replace the receiver so that the caller can re-establish connection. Be attentive and take messages courteously. If someone calls a person who could be of help more than you e.g. “Mr Tunde Bello is not around, do I connect you with Mr Koce whom I believe can help?” Ask only necessary question, and politely too. E.g., “If Mr Koce comes back, whom should I tell him called?” The caller should be allowed to signal the end of the conversation unless it is necessary for you to do so. And if you must end it, do it courteously. E.g., “Thank you for calling Mallam shehu, goodbye”.

4.0 CONCLUSION

You have learnt in this unit that, communication is the exchange of words between or among people in a way or manner that produces understanding. You also learnt that communication can either be spoken or written. Good and effective communication is not sustainable in a noisy environment and where the sender and the receiver of message are relatively too far from each other.

5.0 SUMMARY

Although what constitute good and poor communication factors may be dear, organizations today are aware of the power of effective communication system in projecting the image of their businesses. They are aware of the role communication plays as the activator of their contacts especially as the world’s business environment becomes

globalized. Poor information system sends danger signal to their business exploit while carefully organized system brings about good interrelationship among organizations

6.0 TUTOR-MARKED ASSIGNMENT

State five (10) ways you can make yourself a good communicator.

7.0 REFERENCES/FURTHER READINGS

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UNIT 5 ENTREPRENEURSHIP

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1.0 INTRODUCTION

This study unit of introduction to business puts you through to who an entrepreneur is, characteristics of an entrepreneur, the benefit of being an entrepreneur and disadvantages of an entrepreneur.

2.0 OBJECTIVES

After studying this unit, you should be able to:

1. Define entrepreneurship
2. Identify who an entrepreneur is
3. Identify the benefit of entrepreneur
4. Explain the disadvantages of an entrepreneur.

3.0 MAIN CONTENT

3.1 Entrepreneurship and Small Business

Entrepreneurship and small business most times are confused to mean the same, when they are discussed, it is difficult to differentiate. Between a small business and an entrepreneur.

3.1.1 Entrepreneur

He is a person who recognizes a business opportunity and who organizes, manages, and assumes the risk of a business enterprise focusing on that business opportunity (Brown, 1997).

One basic characteristic of an entrepreneurship is that, the businesses do not last. In the U.S., 25 percent of entrepreneurship business failed three years later. In a situation where the entrepreneurship succeeds, their anticipation will be to become giant companies.

Some entrepreneurs like to remain their own bosses and take their own business decisions. Some entrepreneurs on the other hand don't dream of great fame or riches.

3.1.2 Small Business

Brown (1997) says a small business is an independently owned and managed business that serves a limited geographic area and it is not dominant in its industry. Though the businesses are small, they are started and maintained by people with an entrepreneur spirit.

Examples may include:

- Service station
- Print shops
- Appliance stores
- Restaurants
- Video stores etc.

In the U.S., two thirds of new jobs are created by businesses that employ fewer than 500 people and are less than five years old. They employ about 60% of the work force.

They contribute about 40% of all sales. Young men learnt some basic skills working for small businesses. Just like in U.S., in Nigeria, the situation is not different. Small businesses have contributed highly to the growth of Nigerian economy. These small businesses are found mostly in retail and service industries.

SELF ASSESSMENT EXERCISE 1

- (1) Name about five entrepreneurs around your vicinity.
- (2) Name about five types of small business in your area.

3.2 Characteristics of An Entrepreneur

An entrepreneur has the following characteristics:

- Desire for independence.
- Self confidence.

- Willingness to take risk.
- Ability to recognize opportunity.

3.2.1 Desire for Independence

One of the consistent characteristics of an entrepreneur is his desire for independence. What it means is that an entrepreneur would want to work for himself/herself rather than work for others. They want to take decisions on their own. There is that believe that when you are fired from your former organization, you are likely to become a better entrepreneur. Because of this, you are in a better position to take decision.

A lot of people have resigned their position in organizations, to set up their own business. What they mostly tell you is that 'I can wake at anytime to go to work'. It means that it is independence they require.

