COMMERCE NOTE BOOK

Qn1 What is Commerce?

Meaning: Commerce is the study of the way man organizes the exchange and distribution of goods and services to satisfy his needs.
Commerce therefore is the study of trade and distribution of goods and services between people i.e. commerce is trade and aids to trade.

Qn2 How is Commerce different from economics?

Commerce is a branch of economics which deals with trade and aids to trade. Whereas Economics is the study of how man can satisfy his unlimited wants with the limited resources which have alternative means.

Qn3 State and explain the Branches of commerce.

Commerce is divided into trade and Aids to trade.
Trade: - is the buying, selling and distribution of goods and services. And divided into:-

1. **Barter trade and monetary trade:**
Barter trade; is the exchange of goods for goods and goods for services without the use of money.
Monetary trade; is the type where money is used as a medium of exchange.

2. **Home trade and foreign trade: -**
Home trade is the buying and selling of goods and services with in the boundaries of a country. And it is divided into wholesale and retail trade.
Whole sale trade is the buying of goods in large quantities from the producer and selling it in relatively smaller quantities to retailers, industrial users and government users.

Retail trade; refers to selling of goods or services in affordable quantities to the final consumer.

FOREIGN TRADE.

It is also known as international trade which means trade between countries or it refers to trade across the boundaries of a home country i.e. two…….. or more countries and it is divided into imports and exports.

Imports; Are those goods and services bought from other countries e.g. buying cars from Japan **whereas** exports are those goods/services sold to other countries e.g. selling Uganda’s coffee to U.S.A

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AIDS TO TRADE

Qns (a) What are aids to trade?

(b) State and explain briefly the aids to trade.

Solutions

(a) Aids to trade are those activities which facilitate the smooth conduct of trade. Also called Auxiliary services. (MR.BATWIC)

(b) (i) Banking and finance;
Services that accept and safeguards money and other valuables of businessmen/public, settles debts.

(ii) Communication; this refers to the passage of information needed in commercial transactions from one place to another. for example a trader can contact suppliers both domestically and abroad in the shortest time through communication systems like telephones.

(iii) INSURANCE: Service that undertakes to safeguard and compensate the few businessmen and organizations which suffer from some risks insured against.

(iv) TRANSPORT; this involves the actual transfer or movement of goods, people and services from one place to another. Transport aids businessmen by transporting raw materials and finished goods from manufactures ware house and eventually to the final consumer.

(v) WARE HOUSING; Refers to the protection given to raw materials and goods against atmospheric conditions. Producers need warehouses to keep raw materials to maintain a steady production process, finished goods are warehoused until they are collected by wholesalers.

(vi) ADVERTISEMENT/ SALES PROMOTION - It is an activity of publication of facts or opinions about a particular good or service aimed at promoting sales.

(vii) MARKET RESEARCH; This is a process of finding out customer's opinions about a product or services already in the market and yet to come into the market. It helps the producers to improve on the quality of their products.

The diagram below illustrates the aids to trade.

- Market research
- Banking
  - Advertising
  - Transport
  - Ware housing
  - Insurance
  - Communication.

Qn What is the importance of studying Commerce in secondary schools in Uganda?

(i) Commerce is important because it equips us with the knowledge of commercial organizations used in our day to day commercial transactions.

(ii) Commerce creates utility. Utility is the ability of a commodity to satisfy human wants.

(iii) It enables producers to be linked to consumers.

(iv) The knowledge of commerce is useful in that it provides a foundation for further training.

(v) Commerce enables countries to carry out exchange with each other and hence specialization.

(vi) Through commerce producers can inform customers about the presence of goods/services available for sale.

(vii) Commerce enables members of the public and traders to get compensation for losses incurred under various risks.

(viii) Through commerce, the public is availed with a variety of goods and services.

(ix) Commerce improves peoples standard of living for example enjoying variety of goods/services

(x) Through commerce, businessmen are able to acquire capital and safe custody for their money and other documents.

(xi) Commerce makes it possible for the goods/services to be made available to customers at the time and place.

REASONS FOR STUDYING COMMERCE IN SECONDARY SCHOOL

I. To provide students with knowledge that will enable them understand the business environment.

II. To enable students to appreciate the impact of commercial activities on the society they live in e.g. pricing, inflation. Etc

III. To equip students with the basic knowledge of Commercial language commonly used in business in Uganda.

IV. To encourage students to develop neatness and orderliness in the work and paying details on every day work.

V. To help students acquire basic commercial knowledge for the purpose of employment.

VI. To acquire commercial knowledge and skills in order to carry out commercial activities.

VII. To introduce students to wider fields of study at higher levels e.g. Economics, Entrepreneurship, Business Administration e.t.c.

SATISFACTION OF WANTS:

Human wants are divided into two:

(i) Basic wants (ii) Secondary wants

(i) Basic wants;

Are those necessities that man requires for his survival and can not do without their satisfaction? For example water, food, shelter, medical care, clothing. These wants are described as insatiable wants

in that they can only be satisfied temporary i.e. they come again and again.

(ii) SECONDARY WANTS;

These are inform of luxury which man can do without for example education, security, car, T.V, Shoes.etc

N.B All those wants both basic and secondary wants can be satisfied through production.

COMMERCE AND BUSINESS

QN Distinguish between commerce and Business

Commerce is concerned with trade and aids to trade. Whereas business is any activity carried out with the sole aim of making profits while standing the risk of a loss.

FIRM AND INDUSTRY

QN Differeciate between a firm and an industry

A firm is a single unit of production or is any business organization established with the aim of making profits. Whereas industry is a group of firms producing the same product for example Kinyara sugar works, Kakira sugar works (1985), Lugazi sugar corporation.

It may also refer to the sectors of production thus

- Extractive industry
- Manufacturing industry
- Construction industry

QN **What is Production?**

It means the process of converting raw materials into forms that yield utility at the time and place convenient to the consumer. Production therefore means addition of value in goods/ services that can be exchanged for money.

UTILITY

QN (a) **Define utility?**

(b) State and explain the forms of utility.

(a) Utility is defined as the ability of a good or service to satisfy mans needs.

FORMS OF UTILITY

Utility is divided into four major types

1. FORM UTILITY;

Refers to the physical characteristics of the product. And created by firms which change form of a product to make it more useful to man. Examples of these firms are; - Tailors, builders, Carpenters e.t.c.

2. PLACE UTILITY;

Is created by having a good/service at a place where it's needed e.g. fisherman, hunters Miners and Transporters are all engaged in creation of place utility.

3. TIME UTILITY

In addition to being in a place where its needed, a product or service must be at the time its needed. Time utility is created by Organizations which provide Warehousing and transporters involved.

4. POSSESSION UTILITY;

A Commodity satisfies a human need when its in his hands. Its created by transfer of ownership of a Commodity from the producers to the Consumer. The transfer is done of buying and selling.

TYPES OF PRODUCTION

Production may be either direct or indirect production.

DIRECT PRODUCTION

Is the type where one works directly to satisfy his own wants i.e. its production of goods/services for one's own consumption e.g. growing food for your own consumption,

INDIRECT PRODUCTION

This is the production by specialization i.e. the production for exchange where one produces the goods/services he can do best and exchange with those he ca not produce.

PRODUCTION UNIT

Is a place from where goods/services are produced. A production unit may be a school an agricultural farm, hospital e.t.c.

BRANCHES OF PRODUCTION:

Production is found in various forms;-

1. PRIMARY/EXTRACTIVE INDUSTRY

This is the extraction of raw materials from land, sea e.g. Farming, fishing, lumbering, oil drilling e.t.c.

2. SECONDARY PRODUCTION

This is the actual changing of |raw materials extracted by primary producers into goods acceptable to final consumers i.e. it's the production of goods and services demanded from primary products. E.g. oil refining textiles.

Secondary production is further divided into:-

(i) **Constructive Industry;**

Under this materials produced in primary production are put to a better useful form. The activities under this are:-
Road Construction
And house construction e.t.c.

(ii) **Manufacturing Industry:-**
Also uses raw materials produced by primary producers to produce goods. E.g. oil refining, fish Caning, Sugar processing e.t.c.

3 **TERTIARY PRODUCTION/DIRECT SERVICES:-**
Under this services are produced or provided direct to Consumers. And such services include those of doctors, teachers, lawyers, and accountants' e.t.c

4. **COMMERCIAL PRODUCTION:**
This involves the distribution of goods and raw materials produced in the above types of production to whoever needs them. Under this production, there are activities like transport, Warehousing, Communication e.t.c.

FACTORS OF PRODUCTION

Are the basic resources that must be combined in order for production to take place. Also called Agents of production they include:-

1. **LAND**
It's considered the most important factor of production. And it refers to any free gift of nature in its natural state such as the earth's surface on which to construct houses, factories forests, rivers lakes e.t.c.
Land as a factor of production earns a reward called. **RENT**

2. **LABOUR**

Is any human efforts geared towards production. Labour may be manual, mental skilled/semi-skilled. Unlike land, labour is mobile i.e. moves from one place to another, can under go training in order to be skilled.

It's important in production process in the sense that land and machines alone without it can not contribute towards production. It's rewarded with a payment called **wage/salary**.

3. **CAPITAL**

By capital we mean man made resources in production which may include; - tools machinery, equipment, vehicles, furniture, buildings e.t.c. invested in business. It earns a reward called **Interest.**

4. **ORGANISATION**

Organization involves skilled people who co-ordinate other production factors into proper proportions to proper production process i.e. they supervise the processing of raw materials e.g. Accountants, Manager, decision makers e.t.c.The reward for organization is **salary.**

5. ENTREPRENEUR

Is a person who initiates and finances a production line? Among his functions is that:

(a). He contributes capital for the establishment of the firm e.g. buying land , machinery, and so on.

(b). He bears risks in time of losses and also undertakes to earn all benefits

© . He hires labour and employs organizers like administrators of the firm

(d). He determines what to produce, when to produce, for whom to produce, quantity and quality to produce.

(e). He determines what method of production to adopt and in what proportions to combine his resources of land, lab our organization and capital.

The reward for entrepreneur is **profit but can earn losses at times**
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CONSUMPTION AND TYPES OF GOODS:

The term good or goods refer to anything which is capable of satisfying a human wants.

Goods may be classified as under:-

1. Free and economic goods
2. Producer and Consumer goods
3. Private and public goods.

1. **FREE GOODS**
   These are goods which are in abundant supply. They are provided by nature free of charge to every one e.g. sunshine, Oxygen, Rain water e.t.c.

2. **ECONOMIC GOODS**
   These goods are scarce in relation to people's desire for them. And have to be paid for in order to get them; one has to make some sacrifice.

3. **PRODUCER GOODS**
   Also called capital goods. Refers to already produced goods used in the production of other goods or services e.g. tractors, machinery, motor vehicles, cash, and tools e.t.c.

4. **CONSUMER GOODS:**
   These are goods produced to be used by the final consumer. They are in their last stage of production and therefore ready for consumption e.g. exercise books, bottle of soda, beer, cooked food e.t.c.