3.2.2 Self Confidence

There are two characteristic of an entrepreneur that leads him into having self confidence.

- Self Motivation

Entrepreneur set their own goals rather than having them set by their bosses.

Since these goals are set by entrepreneurs, it means that they will be motivated to achieve those goals.

- Self Discipline

Every entrepreneur has self discipline, if not, the business will fail, Brown (1997) say.

"They correct errors and improve on their own performance without any prompting from someone else. These are confident people who believe in what they are doing and believe that the job is worth doing

3.2.3 Willingness to Take Risk

Any entrepreneur is a risk taker; they take calculated risks whether formally or informally. Mostly they take risk informally because they make calculation within their brain on what to buy, keep and sell latter. They equally try to figure out the probability of success of their business once they are convinced that it is high, they will go into such business, which means they take risk. Marketing research is undertaken by entrepreneur consciously and unconsciously. If this research is carried out, they venture into such businesses. Entrepreneurs are not tired of trying. If they invest in a business and they fail, they still try another business so that they can succeed. Brown (1997) says, 'an entrepreneur has what he call calculating risks.

- (i) Is the goal worth the risk?
- (ii) How can I maximize the risk?
- (iii) What information do I need before I take the risk?
- (iv) Why is this risk important?

- (v) Am I willing to try my best to achieve the goal?
- (vi) What preparation do I need to make before I take the risk?
- (vii) What are the biggest obstacles to achieving my goal?

3.2.4 Ability to Recognize Opportunity

Brown (1997) says entrepreneurs try their hand on opportunities that are by-pass by others; these opportunities may include:

- Meeting the demand that is not currently met
 - Pushing up a product that is much better than what is currently in the market.
 - Solving a problem or annoyance that consumers have.
- Entrepreneurs recognize opportunities where they are and they utilize them by producing product or services that will fill the vacuum identified.

SELF ASSESSMENT EXCRSISE 2

If you are to be an entrepreneur, state about five reasons that will engineer you into it.

3.3 Advantages of Entrepreneurship

Entrepreneur have some benefits if they venture into the businesses some of the advantages may include:

- Satisfaction.
- Full use of skills.
- Profits.

3.3.1 Satisfaction

As an entrepreneur, you are going to derive enough satisfaction especially if you are succeeding in the business. You will discover that the business takes your time.

For the fact that no one is your boss, you are taking all the profit, an entrepreneur is a satisfied human being. I was engaged in a discussion with an entrepreneur who is a drop out from a polytechnic, he decided to continue with his known business that is barbing; Three years after, he added up another business i.e. selling of recharge cards etc and he has succeeded in buying a car out of the business. I tried to persuade his to go back to school, but his answer is that school or no school, he will succeed in him business. His answer to me shows that he was very satisfied with what he was doing as an entrepreneur.

3.3.2 Full Use of Skills

You will discover that entrepreneurs gain experience in other jobs before setting up their own business. Take a look at any restaurant around you, their proprietor must have

worked in a big restaurant, or government restaurant or elsewhere; they combine all to run their business. In any business you are expected to combine:

- Planning.
- Controlling.
- Directing.

In managing human and material resources in order to succeed, entrepreneurs combine all of these together. Hardly do you see any entrepreneur that is not able to keep record of finances, despite his area of specialization. Entrepreneurs no doubt combine and use his full skills in running his business.

3.3.3 Profit

If you work in other organizations, you are paid salary at the end of the month. But if you are running your own business, the profit accruing from the business after settling all expenses becomes yours. If you are into a business worth five million naira at the end of the year you are able to realize money after expenses in excess of one million Naira, which is called profit, is yours; you can do what you want with it.

3.4 Disadvantages of Entrepreneurship

Despite all the benefits of entrepreneurship to an entrepreneur, there are some short comings about it. Despite all the disadvantages a lot of people still go into it. Some of the disadvantages include:

- Total responsibility.
- Long irregular hours.
- Financial risks.