5. **PRIVATE GOODS:**

These are goods owned individually by people. The owners have the right to decide who may use them or not. E.g. private vehicles, buildings, dresses, shoes e.t.c

6. **PUBLIC GOODS**

These are goods owned and used commonly by all people, living in a given area.

Government owns most of the public goods. E.g. a road, schools, hospitals, street lights e.t.c.There use by one person does not stop others from using it.

. **DEMAND AND SUPPLY**

Demand is the quantity of goods /services an individual is able to purchase at a given price in a given period of time.

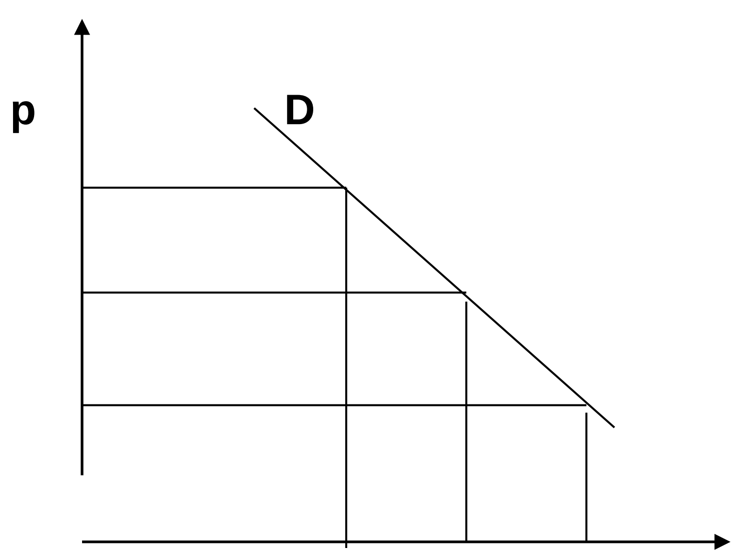
Demand is the desire backed up by the ability to buy a good at a given price.

The law of demand states that;-

"The higher the price, the lower the quantity demanded"

This means that more goods will be bought when the price lowers and vice-versa.

Demand curve for Commodity X



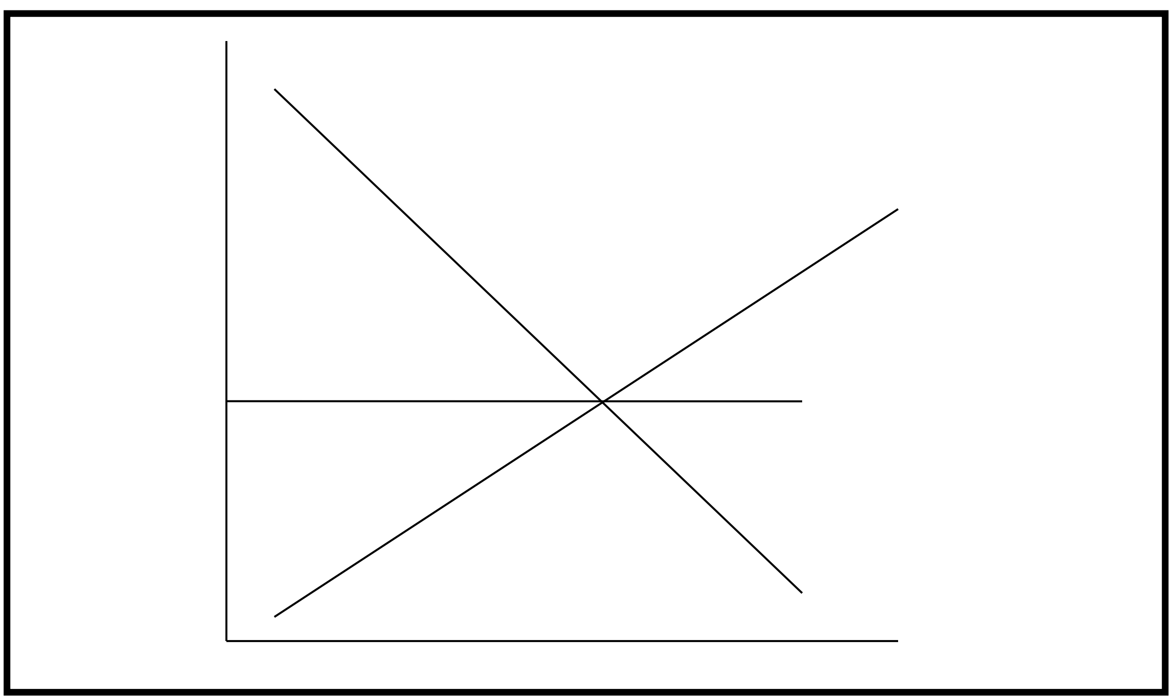
SUPPLY

Refers to the quantity of goods or services a producer is willing to offer for sale for a given price at a given period of time.

Supply law states:-

"The higher the price, the higher the quantity supplied" i.e. producers tend to supply many goods to the market as the prices rise.

SUPPLY CURVE AND EQUILIBRIUM PRICE:



EQUILIBRIUM PRICE

Equilibrium means a state of balance. It's a point where the forces of demand and supply meet to determine the market price of a commodity e.g. at point v in the diagram above i.e. it's a point where both the buyers and sellers are Comfortable.

Qn State and explain

Factors affecting Demand

The demand for a particular good or service may be affected by any or a combination of the following factors.

- Price of a good:
  When the price of a good/service is low much of it is normally bought, but as the price increase demand tends to fail.
- Income:
- In normal situations people demand tend to go up as incomes go up. However, when the income level falls, demand also goes.

- Price of other goods:
  How much one buys will be affected by the availability of other goods. E.g. if one kind of meat falls in prices and if he decides to buy more for this kind, he is likely to buy more of another kind the price of which has not fallen.

- Tastes and preferences
  The more a person likes the Commodity, which ever the price, he will buy more of it and if he dislikes the Commodity altogether he will not buy e.g. Moslems have no demand for pork.
- Seasonal goods:
  Some goods have high demand during certain periods of the year e.g. sweaters, Umbrellas, Rain coats e.t.c. have high demand during rainy seasons.
- Population:
  The number of people living in an area may also influence demand of a good/service. The higher the population of an area the higher the demand for good or services and vise-versa.
- Government policy
  The government may change high taxes on some goods and hence making them expensive and therefore lowering their demand, yet it may subsidize others to make them look cheap and therefore increase demand for them.
- Habit;
  This influence demand in that people who have a habit over Consumption of certain goods or services will buy such goods even if the prices increase e.g. Smokers will continue buying cigarettes at whatever price

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FACTORS INFLUENCING THE SUPPLY OF GOODS.

i. **The price of the commodity**, the higher the price the greater the amount supplied and vice- versa.
ii. **Number of producers, a** greater number of producers increases supply and the fewer the producers the lower the supply.

iii. **The cost of production**, a decrease in the cost of production increases supply but increase in the cost of production reduces supply.
iv. **Demand / size of the market**, an expansion in the market for a commodity increases supply and a decrease in market for a commodity reduces supply.
v. **Price of other commodities** and the increase in the price of substitutes leads to increase to a decrease in the supply of a commodity in question and vise versa. While an increase in price of complementary goods leads to increase in supply of the related goods and vise versa.
vi. **Gestation period**. Longer gestation period reduces supply and a shorter one increases the supply of commodity.
vii. **Natural factors**, this normally applies to agricultural products. Bad weather conditions may cause limited supply and favourable climate conditions leads to higher supply.
viii. **The political environment**, political instability discourages producers hence supply declines and vise versa.
ix. **Government policy**, taxation reduces supply and subsidization increases supply.
x. **Technology (Level of technology).** Technology speeds up production hence increased supply and vise versa .
xi. **The objective of the producer /firm**. If the producer wants to maximize sales, supply will increase, but if he wants to maximize profits he/she may limit supply.
xii. **The working conditions** enable greater supply as compared to unfavourable working conditions.
xiii. **Expectations of future price changes**, if the prices are expected to increase in future the supply reduces and the vise versa.

Qn Distinguish between specialization and Division of lab our.

SPECIALIZATION

Is the concentration on a particular kind of work, where one is good at, doing it over and over.

Or it's the production of what one can do better which results into a abundant or surplus commodities which can be exchanged for other commodities.

DIVISION OF LABOUR:

Is the distribution of work among different people.

Question **What gives rise to specialization?**

Specialization is necessary because no person or country can produce all what is required because of several factors:-

- The resources/materials required to produce what they require may not be available.
- The natural endowments may not favour the production of a good in a particular country e.g. Agricultural produce may not be possible in deserts areas.
- The technology available in a particular country may not enable it to produce commodity.

FORMS OF SPECIALISATION

1. **SPECIALISATION BY CRAFT;**
   This is the ear list form of specialization where some families specialize in different activities as farmers, iron smiths, witch doctors and there was exchange of commodities between families.

2. **SPECIALIZATION BY PROCESS;**
   Development during the industrial revolution where every stage of production in factories were carried out by different people. This resulted into increased out put and improvement of production efficiency.

3. **SPECIALIZATION BY COMMODITY;**
Under this one Concentrates in producing one particular commodity in great numbers and exchanges it for what he does not produce.

4. **SPECIALIZATION BY SKILL;**
Some people may concentrate at acquiring a particular skill so that a given job will be specialized in e.g. teachers, doctor's e.t.c.

5. **REGIONAL SPECIALISATION;**
This is where each region specializes in the production of what it can do best and exchange it for what is produced by other regions e.g. Mbarara (….) could specialize in the production of milk and exchange it for coffee being produced in Bugisu (Eastern).

6. **INTERNATIONAL SPECIALIZATION AND DIVISION OF LABOUR**
Here countries produce what it can do best and exchange it for what is produced by other countries. And this is done according to the law of co-operative Advantage international specialization has resulted into international division of labour which is the final stage of specialization where each country produces small part of a commodity e.g.
In case of car assemble; Japan would produce engines, U.S.A doors, Germany tyres e.t.c. The process continues until the car gets finished.

Qn Explain the advantages and disadvantages of specialization.

ADVANTAGES OF SPECIALIZATIION;

- Time saving; it takes little time to learn the job and there is no time wasted in moving from one job to another.

- It improves the workers skills due to repeated performance of a particular task.
- It enables workers to exploit their natural talents better by concentrating on the jobs which they can do better.
- It encourages the uses of machines at various stages of production which leads to increased out put.
- It increase out put and therefore enables firms to enjoy economies of large scale production.
- It encourages firms to employ specialists at different stages of production.
- Specialization leads to efficiency and increased out put at a lower cost of production.
- It provides a variety of goods e.g. furniture.
- It improves on the quality of a commodity.
- There is less fatigue i.e. workers get less tired.
- Specialization makes work enjoyable to the workers.
- Region specialization and international division of labour enables countries to exploit their natural resources and get what they cannot produce.
- It encourages invention and innovations.

DISADVANTAGES OF SPECIALISATION

- It creates monopoly to the workers.
- Some specialists feel important and may demand higher wages.
- Absence of one another affects the production process.
- Specialization involves production in bulk which may be limited by markets.
- Division of labour can lead to unemployment e.g. incase of a change in fashions, demand specialized workers are laid off.
- International specializations lead to over dependency on other countries and also discourage diversification.
- Repetition of the same work leads to boredom and monopoly of work which dulls intelligence.

- It encourages the use of machines which are specific and hence may not server more than one purpose. And in case of machine break down, firms may stop operating.
- It leads to loss of crafts man ship. Workers cease to be creative because of reliance on machines.
- It may lead to total loss due to pests and diseases in Agricultural sector.
- It narrows the workers skills in one area

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LOCATION OF INDUSTRY

INDUSTRY:

Is that part of the process of production that is concerned with bringing goods into the form in which they can be consumed or it's a group of firms producing similar products.

LOCATION;

Is the setting up of a particular industry in a particular area. Usually businessmen prefer to set their industries where the cost of production is low.

FACTORS INFLUENCING THE LOCATION OF INDUSTRIES

1. **Availability of raw materials;**

A site for a new factory must be where raw materials are easily available.

Location close to raw materials particularly is important to firms using heavy and perishable raw materials like cement, fruits.

This explains why cement factory was located in Tororo and Hima respectively.

2. **Room for expansion;-**
The site acquired should be large enough to allow expansion, if desired at a later stage.

3. **Power supply;-**
Availability of power is very important in establishing an industry, so business firms should be set up near the source of power.

4. **Nearness to the market.**
It is an important factor when setting up an industry.
This is especially for the case of perishable goods like milk, breads, vegetables e.t.c.

5. **Labour supply**
An industry should be located in an area where there is abundant supply of both skilled and semi-skilled labour. This will enable the firm to produce and transport its products.

6. **Water supply:**
Water plays a big role as a component in the production process. Some industries use water as raw materials e.g. bear, soft drink, textile e.t.c. while others need water to cool the machines.

7. **Transport**
Firms should be located in areas that are accessible by roads, railways, water or air. This is to enable it to cheaply transport raw-materials and finished products to the market.

8. **Government policy;**
Government may direct the location of some industries in a given region. This may be for political reasons or to distribute services to all parts of the country.

9. **Industrial inertial**
   New industries may be attracted to an area where there is already a high concentration of other industries. This will make it easy for new industries to obtain in puts more easily benefit form infrastructure, labour and markets.

10. **Cost of land**
    One reason why there are no factories in the centre of any major town is that land there is very expensive, suburbs are cheaper than town centres and rural areas are even cheaper than suburbs of town.

11. **Availability of auxiliary services** like good communication facilities, Banking, Insurance security among others is useful in determining the location of industries.

12. **Entrepreneurs decision.**
    An investor may decide to locate his firm any where he/she wishes. This too influences the location of industries.

LOCALISATION OF INDUSTRIES

Is the concentration of a particular type of industry in one region e.g. Jinja, Kampala e.t.c

ADVANTAGES OF LOCALISATION

1. Creates employment opportunities in the area where they exist.
2. It enables firms co combine (amalgamate) in order to enjoy the benefits of large scale operation
3. It leads to the development of the area.
4. It facilitates the development of infrastructure e.g. roads, schools, hospitals e.t.c.
5. Large firms may encourage the development of subsidiary industry e.g. sweats and glucose making firms may develop in sugar making areas like kakira.

6. Specialized service firms tend to develop in localized areas e.g. Banking, Insurance postal service e.t.c.
7. Localization creates market for goods and services e.g. food stuffs Boda Bodas e.t.c.
8. It's a source of government revenue through taxation.

DISAVANTAGES OF LOCALISATION

- ❖ In a localized area, traffic congestion is a problem.
- ❖ Shortage of housing facilities in a localized area may result into development of slums.
- ❖ Food and water tend to be expensive and thus leading to increased cost of living.
- ❖ It leads to unemployment due to increased population.
- ❖ Localization encourages rural urban migration (R.U.M) which deals to increased population in the area where they exist.
- ❖ It may result into immorality in the area e.g. prostitutions, rape, robbery, murder e.t.c.
- ❖ It may lead to displacements of the local population that may be difficult to resettle.
- ❖ Strategic reasons; if industries are concentrated n one area, in times of war and sabotage, such areas are usually the target of the enemy.
- ❖ It leads to uneven development of the country.

ECONOMIES OF SCALE

These are the benefits gained by a producer whose industry is suited for large scale production. There are the advantages the firm gets because of its size. There are two main types of economies of scale: -

- ❖ Internal economies of scale
- ❖ External economies of scale

INTERNAL ECONOMIES OF SCALE

These result from an expansion of an individual firm and are enjoyed only by that firm. They include: -

1. **Technical economies of scale;**
   A large output enables fixed costs to be spread over greater number of unites of output and reduces average costs per unit. As output expands more and more division of labour can be introduced specialization of machinery employed. E.g. they can afford their own transport for purchasing of raw materials and marketing.

2. **Administrative/management economies of scale.**
   Large scale firms can afford to employ specialized personal such as accountant, personal manager's e.t.c.

3. **Financial economies of scale**
   Finance can easily be obtained by larger firms because they have enough security for the loan.

4. **Marketing economies of scale;**
   Large firms are able to buy raw materials in bulk and can buy them at a lower cost because their bargaining power is strong similar they are able to supply and sell bulk orders and that reduces costs of sales (like advertising, transport) e.t.c
5. **Research and development economies**
   Large firms have a enough resources to undertake design and development of new products and thus keep off competitors, can carry market research, introduce new methods of work.
6. **Social and welfare economies;**
   A large firm can easily afford to provide several facilities for its employees e.g. housing, medical, education e.t.c.
7. **Risk bearing economies;**

Putting all the eggs in on basket by producing only one type of product could be very risky. If the market demand for the product declines large firms are able to diversify their output by producing a wider range of products so as to spread the risk and similarly to sell products to more than one market.

EXTERNAL ECONOMIES OF SCALE.

These are the gains arising when an industry grows in size. They are the advantages that accrue to all firms in that industry, irrespective of their sizes. E.g. Administrative, financial, marketing research and external technical economies of scale. For example firms can merge to provide training courses for the industry.

- There is development of skilled labour force, common services can be set up such as marketing organizations, roads ,social amenities like advertising agencies, banking, security organizations e.t.c.
- It can also take the form of information services e.t.c

DIS ECONOMIES OF SCALE

These are economic disadvantages which come about when a firm can not expand its activities to take advantages of economies of scale indefinitely. They are also of tow types viz; - internal and external diseconomies of scale.

INTERNAL DISECONOMIES.

These include the following:-

1. Technical diseconomies:- Arise as the size of the firm increases. It can prove expensive to maintain complicated gardgets as they add costs of production per unit.
2. Administrative diseconomies: - Occurs when the relationship between management and employees become sour and where communication difficulties leads to reduction in efficiency

EXTERNAL DISECONOMIES

These include among others the following: -

1. Over crowd ness and congestion of the area makes the movement of all people and the traffic difficult.
2. Land prices become high (expensive)
3. Labour and services become costly
4. Traffic congestion increases transport cost and where there changes in taste and fashions, models the large firms are hit hardest

HOME TRADE AND FOREIGN TRADE.

1. **HOME TRADE**

   Home trade is the buying and selling of goods and services with in the boundaries of a country.

   Home trade involves whole sale trade and retail trade

Retail trade; -

Refers to the selling of goods or services to the final consumer.

A retailer is a trader who buys goods from the producers or wholesalers in relatively large quantities and sells them in affordable quantities to the consumer.

He is the final link in the chain of distribution 1:1 the producer and consumer.

Retailing; -

This is the act of selling goods and services to the final consumer and it does not matter who does the selling where the goods come form as long as its sale is direct to the final consumer.

FUNCTIONS OF A RETAILER .

TO THE CONSUMER.

1. He sells goods and services in affordable quantities to the consumer (Barber shops, tailors cobras, saloons e.t.c.)
2. He sells a variety of goods to the consumer.

3. He advertises new products to the consumer.
4. The retailer provides transport to the consumer who purchase in large quantities.
5. Stores goods and enables consumers to collect them from him any time.
6. They advise their customers on how to handle certain goods
7. Some retailers allow discounts to customers inform of reduced prices.
8. Retailers may help consumers in their choice, selection especially as far as colours, designs are concerned.

TO THE PRODUCER.

1. He act as an out let for their goods since he is a last link in the chain of production.
2. He stores and finds which market for the goods.
3. By so doing he enables production to continue un interrupted and minimizes the producers storage cost.
4. He publishes their goods by window display, sing post and in newspapers.
5. He informs the producers about consumer complains and suggestions regarding his goods.
6. He also minimizes sales promotion costs and transportation cost of the producer His orders are more economical than those of individual consumer.

TO THE WHOLE SALER;

1. A retailer buys goods form the wholesaler in large quantities and thus enabling him to increase his stock turn over.
2. He provides transport for the goods bought from wholesalers hence saving him the burden.
3. He is a link between the wholesaler and consumer.
4. He advertises commodities. He locates his business in a strategic place where it can advertise itself.
5. Supply of market information on consumer behaviour as regards change in taste, fashion, demand e.t.c. a thus informs

the wholesaler accordingly who also informs the manufacture.

QUALITIES OF A GOOD RETAILER.

The success of a retailer depend on a number of factors the most important being his personal qualities.

1. He should be pleasant in his dealing with his customers and suppliers.
2. Should be situated as near as possible to the consumers.
3. He should be honest to his customers i.e. do not over change them in order to get rich quickly
4. Should be a good buyer i.e. know what to buy, where to buy from, in what quantity to buy and what price to buy. His profits depend largely on his ability to buy most economically.
5. Should be able to fore cast the depend of his customers as regards, quality, brand, packages, change in test and price e.t.c
6. Should be a good administrator i.e. be able to control the movement of his stock and other properties or to keep a check on the activities of his staff.
7. He should be able stock variety of goods needed by his customers at the right time and quantity.
8. He should offer credit facilities to the credit worthy customers.
9. He should be able to audit his books seasonally and avoid un trust worthy staff in his business.
10. Should be co-operative to his suppliers and pay them promptly.
11. Should exercise martial respect to his customers. This is mainly to maintain a proper balance between customer’s needs or satisfaction and the ability of firm’s administrative plans to meet the needs of the retailer in operating effectively and efficiency.

12. The retailer should offer discounts to his customers on particular days e.g.christmas, Easter days e.t.c.

FACTORS CONSIDERED WHEN SETTING UP A RETAILER BUSINESS.