3.4.1 Total Responsibility

An entrepreneur does everything for his business. The business may continue to grow and he will employ new hands to help him. At the end of the day, he is ultimately responsible for the business. Take for instance a business man who owns a manufacturing concern:

- He manages workers.
- He manages manufacturing.
- Shipping.
- He finds costumers.
- Sell the product
- Supervise the orders.

3.4.2 Long Irregular Hours

Being the owner of your own business, if care is not taken, twenty four hours will be too short for you A restaurant owner wakes up at three to start preparing for his customers, at seven in the morning; she/he is at the restaurant up to eleven in the night, before he gets

to the house, it is about eleven in the night, he sleeps for about two to three hours and starts another day. This may be a normal day for a restaurant owner. It may be longer or shorter. They may always be inconvenient, consider the beer parlours where a customer wakes the manager up for a bottle of beer, the manager is tempted to attend to him at an odd time etc.

3.4.3 Financial Risks

An entrepreneur faces problem of how to finance his business. Banks may be unwilling to grant loan to an entrepreneur because, there may not be collateral for such. Even individuals may not be willing to borrow him money for his business.

SELF ASSESSMENT EXERCISE 3

Take a look at any successful business around you and list some of the effort that he is putting into the business that, if you were in his shoe, you will find difficult to do.

4.0 CONCLUSION

You have learnt in this unit what business is and who an entrepreneur is. Since this course is to lead you to how to be on your own, you are left with a choice, haven seen the benefit and characteristic of entrepreneur, to choose whether you will be one or not.

5.0 SUMMARY

Despite all the short comings of an entrepreneur, it is still the best method of becoming independent in doing business. You have confidence in yourself, take all the profit. And be your own boss.

6.0 TUTOR-MARKED ASSIGNMENT

Discuss all the characteristics of an entrepreneur.

7.0 REFERENCES/FURTHER READINGS

Brown, B.J. & . Clow, J.E: *Introduction to Business, on Business and Economic World*. McGraw Hill-Contribute.

UNIT 6 INSURANCE

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1.0 INTRODUCTION

The basis of all types of insurance is that a large number of policyholder join or pool their resources together, with a view to obtaining cover in respect of predetermined risks, providing a sufficient spread of risks to make it possible for the appropriate premiums to be calculated equitably so that each policyholder's premium is in line with the nature and size of his risk introduced. In other words, Insurance is a device for grouping the similar risks of number of persons or companies, the purpose being to spread the costs of possible individual losses (e.g. from Fire) over a large number of covered participants. By this means the individual or firms accepts the certainty of a relatively small premium payment in substitution for the uncertainty of a possible large loss that would not otherwise be reimbursed. These pooling of risks makes it possible for those who might sustain large losses actually suffered while those who did not have losses during the period make this reimbursement possible through their premium payments.

2.0 OBJECTIVES

At the end of this unit, students should be able to:

1. Define insurance

2. Explain the characteristics and terms of insurable and uninsurable risk classification of risk
3. State the functions of insurance
4. Enumerate and explain the insurance terms.

3.0 MAIN CONTENT

3.1 Definition of Insurance

From the above analysis, we now offer a working definition of insurance. “Insurance operates on the principles that a small payment (or premium) by a large number of people will cover even a substantial loss that may occur to relative few”. “A means of pooling the risks of a number of persons or companies for the purpose of spreading the cost of possible individual losses in exchange for which risk pooling, each participant accepts the certainty of a premium-payment obligation in substitution for the uncertainty of possible large individual losses.”

3.2 Classification of Insurance

Insurance can be classified base on different methods for the purpose insurance is classified into two:

a. Life Assurance Business which include:

- Individual life Assurance Business and
- Group life Assurance Business

b. General Insurance Business which include:

- Fire insurance business
- Accident insurance business
- Motor vehicle insurance business
- Worker-men compensation business
- Goods – in- transit insurance business
- Marine and Aviation business
- Oil and Gas Insurance business
- Contractors “all risks” and engineering risk insurance
- Credit insurance Bond and Surety ship
- Railway rolling – Stock insurance business and
- Miscellaneous insurance.