1. **Cost of rent;** The payment of rent should be relatively cheap not to swallow up the profits of the business.
2. **The type of goods;** The type of goods needed by the people he serves is very important. Goods like electronics have high DD in urban areas than in rural areas.
3. **Capital;** It is very necessary and depends on the business e.g. large scale requires large capital than small business.
4. **Other shops;** One should consider the competition he is likely to meet similar retail business near by already in existence and type of goods they sell.
5. **Possibility of expansion;** The place should have enough space to allow future expansion.
6. **Security;** The area should be politically.
7. **Transport;** It should be accessible ether by road, water, Air R/W to reduce expense.

TYPES OF RETAILERS

Retailer may be categorized into two major groups i.e. small scale retailer and large scale retailers. The difference here is in terms of the amount of capital, variety of services offered by large scale retailer.

SMALL SCALE RETAILERS

This may be classified as those with fixed shops and those without them. The later includes; - itinerant traders, road side traders (seller), hawkers e.t.c. while the former includes; - single shops and tied shops.

FEATURES OF SMALL SCALE RETAILER.

1. Employ little capital in the business
2. Holds relatively small stock.
3. They serve small market
4. There is no great specialization with small firms
5. They handle a variety of goods.
6. The floor area occupied is small
7. They are flexible

ITINERANT TRADERS (Travelling traders)

These carry goods either on bicycle or m/cars and keep on running (moving) form home to home, village to village town to town

They occasionally carry defective goods and are noticed for bringing certain goods to the door steps of rural people who would otherwise travel distant places to get them itinerant traders include; -

CHARACTERISTICS OF ITINERANT TRADERS

HAWKERS

They are closely a kin to itinerant traders, they carry small cases holding items

Like those sold by road by roadside sellers and visit densely populated residential areas, moving on foot from home to home, carrying their goods in their hands leads or any other part of the body.

ADVANTAGES OF HAWKERS;-

1. Require little capital to start business
2. He takes goods nearer to the customers
3. Because of his keenness in bargaining, a hawker enjoys large capital
4. Has a personal contact with customers.

5. Does not incur expense of rent, electricity bulls e.t.c.
6. Its flexible i.e. can change from due business to another.

Disadvantages of hawkers;-

1. Tiresome due to up and down movement.
2. Weather changes like r/f sunshine may affect the hawkers
3. The life of the business depends on his own life when he dies, the business also dies.
4. Sell defective goods at Times
5. They at times dodge sales tax
6. Exploits Consumers due to their ignorance through over charging.

ROAD SIDE SELLERS.

This offers small stems like cigarettes, sweats boxes of matches, fresh fruits e.t.c. along the road side, bus parks or public halls and are most comment in up country.

PEDLARS;

Similar to hawkers except in the mode of transport in the sense that, hawkers travel on foot and for them they use bicycles and cover long distances selling goods from place to place. And deal in food staffs like fish, vegetables, fruits, breads, tomatoes et.c.

MARKET TRADERS

These are traders with permanent stalks in market centres form where they sell goods. Some people move from market to market e.g. Wednesday Kikuyu, Saturday Ankara e.t.c. The majority of these traders sell food stuffs, house hold utensils, textiles e.t.c.

STREET TRADERS / KIOSKS HOLDER

These don't move but sell their goods by displaying them on carpets in busy streets or simply on pavements of roads or at times erect semi-permanent structures called states or kiosks on the sides of busy streets especially in trading centres, residential areas, work places, towns and cities. These stalls are just shelters against r/f and sunshine with supports to display merchandise.

CONTAINER SHOPS.

It is developed with in help or introduction of container transport. Traders converted containers into shops form where they keep and sell merchandise e.g. Kampala in 1987-88.

CAR BOOT STORES;

These Operate on old vehicles which they push to busy places and sell merchandise from boots e.g. saloons, dealers in medications or drugs such as Aspirins, panandols, penicillin e.t.c.

VILLAGE STORES

These are found in rural areas and normally deal in essential commodities demanded by villages such as salt, soap, paraffin, needles, matchbox, cigarettes e.t.c. Owners of village shops open them for few hours in a day especially in evenings as they supplement their incomes by practicing agriculture.

TIED SHOPS

Are restricted by dealing in products of one producer. They sell no other products apart form those of a given producer Bata shoe shops.

SINGLE SHOPS

These are fixed stores normally owned by one person. Most of the traders in east Africa are single shop retailers. And are usually specialized in selling one product or related range of product e.g. textiles, stationary, medicines (clinics) e.t.c.

URBAN STORES;

These are found in town centres and distributed in such away that selling says that motor spares are found in almost same areas.

Urban stores practice some specialization and incur some expense like rent, electricity bills, among others.

BARROW BOYS

These load their merchandise in their wheel barrows and push them looking for customers. In addition to that they also offer services to their customers by waiting at busy trade and transport terminals to carry merchandise for them. E.g. Iganga tax park Kampala Tax Park among others.

GENERAL STORES;

These are more permanent and well established shops with large amount of capital. Its called general store because they stock variety of goods and are established in central points in residential areas to provide goods for domestic use and are common in commercial and industrial towns, Also provide other facilities such as selling on credit to regular customers, free home delivery, exchange goods not liked by the customers e.t.c.

SPECIALITY SHOPS

Are shops which specialize in only one type of goods e.g. clothing stores, stationary shops, grocery stores and furniture shops, and are established in shopping centers. The owners have knowledge of goods they deal in i.e. can educate customers on uses, dangers, maintenance e.t.c.

SELF SERVICE STORES

Are small scale retail outlets offering variety of goods mostly domestic commodities under the system of self-service.

Here the customer enters picks the preferred commodity, moves with it to the counter where its checked and payment is made according to the cashier.

WORKS CANTEENS

This is another type of retail trading in East Africa. It's a type of retail business whereby an employer of a large labour force, schools or institution provides facilities for retail shopping for his employees or students near their work place or school compound. This will be a works canteen or student's canteens and they vary in sizes i.e. ranging from very small ones to large ones and offer a variety of consumer goods.

Advantages of works canteen.

1. It cuts down absenteeism or lateness on the side of the workers who travel long distances to buy house hold items.
2. Its time and money saving to employees who would travel long distances to buy house hold items.
3. Can offer goods on credit to employees.
4. Sells goods at relatively cheaper prices to workers or students.

LARGE SCALE RETAILER

Super markets

Characteristics:

1. They are heavily capitalized in most cases the capital is contributed by more than one person.
2. Have permanent premises which cover a wider are in terms of acreage often divided into departments.
3. Purchases in bulk and stock in large quantity a wide variety of goods in the same category.
4. They usually maintain their own ware houses.
5. Depend on large markets which they obtain by locating the business in heavily populated commercial industries and administrative centers, and establish branches in many areas.

6. They are heavily organized having administrative, sales, purchases, stores, accounts, and transport and sale promotions e.t.c.
7. they enjoy large profits
8. Practice some specialization.
9. Large scale retail business area in most case co-owned.

Large scale retailers include among others the following: -

1. **DEPARTMENTAL STORES:-**

It's a large establishment having in the same building a number of departments each of which confine a trading activity to one particular branch of trade and each forming a complete unit of its-self.

FEATURES;

(i) It deals with a large variety of goods in a well defined department under one roof.

(ii) Departmental stores are usually well furnished and provide a number of services such as restaurants, hall or even banks.

(iii) It requires large capital and in most cases contributed by several people. These become owners and finally run as a company.

(iv) The departments are under departmental leaders appointed by the board of directors.

ADVANTAGES

1. Provides a variety of goods to customers.
2. Loss in one department can be covered by a big gain in another department.
3. It enjoys large profits because of large scale operation.
4. It provides additional services to consumer's e.g. Video services, travel agencies among others.
5. Sell at low prices due to discounts enjoyed from bulky purchasing.

DISADVANTAGES

1. It concentrates in urban areas and thus ignores rural areas.
2. Requires large capital to start it.
3. Shortage in one store can not be solved by transfer of goods from other stores.
4. They tend to offer delivery service to those who buy in large quantities and these increase overhead expenses.

2. MULTIPLE SHOPS/CHAIN STORES;

These are large scale retail organizations which have a number of branches dealing in similar line of goods under a centralized management e.g. Bata.

CHARACTERISTICS.

(i) The shops are owned by the manufacturer of the product they sell.

(ii) A central office/headquarter controls both manufacturing and sales process of all shops.

(iii) The central office is managed by board of directors who are the policy maker and a number of administrative staff.

(iv) The central office determines the price arranges for transportation of the product, advertises and maintains books of accounts.

(v) Every branch has a branch manager who is not allowed to make credit sales.

(vi) The sales proceeds are banked dairy an all other payments like salaries, wages and rent are from head office. Examples of multiple shops are Bata shoe company, petroleum companies like shell, Agip Gapco, caltex, Total E.t.c.

ADVANTAGES;

(i) Sell relatively cheaper goods than small scale retailer.

(ii) Goods are sold on cash basis therefore no bad debts.
(iii) In most firms there is bulk purchases hence increased sales.
(iv) Each branch advertises another.
(v) Goods are brought nearer to the consumers because of scattered branches
(vi) Multiple shops also sell standardized goods.
(vii) Their branches are easily identified.
(viii) Enjoy large profits because of large size.
(ix) Shortage in one branch can be solved by transfer of goods from other branches.

DISADVANTAGES;

(1) They are urbanized and thus ignore rural areas.
(2) Don't provide a variety of goods. It specializes in only one type of goods.
(3) It is not flexible due to large size.
(4) Error in decision from head office affects all branches.
(5) Centralized decision making tends to be characterized by unnecessary delays.
(6) Misappropriation of funds at head quarters is common.

SUPER MARKETS.

These are stores which stock items of house nature such as utensils, drinks, light electric appliances e.t.c. these are rendered on self service basis. This means that each item carries a price tag. And there is no credit. Examples include;- Star supermarket Kampala, high way supermarket (Lugazi) Utamu supermarket (Iganga).

CHARACTERISTICS /FEATURES OF SUPPER MARKETS

1. **Operate on a system of open display and self service**
2. **Stock a variety or wide range of goods**
3. **Goods are pre-priced and bear price tags**
4. **Prices are fixed/ not negotiable i.e bargaining is not allowed.**
5. **There is strictly no credit.**

6. **There are numerous exits at which payment is made.**
7. **Trolleys and baskets are provided for shoppers to carry goods.**

ADVANTAGES OF SUPER MARKET

(1) Sell variety of goods to customers.
(2) Have no shop attendant's hence safe guard against unnecessary persuasions.
(3) Time saving because of labeling of item.
(4) Sell cheaply than small scale retail out lets.
(5) Don't offer credit facilities hence safe guard against bad debts.
(6) Enjoy large profits than small retailers.
(7) Have large turnovers (sales).

DISADVANTAGES;

(1) Don't offer credit facilities to customers.
(2) Urbanized and thus neglect rural areas.
(3) Do not offer delivery and advisory to services to customers.
(4) Super markets give room for bargaining.
(5) Time consuming as the customer may visit the entire super markets un knowingly.

CONSUMER CO-OPERATIVES;

This is retail out let which is owned by a number of consumers who elect their representatives who run the stores.

The sales are either restricted to members getting slightly cheaper than non members.

ADVANTAGES

(1) Fixed interest is paid to members who are themselves owners.
(2) Direct buying form producers enables them to sell goods at a lower price to the members.

(3) It enables goods to be brought nearer to the consumers.
(4) Promotes social understanding amongst members.
(5) Members themselves advice on what to buy since they are the owners of the business.

DISADVANTAGES

(1) Little capital gives them no room of expansion.
(2) Management may lack due to lack of business experience.
(3) Decision making may be difficult because of many people involved.
(4) Lack of security to apply for bank loans.
(5) They can not provide a variety of goods to members due to little capital.

MOBILE SHOPS;

Similar to itinerant trade except on the volume of goods held (stock) and means of transport. They also use motorized vans loaded with sizeable quantity and variety of commodities and move from place to place looking for customers. They drive normally in remote areas on agreed days and times. and are well known for selling medicines ice-cream, books, food stuffs, charcoals e.t.c.

ADVANTAGES

(1) Takes goods nearer to customers
(2) Customers know when mobile vans come to their areas.
(3) They don't incur expenses of rent, electricity bill, and water bill e.t.c.
(4) Have physical contacts with the customers

DISADVANTAGES

(1) Incur expenses of fuel, motor repair and maintenance.
(2) High way robbers attack vehicles.

(3) Bad weather like heavy rainfall may affect the business.
(4) Available to customers on limited number of days.
(5) May not be successful where routes are impossible

DISCOUNT STORES.

These are retail shops which sell goods at lower price than other retailers for comparable goods i.e. they sell at discounts. Discount stores eliminate many customers' services such as acceptance of telephone orders, credit, delivery, personal services and expensive furnishing of the departmental stores. This is why they are able to sell at lower prices.

They also operate on self service basis and deal in fast moving items.

VARIETY STORES

These operate in a similar way as multiple shops, but are not restricted to small range of goods. In most cases they are quiet large and offer a variety of goods for sale such as toys, house ware, clothing stationary e.t.c. former foods and beverages in an example of a variety stone.

MAIL ORDER SHOPS

It is a retail operation which receives most of its orders from customers by mail and delivers most of its goods ordered by some means.

Delivery in some cases may be made by mail or by stones own trucks or by contact delivery services. The goods sold by mail include; paper, shirts, magazines, boats, motorcycles, shoes hold appliances, garden implements e.t.c.

These items are listed in the catalogue that is mailed to prospective customers who then order from it.

ADVANTAGES

(1) They are convenient and economical method of shopping.
(2) It ensures privacy and allows retailing of unsuitable goods.
(3) Shopping is convenient i.e. it can be carried at customers own leisure without having to travel to shopping centre.
(4) The use of catalogues enables the customer to company the prices of various commodities and therefore saves him from being over charged.

DISADVANTAGES

- Lack of personnel contact with the seller.
- Only a limited range of goods can be sold by this method.
- The cause failure to effect sales may not be ascertained.
- It's not possible to be in touch with all prospective customers especially those who can not read and write.
- There are heavy costs of printing a distributing catalogues, price list, parceling and postage.
- No room of inspecting the goods like in the other retail businesses before buying.

INSTALLMENT SELLING;

These form of retail trade become very popular in recent years. Products sold on installment or hire purchase terms are usually comfort items and not necessities e.g. furniture, Radios, refrigerators, cars e.t.c.

Goods may be sold on installment in one of the following ways.

1. **HIRE PURCHASE AGREEMENT;**

This means that product remains the property of the seller till all installments have been paid. A buyer is required to pay between 20% to 40% as down payment and balance in a number of installments. If buyer fails to pay any of the installments the seller has a right to repossess the product. The agreement must be in writing and it contains the following;-

(i) List of goods hired.
(ii) The purchase price
(iii) The cash price
(iv) The amount of each installment.
(v) Date when each installment is payable
(vi) Right of the hirer to terminate the agreement
(vii) The owners right to recover the goods incase of failure to pay by the buyer.
(viii) Signature of the buyer and other parties to the agreement.

2. **DEFERRED PAYMENT;**

This means that the product becomes the property of the buyer as soon as the first installment is paid; the seller cannot repossess the product but may sue him in court for unpaid amounts.

ADVANTAGES TO THE CONSUMER;

1. Payment is spread over a long period. Thus enabling low income groups to buy necessities like furniture, refrigerators which they would other wise find it very difficult to buy.
2. The article bought constitutes security for the loan which most people would not otherwise be able to provide.
3. The convenience and comfort is worth the high interest payable.
4. Hire purchases is a form of saving but the savings accumulated in the form of durable goods and not of cash.

ADVANTAGES OF THE SELLER.

1. It enables more people to buy the goods than when sold for cash so the retailer makes more profits.
2. Goods sold on hire purchases carry high prices than goods sold for cash, the differences being the hire purchases interest on additional profit to the seller.
3. As a customer comes to pay his installment, he may be tempted to buy another good.
4. In most cases hire purchases vendors borrow money from banks and other financial institutions but the interest they pay is much lower than the interest they charge their customers.
5. If the customer fails to pay his installment the item can be taken back and sold again.

DISADVANTGES TO THE BUYER.

1. The buyers pay higher price than if he paid cash.
2. He may be tempted to buy something he does not really need or can not really afford.
3. The buyer has less choice and may have to take an article which is not suitable or of interior quality

DISADVANTAGES TO THE SELLER.

1. Book keeping necessary for recording and collecting the installment.
2. The traders need more capital than one who sells on cash basis.
3. The goods can be taken back when are damaged hence can not be sold at a price equal to the remaining installment.

ORGANISATION OF LARGE SCALE RETAIL SHOP;

The retailing is divided into departments

(a) **Purchases department;**

This department is concerned with buying of goods for resale and its often divided into buying store, transport and record section.

Orders are placed by the buying section which retains an up to date list of suppliers, goods are received and held by the store section. They are distributed to the branches by transport section; documents regarding purchases are held and processed by records section.

(b) **Sales department**

This department is changed with the responsibility for sales promotions (Advertising), delivery and consumers service.

(C). **Accounts department.**

This department is further divided into cash ledger and correspondence section.

(d) **Administration department.**

This department co-ordinates, directs and controls the activities of the other departments.

Its also responsible for appointing staff, maintaining their records, dealing with legal matter, drawing up budget formulating polices and costing e.t.c.

RECENT TRENDS IN RETAILING;

Competition and changes in consumer tastes requirements and in technology have led various changes in retailing practices. The most important trends include;-

I **Compound Trading;**

The general stores are well known for its diversity of goods, supper markets, variety stores and departmental stores also sell different classes of goods to meet the changing and varying needs of modern large population.

II **SELF SERVICE RETAILING**

Its one way of limiting retailing cost. It's a process when the customer services himself and does not wait for service except out check points. This saves his time and reduces selling expenses. Under this method the sale of goods are set out on shelves or standards and the customer's walks around picking what he requires and placing them in his basket. He then takes them to the cashier, who checks and bills him up and obtains payments form him.

III **GREATER USE OF CREDITS.**

Most retailers do not only sell goods on cash but also on credits. This is to attract customers.

IV **THE USE OF NOVELTIES**

Some retailers like supper markets, service stations from time to time offer trading stamps, cutting sets, competition for prizes in order to attract customers.

V **THE GROWTH OF DISCOUNT STORES**

Many discount stores are being established to retail goods at below usual prices. These are found in such fields as furniture, house hold appliance, food and drugs.

VI **SHOPPING LOCATION**

With improvements in transport and communication retail shops are not only located in towns but also in rural areas. This therefore means that goods are taken nearer to the customers.

VII **AUTOMATIC VENDING;**

This means selling goods with coin-operated machines to the consumer ,the machine is designed to attract customer's eyes. post office sells stamps by this method, other goods sold in this way are magazines, cigarettes, breeds and soft drinks. This disadvantage of this method is that it sells limited goods.

VIII **CO-OPERATIVES**

It's an association of domestic consumers who have pooled resources to perform particular activity normally they buy goods from the co-operatives and receive shares of the annual profits in proportion to the value of their purchases. This method of retail is becoming more popular in Uganda.

IX **MAIL ORDER SELLING**

This can be described as selling goods by post.

IIX **AFTER SALES SERVICE**

Other retailers increase their sales by offering after-sales service. This promotes a pre-sale incentive; such services include free delivery, installation, and periodic servicing of goods such as lifts, TVs, watches, Radios e.t.c.

IIIX **HIRE PURCHASE AGREEMENT**

Under this arrangement, the buyer only hires or rents the goods till he has finished paying for them. He does not become the owner until all the installments have been paid.

X **BRANDING**

This is the selling of goods already packed under packed under a specific name, symbol design or slogan so that they appear different from other goods of the same type even though they are basically the same ……… is used to identify the product of a particular manufacture.,e.g Colgate, close up, deli dent and so on.

IMPORTANCE OF BRANDING

TO MANUFACTURER

- It makes it easy to introduce the product to the customers
- Sales promotion costs are reduced.
- It increased the volume of sales and hence increased profit.
- There is no need to inspect or check the goods before buying thus saving time.
- Facilitates self service.
- The seller is able to curve out a market for himself among loyal customers and is protected from competitions.

TO THE CONSUMERS

- Branding makes the consumer informed about the products through advertising and frequent buying.
- It makes him assured that the product will be of the same quantity.
- Saves time which should be wasted in studying and comparing goods before buying.
- Customers can serve themselves and this speed up shopping

ADVANTAGES OF BRANDING.

- It enables people to buy what they want quickly.
- Branded goods are easy to advertise.
- Branded goods are uniformly packed and hence easy to handle by a customer.
- The retailer is saved from the trouble of weighing the goods to individual customers.
- They usually have uniform price when ever they are sold

DISADVANTAGES OF BRANDING

- Cost of branding is high which makes the final price of a commodity high.
- Since prices are fixed (uniform) it may not be possible for a retailer to offer discounts.
- A retailer has to stock many brands in order to capture a wide range of customers. This requires large capital.

PRE – PACKING;

This involves selling of products already wrapped in special containers in order to protect from atmospheric conditions especially, providing and contamination for e.g. orange squeeze, fish, and tomato source, beans, bread e.t.c.

AIMS OF PACKING

(1) To protect a favourable product image.

(2) To attract customer’s attention, holds their interest and build up desire to buy.
(3) To enable the buyer to identify and handle the product easily.
(4) To protect the product against damage, contamination, evaporation, chemical change, prefer age and other defects.

ADVANTAGES OF PACKING

- Well packed goods are easy to handle.
- Goods are protected from atmospheric contamination.
- They can easily be identified by the buyers.
- Can be sold by the use of main order service.
- Well packed goods can be sold by automatic machines
- Goods packed protect favourable image and may attract customers buying them.

DISADVANTAGES OF PACKING

- Packed goods mislead the customers i.e. they appear bigger than their actual sizes.
- Packed foods are usually expensive.