The uncertainly of when risk will occur that result into loss. Therefore, it will be correct to say that risk is the uncertainly of loss occurring.

3.3 Functions of Insurance

The following are the benefits of insurance both the individual and the nation as a whole.

Collateral Security

For the purpose of obtaining a loan from banks most of the time, the banks demands for one form of collateral security or the other. An important function performed by insurance is the use of life Assurance policy as collateral security for the purpose of obtaining such loan with an assurance that even in the event of death, payment of the outstanding loan can be repaid.

Employment Opportunity

Another function of insurance is the provision of job opportunities for the population, thus, helping to solve unemployment problems, with its attendant social implications.

Foreign Earning

Through the method of reinsurance, our country can obtain invisible earning which in turn reflect on the balance of payment.

Investment Capital

The various premium collected from the insured especially life assurance contract provides a veritable source of investment capital for investors.

Loan Facility

Apart from the fact that insurance policy is being used for the purpose of obtaining loans, the various life offices also grant short time loans to their life assurance policy holder at the current interest rate, thereby ameliorating their financial position.

Loss Control

With the teeming experts in the insurance industry, most especially the surveyors and loss adjusters, they have been able to offer advice as to how losses can be economically controlled using the various modern technologies whenever there is loss. For example, the use of fire extinguisher, fire alarm, sprinkler systems, and burglary alarms for reducing the effect of loss etc.

Loss Prevention

Prevention has been said to be better than cure. Insurance experts also advice on practicable ways to prevent losses from happening or at most how to minimize it effects if it occur. Thy advice on methods of construction, installation of fireproof doors/walls etc. in other words risk prevention deals with eliminating or reducing the factors that may cause a loss to a person or an organization and minimize the loss when it occurs.

Security

By providing insurance cover, businessmen are guaranteed against actual losses and so are able to acquire the necessary confidence and tranquility of mind that are prerequisites of fruitful adventures and risk taking in business.

Social Benefits

The insurance industry affects the environment where they are located and thus they provide some social benefit such as; sponsoring of football match, donation to hospitals and motherless home or orphanage, scholarship awards etc.

Stimulates Savings

Insurance equally encourages savings. The monthly, bi-monthly, quarterly, half-yearly and yearly premium contribution of the insured motivate the insured to cultivate the habit of thrift. Savings are either used in meeting future needs or the money so accumulated now serves as source of fund for investment.

Stimulus to Business Enterprise

Another positive role of the insurance industry worthy of mention is stimulus to business enterprise. To the businessman, the assurance that they would be indemnified in the event of losses is as valuable to them as the actual payment of money after a loss has taken place. This enables the businessman to inject funds in further production, order than investing such funds in low yielding investment.

3.4 Types of Risks

There are several types of risks that may be faced by individuals, business concern and the nation as whole. For our purpose, therefore we are going to discuss these basic categories.

Pure Risk

Pure risks are risks, which hold the possibility of a loss or a no loss situation. In other words, there are two possibilities; it is either there is loss or no loss; the latter can be likened to break even situation. For example, a building may be destroyed by fire or/other perils or it is not affected nor damaged in any form. Where the building is damaged or destroyed there is loss and where it is intact without being damaged nor destroyed then there is no loss or breakeven situation.

Speculative Risk

Speculative risk on the other hand is the type of risk that has three possibilities. There can be a loss situation, a no loss situation (breakeven) or profit (gain). A typical example is the issue of shares. When shares of companies are bought, the unit price may be 50K per share. There is the possibility that the price may increase, of course, the anticipation of the shareholder is that the price should rise. It is also possible that the unit price may remain the same and lastly the price may fall. Where the price falls, say to 45K per share then there is loss, where the price remains the same (i.e 50K) then there is no loss (or breakeven) and where the price rises (for instance 60K) then there is gain. Other example includes:

1. Consumer acceptance or rejection of a product.
2. A change in prices or the risk of competitors entering the market with a new and better product (Fluctuation in price).
3. Rising interest rate.
4. Government policy changes or control.

Insurers are only interested in pure risk only because there is no statistical base for estimating and calculating speculative risk. However, speculative risk can be handled by hedging which is a method of offsetting loss from the occurrence of a risk by compensating gain from another activity.

Particular Risk

Particular risks are risk that its origin and its effect are individual in nature. That is to say, such risk can be called individual concern. For example, a person riding horse may be injured because of a fall from the horseback and break his leg. The origin is individual and its effect is locally felt by the horse rider.

Fundamental Risk

Fundamental risks are risks which both its origin and its consequential effect is impersonal. In other words, the origins of fundamental risk are impersonal, and its effects are generally felt by all, e.g. war, unemployment, volcanic eruption. In most cases, fundamental risks are attributed to the act of God, and any risk that is catastrophic in nature which affects a wide range of people or property. It should be noted here too that while particular risks are insurable, fundamental risk are not and are often taken care of by the government.

3.5 Characteristics of an Insurable Risk

The following criteria must be present in any risk before it can be insured.

Accidental or Fortuitous

As far as the insured of such risk is concerned, the occurrence of such risk must be practically unexpected. It must not be deliberately or intentionally caused by the insured neither should it be designed.

Insurable Interest

This is one of the cardinal principles of insurance. The risk to be insured must have a relationship with the person insuring it. That is to say the insured must have financial interest in the subject matter of insurance and at the same time he stands to benefit the existence of such property or suffer the loss law. Any risk introduced without insurable interest is wagering contract.

Large Number of Similar Risk

The working of insurance is based on the principle of large number. For a risk therefore to be insurable, there must be large number of similar and independent exposures so that the premium to be paid by the insured will be low compared to the risk introduced and the burden of the risk will as well be widely spread.

Monetary Measurement

Any risk to be undertaken by the insurance company should be capable of assessment in terms of money. In other words, it must be something of value that can be valued in financial term. Insurer are not interested in sentimental value, they are interested in the intrinsic value (real/actual value) of the property.

Particular Risk

Risks of fundamental nature are usually catastrophic and their effect is widely spread and such are not insurable. Only particular risk is insurable.

Purpose not Contrary to Public Policy

Public policy can be rules or guiding principles of a community. For a risk to be considered therefore for the purpose of insurance it must not be against the norms of the society. For example prostitution is against the public policy and as such cannot be insured.

Pure Risk Only

Traditionally and because of its features of loss or no-loss condition makes it practicable for pure risks to be insurable, but speculative risk are not insurable because of possibility of profit or gain which cannot be statistically estimated.

Rational Premium

The premium to be charged on such risk must be reasonably fair and adequate to meet the losses that will emanate from the risk. It must be comparatively low compared with the risk insurance and premium to be paid must vary among the types of risk introduced too.

3.6 Uninsurable Risk

Having looked at the characteristics of an insurable risk, it is appropriate at this point to consider specifically risks and losses that are uninsurable. Here is a summary:

1. The property of persons following an illegal profession.
2. Property used for an illegal purpose
3. Losses as a result of delay, confiscation, or detention by customs officers.
4. Losses as a result of wear and tear or depreciation.
5. Losses as a result of cleaning, repairing or restoring.
6. Losses as a result of action of light or atmospheric condition and,
7. Losses as a result of any other gradually operating cause.

3.7 Attitude to Risk

Different people react differently to risk. There are individual or organization that are risk Taker and on other hand of the spectrum are the Risk Averse and risk Referrer.

Risk Taker

These are individual who recognize that risk exists in the activities they are involved and yet they are still involved in such ventures that generate the risk. This is not to say that they expected the risks to occur, but their anticipation is that the occurrence of the risk will not deter them from the benefit that would be derived from the activity. Such risk taker however does make conscious efforts to prevent or reduce the risk or better still transfer the risk by way of insurance or hedging. Examples of risk taker are investor in stock exchange market, footballer, divers, racers etc.