RESALE PRICE MAINTENANCE

Is a system where a manufacturer fixes the price at which the retailer has to sell his products.

LOSS LEADER POLICY

A retailer may opt to charge for a fast selling item a price below the cost price.e.g sugar if the price is shs 4000/= he may decide to charge shs 3500/=. Customers will be lured to buy sugar at a low price. In process they end up buying other goods.

GOOD WILL:

In case of selling already existing business firms the buyer will be required to pay for the assets, sometimes even for good will. Good will is the loyalty and “rapport” the outgoing owner of business has already established with old customers.

CUSTOMERS REQUEST.

Is a recent move by retailers to get to know what the customers require to be stocked

AUCTIONING.

Under this, goods are assembled in front of potential buyers and taken by the highest bidder. It's the system commonly used in fund raising occasions for schools, churches e.t.c.

TENDER

Is a document indicating description of goods and prices? The intending supplier can give them to the buyer before supplying the required goods.

WHOLE SALE TRADE.

A wholesaler is a middleman between the producer and the retailer. Industrial users or government users. He is a business who pays products in large quantities from the original manufacturer and sells in relatively smaller quantities to retailers, industrial users and governments' users.

WHOLE SALING AND THE WHOLE SALER

The difference between wholesaling and wholesaler is that a wholesaler is a trader carries out wholesale trade only whereas wholesaling is the activity which may also be carried out by other business.

To perform a wholesaling function is not equal to being a wholesaler.

CHAIN OF DISTRIBUTION

This is a path which the products follow from the producers to the ultimate consumers.

It consists of a set of business entities like wholesalers, retailers, agent middlemen, transporters e.t.c.

However the common channels include:-

(1) The manufacturer may sell his products to a whole seller or a large scale retailer - Both cases involve large quantities.

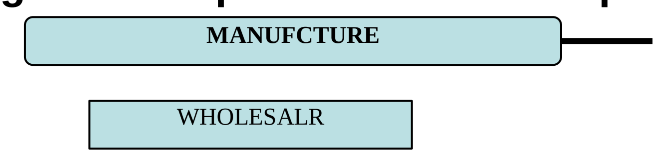
(2) Some manufacturers may operate their own retail out lets which sells goods directly to consumers or small scale retailers and then to customers.

(3) The wholesaler sells goods to retailer. The quantity sold to retailers is relatively smaller than the quantity the retailer would sell to consumers. Usually small scale retailers would by from wholesalers but some large scale retailers may also get supply from him.

(4) Small scale retailers may buy their suppliers from large scale retailer or producers retail out let.

(5) The retailers sell goods to consumers.

Below is a diagram to explain the above steps.



FUNCTIONS OF WHOLESALER:

1. It provides a link between producers and retailers.
2. Breaks bulk into small and affordable quantity for retailers.
3. The speed at which manufacturers churn out their goods makes it difficult for them to hold their stock for longer than short period of time. A retailer on the other hand can not store a large quantity. This problem is solved by wholesalers who own largely warehouses.
4. Certain commodities like agric. Products are produced once or twice a year. But the demand for them is steady through out the year. Therefore wholesalers buy in large stores to ensure steady supply for them.
5. He prepares goods for sale e.g. Blends, packing, branding e.t.c. in convenient quantities.
6. They buy in large quantities and in cash basis which enables producers to continue producing.
7. Wholesalers play an important role in keeping prices stable. This he does by ensuring steady supply of goods which he releases when required.
8. Wholesalers extend credit facilities to retailers who have little capital and thus assume opposition of a financier.
9. Officers transport service from the producer's factory to his warehouse and from
his warehouse to the retailers place.

FUNCTIONS/SERVICES OF A WHOLESALER TO THE PROUCER.

- Financing products.

By buying in large quantity and paying promptly the wholesaler provides the manufacturer with funds for mass production. Thus the producer's money is not locked up in finished goods.

- Minimizing storage expense and risks of loss:

By taking away commodities quickly and maintaining their own warehouse, the wholesalers reduce the manufacturer's expenses and minimize their possible losses that might result from goods being stolen, damaged e.t.c.

- Minimizing market expense;

Whole salers reduce the manufacturers expenses such as transport cost, Advertising, market research, sales men's, salaries e.t.c.

- Provision of promotional material and service;
  Wholesalers complete some of the finishing operations grinding,
  Advertising, window display e.t.c.
- Price maintenance;

By regulating supply from their warehouses wholesalers enable producers to keep prices of the products fairly stable.

- The structure of modern commerce relies hearly on the principle of specialization.

A wholesaler is a specialized trader and a producer specialized producer. If the latter assumes the responsibilities of the former, the result would be a drop in the overall efficiency in distribution of goods.

- Information;

A wholesaler is in a better position to judge what is demanded and provides relevant information or advice to the producer about the state of the market. (I.e. changes in demand, competition, packing requirements) than would the retailer.

WHOLESALERS FUNCTION

TO THE RETAILERS;

1. He assembles goods purchased from various manufacturers and breaks them in reasonable quantities according to the requirements of the retailer.

2. He saves the retailers valuable time, transport and packaging expense.
3. By buying from several producers, wholesalers, provides retailers with a variety of choice and brings the goods nearer to them.
4. Goods are normally delivered promptly from wholesalers than from producers.
5. Wholesalers always allow retailers long period of credit. Thus enabling them to sell goods before paying for them. This reduces the amount of capital required by retailer.
6. Wholesaler offers pre-packed goods, grades and prices the goods ready for sale.

This reduces the retailers work and enabling him to serve his customers more quickly.

7. They keep retailers update with sales models, designs, trends and gives advice.
8. Wholesaler stores the goods for retailers and those economies storage space, reduces the risk of losses through unsalable stock and regulates the price of the goods.
9. Sometimes the wholesalers deliver the goods to the retailer premises and cuts down the retailers transport costs to his premise.

WHOLESALER FUNCTION TO THE PUBLIC COSNUMER.

- Wholesalers are classified according to specialization of work goods offered by them and according to the areas served by them.

They include:

- NATION WIDE WHOLESALER.

Operates on large scale than other wholesalers and have depots in major shopping centres of the country. And sell a variety of goods and services thus it has advantages of bringing goods nearer to the people e.g. Bata Shoe Company.

- REGIONAL WHOLESALERS

These are found in particular trading area. They may sell a variety of goods and services or selected range of goods.

- MERCHART WHOLESALER

These are wholesalers who buy goods from a producer to sell to the retailer, industrial users, government's users; they buy in their own names, take title or ownership of the goods and assume the risks of financial loss. If they are unable to sell them. There are two types of this wholesaler.

- SERVICES WHOLESALERS

These are wholesalers who provide their customers with a wide range of wholesaling service such as holding goods, giving advice, making deliveries, extending credit and providing regular visits by their salesmen.

- GENERAL MERCHANDISE WHOLESALER

These deal in several un related/different lines of goods such as furniture, food stuffs, hardware, electrical suppliers, drugs e.t.c. these are wholesalers who specializes in supplying a particular type of product rather than a complete line, e.g. of specialty wholesaler is beer wholesaler soft drink dealer e.t.c.

- LIMITED SERVICE WHOLESALER;

This performs only a few of the usual wholesaling functions.

A limited service wholesaler may even avoid handing and storing of goods by dealing with shipments direct from the producer to the consumers. This group of wholesalers includes:-

(a) Truck wholesaler or wagon jobbers

These carry a limited range of stock and combine selling, delivery and collection function in one operation. The truck distributer carries with him on his truck a particular line of merchandise and delivers the goods as he receives the orders from the various retailers.

(b) RACK JOBBERS

This specializes in supplying a certain line of goods to certain type of retail stores. They deal mainly in non food items such as books, magazines, greeting cards, house wares e.t.c. which they supply to super markets and other retailer outlets.

© CASH AND CARRY WHOLE SALER

They expect retailers to come to their shop or ware house, pick what they want, pay cash and carry their own purchases. They give no delivery services and the little credit to their customers and deal in limited range of fast moving goods.

(d) **DROP SHIPPER/BEST JOBBERS**

This is a wholesaler who avoids storage and handling changes by accepting only orders which can be shipped directly from producers to consumers. Such wholesalers are found in lumbering, building materials, farm products and petroleum products.

(e) **GENERAL LINE WHOLESALERS**

This concentrates on single line goods but may also handle goods closely related lines. A general line wholesaler may for example handle furniture, hard ware and electrical supplies and another may concentrate on drugs e.t.c.

Factors determining the number of wholesalers in a particular business.

- Demand or market is served.
- Producer’s outlets/financial position of producer.
- Branding/ standardization of goods.
- Transport and communication
- Nature of goods.

MIDDLEMEN

These are wholesalers who act purely as agents for the producers. They don't purchase the goods they sell but sell on behalf of the producers. Their major function is to connect the producers to consumer

TYPES OF MIDDLEMEN

1. **BROKERS**
   A broker is an agent who represents either the buyer or the seller in negotiating a purchase or sale without physically handling the goods involved. The main work of a broker is to bring together a seller and a buyer. He is paid a brokerage either by the buyer or seller which ever principle.
   They specialize in particular goods or services e.g. insurance brokers, taxi brokers or in marketing of farm produce such as coffee, cotton e.t.c.
2. **FACTORS OR COMMISSION AGENTS;**
   He is an agent who sells goods in his possession and under his control on behalf of his principle. For this marketing services he receives a commission on sales (salesmen's commission) e.g. spear motors ltd.
3. **DEL CREDERE AGENT**
   The del credere agent is employed to sell goods for his principle and also guarantees the solvency of the buyer. He receives an additional sum known as Del credere commission.
4. **MANUFACTURES AGENT**
   They act as salesmen for products in areas where it would be an economical for the producers to employ their own salesmen. And they usually represent several uncompeting manufactures selling one or more of their products in their individual areas.
5. **MERCHANTS**
   These are home based traders who buy, take title to goods or services and resale the goods in their possessions. E.g.

retailers and wholesalers who take title to the products they sell.

6. **EXPORT OR IMPORT AGENTS**

These contact buyers in foreign markets. They advise their principle as to how an order should be packed, labeled and shipped to the foreign customer and receive a commission on the value of sale. Import agents act on behalf of foreign producers and merchants and receive commission for any goods imported and sold in their country of operation.

7 **CLEARING AND FOREWARDCING AGENTS;**

These are middlemen who deal in services of delivering the goods on behalf of others e.g. interfrieght (u) ltd, Tran's ocean U ltd.

ADVANTAGES OF MIDDLEMEN

1. They advertise goods (manufactures products)
2. Since they pay for the goods on cash basis, they enable the manufacturer to continue production.
3. They offer storage facilities for the producer's goods.
4. Middlemen also provide advisory services to the customers on how to use and handle certain goods e.g. drugs.
5. They further transport for the goods purchased from the manufacturer.

DISADVANTAGES OF MIDDLEMEN

1. Middlemen over charge consumers in order to earn high profits.
2. They usually credit artificial shortages of goods and services by hindering them. This makes the customers to pay higher prices for them than the actual price.
3. Middlemen also duplicate or dilute the good they offer to the public and thus making the consumers to buy substandard goods such as liquids, clothes, milk e.t.c.

4. Middlemen are also well known for selling expired or out dated or defective goods to customers. This is in most cases very dangerous to people's health e.g. drugs.

ELIMINATION OF MIDDLEMEN.

It's sometimes argued that some middlemen are un necessary and could be dispensed with leaving only the services of the producers and retailers.

1. In such a situation the producer may sell his produce to the ultimate user. This is when the market is small or local.
2. Situations where the producer sells through the mail order system in which case the service of middlemen is not required.
3. Where larges scale retailers e.g. supermarkets, departmental stores and multiple shops find it economical to buy directly from producers.
4. Also where producer wishes or desires to offer after sales services for his own reputation he may sell directly to retailers/ consumers e.g. electric installation, spare part dealer's e.t.c.
5. Where the producer set up his own retail outlet, the service of middlemen is undesirable.
6. Where the demand is seasonal and the rate of turn over is low, wholesalers function becomes less valuable e.g. in furniture workshop, musical instruments e.t.c.
7. Selling through consumer co-operatives where consumers have formed co-operatives. Movements, they usually buy directly from the producers and thus eliminating the service of middlemen.
8. Provisions of direct services where producers deal directly with consumers e.g. doctors, teachers, hair dresses e.t.c.
9. quantity purchases by organizations like schools, hospitals and other governments institutions who prefer to deal directly with the producers

10. Sales by contact producers normally deal directly with consumer e.g. setting up a building, road construction e.t.c.
11. Branding and packaging: development of pre-packed and branded goods has enabled producers to advertise their goods. So enabling consumers to buy directly form the manufacturer.
12. This does not mean that the service of wholesalers and other middlemen are unnecessary, what happens is that when the producers sell goods directly to the retailer or consumers which has to make him be performed by retailers to make him more meaningly and earn him more profit.

WHOLESALERS WARE HOUSE.

Warehousing is a name given to the "protection afforded to goods when they are not required"

ORGANISATION OF WARE HOUSING.

The organization is based into two major sections; hence administration section has two departments (whole the specialized section has three.

The activities of each department are outlined below.

1. **ADMINISTRATIION DEPARTMENT**

This department is further divided into two i.e. secretary and accounts department.

a). **SECRETARY DEPARTMENT**

It's headed by the secretary or office manager and it handles all correspondence, records legal affairs and personal matters.

It's the duty of this department to;

(i) To maintain stuff records.
(ii) Appoint stuff members or advise him and the proprietor on their appointment.
(iii) Keep up to date with correspondences
(iv) Main the necessary files.

(v) Advice management on matters of legal importance e.g. company registration divided e.t.c.
(vi) Arrange for training of personnel.

b).ACCOUNTS DEPARTMENT

It's headed by the chief accountant and handles all the accounting work.

Other activities include

(i) Preparation of invoice and statements to be sent to customers.
(ii) Receiving and affecting payments on behalf of the business.
(iii) Budget preparation of final accounts at the end of the trading period.
(iv) Ensuring that all financial commitment of the business made or met.

2 .SPECIALISED DEPARTMENT

This department is further divided into three sub department namely.

(a) **Purchase Department**

It's a department headed by a purchase manager and many have several departments depending upon the range of goods handled by the business.

Its general functions include that of

(i) Maintaining stores records.
(ii) Packing blending, branding goods.
(iii) Receiving goods from suppliers.
(iv) Placing orders with suitable producers
(v) Maintaining a list of regular suppliers.

b). SALES DEPARTMENT

It’s headed by a sales manager and may be divided on the same sections as the purchase department. It’s an important department mainly responsible for the profitability or otherwise of the business.

duties of sales deprtment:

(i) Maintaining regular sale free, arranging for its training
(ii) Entering strict credit control
(iii) Receiving orders from customers
(iv) Maintaining a list of all regular customers classified according to areas, credit worthiness or departmental section.
(v) Arranges transport of goods from warehouse to retailers promises.

C).SALES PROMOTION DEPARTMENT

It’s headed by sales promotion department manager and is responsible for;

- Attending to customer complaints among others
- Participating in trade shows and fairs
- Handling all advertisement.
- Printing catalogues and price lists.
- Arranging for special demonstrations of goods offered by the business.

DOCUMENTS USED IN HOME TRADE.

All commercial transactions are involved to movement of two things between to the seller and the buyer.

(1) Movement of goods and services.

A transaction is any dealing between two parties that involves a transfer of goods or services from one of them to the other for a consideration

I **Cash transaction**

This involves paying cash for the goods/services as soon as they are handed to the buyer and it's the most commonly used in home trade

II **Credit transaction**

Is a system where the buyer takes the goods or services from supplies without the actual payments for them? But promises to pay for them as soon as possible.

The sooner a debtor pays the lower will the price be.

III **Commercial transaction**

This takes place when a trader sells goods meant for resales to another trader.

This is normally between wholesalers and retailers.

Many suppliers offer a trade discount to their customers to make a reduction in the original price charged.

Trade discount is charged for the following reasons

1. To enable the retailer to get done profit after selling goods to customers.
2. To encourage traders to buy in large quantities from suppliers.
3. To encourage people to buy new items on big days like x-mas, Idi day e.t.c.
4. Trader discounts are sometimes offered to reduce the high price changed in the catalogue.

Unlike trade discount, cash discount is offered for prompt payment. However for any transaction to succeed the following documents are used.

1. **INQUIRY**

Is a verbal or written request by a prospective buyer to the seller sacking information regarding the goods and services available for sale.

The inquiry may be by telephone, telex, letter or any other means of communication. A person may send several inquires to various suppliers such that he selects the lowest price.

An inquiry will ask among other things brands, grades, quantities, price, terms of payment and delivery.

2. **THE QUOTATION**

Is a reply to the inquiry? Its sent by a seller to a prospective buyer and may be defined as an offer to sell certain goods at a given price under certain conditions.

It contains the details of the goods asked for and may take the following forms.

(i) **Catalogue?**

Is a booklet containing a list of goods, their descriptions, illustrations and their prices.

(ii) **Price list**

It's a paper containing the types of goods or services and their corresponding prices as they are at the supplier's premises

(iii) **Price current**

It's a paper that gives the price in force in a certain date. Time and again. It has been noted that the price of certain goods or services tends to either rise a fall.

This therefore causes changes in the original price in the catalogue known by the buyer. In this case a price current may be sent to show the buyers the prevailing price at the time.

(iv) **Samples**

Some customers sent samples to prospective buyers. A sample is an item representing the exact items a supplier has in his warehouse or stock e.g. textbooks, new fashions of cloth tapes e.t.c.

(v) **Estimates**

This term is used by suppliers of items requiring skills of craftsmanship e.g. house construction, Road construction where costs can not easily be determined but just estimates that after completion of this work, there the exact amount may be determined.

(vi) **Tender**

Sometimes buyers may advertise for tenders to supply the required goods. The reply to such an advertisement is a tender. This states the details and conditions of sale and the mature of goods to be supplied. Sometimes samples may be required to a company the tender.

3. **ORDER NOTE**

After a buyer receiving a quotation, he examines and selects the goods or services he/she requires and then sends an order. An order states the type of goods enquiry, quantity, quantities and price, an order is a request from the buyer to the sellers, requiring the seller to supply the specified goods. Its normally written in duplicate, such that the original is sent to the supplier and duplicate kept by the buyer.

4. **CASH OR CREDIT**

At this stage the seller takes a decision whether to sell for cash or extend credit facilities.

If he decides to refuse credit, the following alternatives are available;

(i) Cash with order (C.W.O)

Here the buyer sends money along with the order.

(ii) Cash on delivery (C.O.D)

Is the seller collects money when he delivers the goods. It's also applicable when goods are sold through mail order system.

(iii) Spot cash

Here the buyer pays for the goods as he collects them from the seller's premises.

5. **CREDIT STATUS INQUIRY**

This is the hypothetical letter written by the seller to him in the field.

The seller may send the inquiry letter to the following sources to get confident report on the credit worthiness of the customers

Sources of the confidential report.

- To the buyers bank.
- To other suppliers.
- To other customers
- To the buyers trade association

6. **PROFORMA INVOICE**

The word pro-former means "for forms". It's a document send by the seller to the buyer, indicating the terms and conditions under which goods have to be supplied. It similar to an ordinary invoice except that it's normally sent to new aspiring customers, it's sent due to the following reasons.

(1) When the customer does not want to risk with the new buyer proforma invoice is sent to inform the new buyer that goods should be paid for before they are sent.
(2) If the quantity ordered is small. It will require the customers to pay cash because it's a waste of time and paper to open up an account.
(3) If samples are sent in quotations the suppliers may send a proforma invoice telling the buyer to pay for them if they are to be retained
(4) It may be send instead of a quotation.
(5) It may be send with goods to be sold under sales or reform basis

7. **ADVICE/DISPATCH NOTE.**

When the goods ordered are ready, the supplier sends an advice note to inform the buyer that the goods have been sent or are almost on their way.

9. **CONSIGNMENT NOTE**

Is a transport document used when the wholesaler engages transport other than his own? Thus the railway co-operation or road Transport Company requests the wholesaler to complete a consignment note giving those instructions concerning delivery of the goods.

10 **PACKAGE SHEET**

This is usually sent together with the delivery not. It shows the list of goods packed. In particular containers.

11. **INVOICE**

When the supplier sends goods to the buyer he sends an invoice to a company them. The invoice contains the details about the quality, quantity, price and terms of sales, means of delivery e.t.c.

Its written in duplicate, the original is sent to the buyer an the duplicate is retained by the seller.

PROCEDURE ON RECEIPT OF INVOICE

On receipt of an invoice from the seller, the buyer will take the following steps;

1. Verify it with a copy of the order placed to insure that he has been invoiced correctly.
2. Check the price, trade, discounts allowed to ensure that no over change has been made.
3. Check the calculations and arithmetical accuracy of the invoice viz totals, multiplications, percentages e.t.c.
4. If found to be correct in respect of the above, it’s passed to the accounts department to process payments.

(b) **DICREVANCIES IN INVOICE**

If an invoice upon checking if found in correct the buyer takes appropriate steps to ensure that he pays only correct amounts.

An incorrect invoice may result into either an overcharge or an undercharge. In such a situation errors invoicing are corrected by means of credit and debt notes.

DEBIT NOTE.

This is sent when the buyer has been undercharged. It shows how much more he is to pay and the reason why. Thus the seller may ask him to pay more because more goods were sent than ordered.

Prices were sent or wrong calculations were done.

CREDIT NOTE:

This records shortages on delivery or overcharges, in the invoice resulting from miss calculations or sending goods of how grades and price. Also some goods may be damaged. In transit and returned or returned for other reasons.