Risk Averse

A risk averse person has a strong dislike for risk and as such will do everything possible to avoid the risk. This however can only be possible for some particular or personal risk of social nature. Risk that are fundamental in nature are not generally avoidable especially risk of nature. A risk averse person usually transfers his risk to the insurer.

In other words, a risk averter is a person who dislikes the existence of risk or who is prepared to pay a certain amount of money in excess of the expected risk cost in order to have the risk removed.

Risk Preferred

This is a person who seeks for risky situations by entering into gambling contracts, and would be prepared to pay a price in excess of expected winning in order to participate in the gamble.

3.8 Risk Measurement

Risk measurement is involved when each available alternative will result in a range or set of identifiable outcomes and when the probability of each outcome can be determined or predicted with a high degree of relative accuracy. Risk is therefore measurable but only within the limits of probability. Risk can be measured to a certain degree of available statistics. Although there is no agreement among experts on how exactly risk can be measured, the use of the various statistical tools are usually employed in measuring the range of possible outcomes. Details of these statistical methods are outside the scope of this text. While it may not be necessary, to consider the subject of risk measurement further, there is the need to have an understanding of what frequency and severity is all about.

Frequency

When we refer to frequency of risk, we are referring to the number of occurrence of such risk or the possible likely outcome of such risk. In other words, frequency measures the number of occurrence.

Severity

Severity refers to the magnitude of such outcome when it occurs. It measures the extent of losses as a result of the risk occurring. From the insurance point of view, the relationship between frequency and severity shows that there are usually a high frequency of low severity incidents and low frequency of high severity. For example, there are high frequency of motor accident and low severity, compared with low frequency and high severity of aviation accident.

3.9 Risk Related Terms

Knowledge of the following will enhance understanding of this work.

Perils

A peril may be defined as a contingency, which may cause a loss. In other words, it is a contingency or fortuitous happening, which could cause losses. In summary, therefore a peril is a cause of loss. In most cases, peril is used to identify the cause of loss. Examples include motor vehicle accident, deceases, theft, earthquake, piracy, collision, fire etc. Sometimes, the term “Act of God” is often used to denote those perils operating without the involvement of human beings and as well not preventable by human beings and as well not preventable by human efforts or care, for example, flood, lightning, storms, earthquake. Etc.

Hazards

Hazards are those features or conditions that can increase the cause of loss (i.e peril). That is any can circumstance, situation, or things that can enhance a particular loss is a hazard. For example, storage of petroleum in a kitchen is a hazard, which can increase the possibility of loss from the peril of fire. Hazards may be physical or moral in nature

Physical Hazards

Physical hazards refer to those physical characteristics that can enhance the possibility and severity of loss from a peril. These may include any features relating to locations, structure, occupancy exposures etc. Where the physical hazard may increase the potential loss far above what is expected under an average risk then it said to have bad or poor physical features. One the other hand where there are features that can reduce both the frequency and severity of loss, it said to possess good physical features. Example of bad physical features may include bad tyres and wet roads as in motor vehicle accident, storage of petroleum within a house as in fire.

4.0 CONCLUSION

Risk is manageable. Some risks are insurable while some are not. Insurance is founded on the recognized need to lighten the burden of people in a period of adversity by cooperative efforts. It is very well known that the prolong together of resources for the protection of members of the countries against possible financial and social hardship are encouraged in many Nigerian communities even before the emergence of the practice of insurance.

5.0 SUMMARY

Insurance is pooling of risk together for the benefit of those who agree to do so. In risk those that are insurable are characterize with facts like a risk having insurable interest, monetary measurement etc. risks are classified as life assurance and general insurance. it enable you to known which risk is insurable and which is not insurable

6.0 TUTOR-MARKED ASSIGNMENT

Discuss the characteristic of an insurable risk.

7.0 REFERENCES/FURTHER READINGS

Opaleke, M. (2004). *Principle and Practice of Insurance*. Bida: Jube-Evans Books Established.