12 **STATEMENT OF ACCOUNT**

Sent by the suppliers to the buyer requiring him to pay for goods he took on credit in a given period of time usually one month.

It consists of;

- The unpaid balance from the previous month if any.
- List of invoices (and amounts due against them) during the month.
- Valves of particulars, items bought on credit.
- Total valve of credit notes issued during the month

- Some payments made during the month.
- Amount due at the end of month

RECEIPT

As soon as the statement is sent to a buyer, he should pay the amount to the buyer.

A receipt is an official acknowledgment that money has been paid for the goods or service. Its issued by the supplier to the buyer.

UNEB 2000

QN Start the functions of each of the following documents used in home trade.

Out line any five factors influencing the distribution of goods and services.

METHODS OF PAYMENT IN HOMETRADE.

1. **CASH:** Most common means payment for the goods and services. This is by the use of bank note and coins. And its used in settlement of debts e.g. shopping, traveling on buses, attending places of entertainment e.t.c.

The cash payment may take the following forms.

Cash on delivery (C.O.D)

This is when the customer is placing an order for the goods or services; he may be required to send the money for what is ordered. It's commonly used in mail-order business.

Spot cash

This refers to paying for the goods or services immediately they are handed over to the buyer.

It's a system used by most shop keepers who sell goods across the counter.

POST OFFICE PAYMENT

(i) **POSTAL ORDERS;**

Is a method for payments of small amounts through the post office between people? It’s a printed document addressed to the post master, instructing the post office to pay appropriate amount (sum) to the person named. (the payee) and is used with in the country of issue postal orders are valid for six months and after that it must be investigated before payment is made.

(ii) **Money orders**

Is issued for payments of large amounts than postal orders and are issued in fixed amounts.

Many orders are purchased from post offices in the same way as postal orders. And its payable to the payee by the nearest postal office

The payee is required to identify himself and the name of the person who sent the money order.

Unlike postal orders, money orders are payable at specified post office. May be crossed i.e. payable through the bank account.

(iii) **Telegraphic money order.**

Consists of money orders transmitted quickly by telegraph. The purchase fills in requisition form writing the words “by telegraph” across it and receives a certificate of issue. The telegraph order is then transmitted to the post office nearest to the payee for payments.

PROBLEMS FACED IN HOME TRADE

These are a number of problems experienced in home trade that prevent traders not only from maximizing profits but also from providing the type of magnitude of service to their customers.

1. **Lack of capital** There in adequate capital both for initial investment and expansion. This leading to additional costs e.g. items of rent also hampers the day to day running of the business.
2. **Small scale operation** Principally due to lack of finance, most traders operate on a very small scale which means they can't buy their goods in large quantity and offer limited stock and failed to expand.
3. **Poor transport and communication** This is especially in rural areas where people have to take several days or hours waiting for suppliers and coupled with inadequate financial resources, frequently forces traders to run out of stock.
4. **Lack of training.** Most people who enter the business world thinking it's a simple give and take affair soon discover they are all in equipped to handle trade effectively as they lack the basic knowledge as stock control, book keeping, selling techniques e.t.c.
5. **Lack of market.** In Uganda most consumers are poor and therefore tend to buy less or nothing at all.
6. **Fear of risks.** Man entrepreneurs in Uganda fear the risks involved in business and has limited the level of business activity.
7. **Political instability (insecurity).** Insecurity in some areas especially North has limited the level of business activity.
8. **Legal formalities and Documentation.** There for many requirements before one starts the business such as trade license, registration e.t.c. these have reduced the possibility of business expansion.
9. **High prices.** The high prices due to inflation have made the number of customers to remain small.
10. **High interest rates.** The high rates of interest charged by the financial institutions (bank) have made it difficult for potential traders to get loans and expand their trading operations.

11. **High taxes by government.** High taxes on business enterprises have also reduced the level of production and trade.
12. **Lack of land especially in urban areas.** Has limited expansion of business enterprises.
13. **Competition among traders.** The number of traders in Uganda is high

INTERNATIONAL TRADE:

Refers to the buying and selling of commodities between or among nations. It can be carried out by individuals, companies or government.

It involves the physical transfer of goods or services from one country to another. And it's divided into:

(I) IMPORT TRADE

Is the purchase of commodities from another country.

(I) EXPORT TRADE

Is the sale of commodities to another country

REASONS FOR INTERNATIONAL TRADE

International trade arises out of specialization which results into surplus goods and the need for exchange.

It's therefore acceptable that:-

- No country can produce all that it wants and therefore exchange.
- Different climatic condition has also given rise to international trade i.e certain crops may grow well in one country; it may not do well in another.
- Need to expose off surplus commodities.
- Need to promote international relations.
- To get foreign exchange to pay for what is imported
- Differences in cost of productions. This is byway of different, wages, costs of labour and raw materials e.t.c.

- Different natural endowments have also given rise to international trade.

TERMS COMMONLY USED IN INTERNATIONAL TRADE

(a) **BILATERAL TRADE**

Is trade carried out between two (2) countries e.g. Kenya and Uganda?

(b) **MULTI-LATERAL TRADE**

Is trade carried out between more than two countries?

© **VISIBLE TRADE**

This is trade in goods, it's called visible because it can be verified by customs official s. the difference between visible export and imports is called visible balance of trade

(d) **INVISBLE TRADE**

These include intangible services which don't pass through customs warehouses; they include transport, insurance, tourism, travel e.t.c. The difference between invisible exports and import is called invisible balance of trade.

BALANCE OF TRADE.

Is the difference between visible imports and visible exports of a country when countries imports exceed exports it's called unfavorable balance of trade.

BALANCE OF PAYMENT

It shows the relationship between a total expenditure abroad (both for visible and invisible goods) with total income from a broad in a given time (usually one year).

When accepts (income) exceed payments the difference is called balance of payments surplus or favourable balance of payments and when a country pay more than it receives the difference is balance of payments deficit or unfavourable balance of payments.

TERMS OF TRADE.

Is the measure of import purchasing power of exports.

RATE OF EXCHANGE

Is the rate of local currency over foreign currency or the value of one currency in terms of another e.g. Uganda shillings in terms of the us Dollar.

ADVANTAGES OF INTERNATIONAL TRADE

1) It enables countries to get what they can not produce due to lack of technology, manpower and other resources.
2) It enables people in one country to have a variety of goods.
3) It encourages specialization which leads to increased output and decrease in price.
4) Allows competition between domestic and foreign industries and thus improvement on quality of locally produced goods.
5) Provides market for surplus products and encourages countries to exploit their idle resources.
6) It creates employments to home people.
7) Encourages exchange of ideas and values on an international level.
8) Where there is shortage for instance after the war, natural disasters like landslides, earthquakes, people can survive on imported goods.
9) It generates governments revenue informs of import and export duties.
10) Domestic entrepreneurs are able to acquire skills from high quality modern technology from developed countries.
11) It involves the movement of people of one country to another which promotes international understanding.

DISADVANTAGES OF INTERNATIONAL TRADE.

1) Countries exchange of goods leads to exhaustion of some resources e.g. forests, minerals.

2) If a country depends on another for an important commodity, it may sometimes have to tolerate undesirable conditions.
3) Importation of goods normally retards domestic growth of infant industries.
4) International trade may result into (B.O.P) Balance of payment problems.
5) It leads to imported inflation.
6) Price fluctuations may make a country to suffer if the price of its product fall.
7) Handling charges, taxation, warehousing and freight charges make the final price of imported goods very expensive
8) Some of the imported goods have adverse effects on the citizens of a country e.g. detective and romantic literature usually affects the youths by converting them into day dreamers.
9) International trade encourages dumping.
10) By specializing in a particular product (goods) a country may become monopolist in that particular product. This will lead to high prices.
11) International trade makes developed countries richer and developing (3^{rd} world) countries poorer. This is because (3^{rd} world) countries produce low quality primary products whose prices have always remained low e.g. cotton, coffee e.t.c.
12) International trade encourages consumption of expensive luxury goods like dolls, key holders, lipsticks which are not necessities to consumers, such goods require a lot of foreign exchange to import and takes large percentage of consumer's expenditure and more so tends to erode the morals and cultural values of the importing country.

DOCUMENTS USED IN FOREIGN TRADE

1. INQUIRES AND QUOTATION

An inquiry originates from the producer/seller asking about the availability of the goods, price and terms of sale.

2 .QUOTATION

Is from the seller to a prospective buyer on reply to inquiry.

3. INDENT

Is an international order addressed by the buyer to the supplier? And it contains the details of goods required, date of delivery, and method of packaging, shipment instructions and any other relevant information.

An indent is of two types;-

a). **OPEN INDENT**

Is an order whereby the selection of goods is left in the hands of a chosen agent? I.e. no name of supplier is mentioned

b). **CLOSED INDENT**

Is an order whereby full details of the exact goods required are given, their prices and the names of suppliers are mentioned.

4. CERTIFICATE OF ORIGIN

Is a document that stipulates the source of the goods. This helps in assessing the duties accurately. Since countries fall with in the regional integration whereby they are privileged to enjoy the benefits of free trade e.g. P.T.A. countries, or reduced trade charges.

5. CONSULAR INVOICE

Is a document that accompanies the goods being exported, it’s sealed and signed by the embassy of the country to which the goods are being exported.

FUNCTIONS

- It ensures that the goods are reasonable priced.
- It helps to discourages dumping.
- Helps to avoid imported inflation.
- It ensures that undesirable goods do not enter the country.

- Helps to speed up the delivery of the goods in case of congested ports.

5. BILL OF LADING (B.O.L)

It's issued by the ship owner in triplicate (3 copies) one copy to the exporter one to the importer and the 3rd retained by the owner of the ship.

FUNCTIONS.

- It's an agreement between ship owner and exporter to carry the goods to the destinations.
- It's a document of title to the goods.
- It is an official receipt for the goods shipped.
- Shows terms and conditions under which the shipping company has accepted the business.

EXPORT LICENCE

It is a document issued for the export of certain cargo.

(i) To limit the outflow of scarce resources especially foodstuff.
(ii) To control export of ammunitions and other arguments.
(iii) To preserve the national heritage incase of artwork and designs.

7. **AIRWAY BILL**

It's a contract between the importer and the airline company for goods transported by air. It is similar in a form to bill of landing except it is not negotiable i.e. title to it cannot be transferred to another person.

8. **SHIPPING NOTE (S.N)**

A shipping note is issued by the owner of the ship giving particular and conditions of the goods shipped.

9. **CALLING FORWARD NOTE (C.F.N)**
   This informs the export when the goods should be at the dock (loading place for ships) needy for loading.
10. **WEIGHT NOTE (W.N)**
    It is a document which states the weight and measurements of goods delivered at the dock.
11. **FREIGHT NOTE**
    This shows the cost of transport from one point to another.
12. **LETTER OF CREDIT.**
    It means by which an importer obtains credit and the exporter gets an assurance of payments of amounts due to him. i.e. the importer gets a letter of credit from the bank which he issues to the exporter since it gives an assurance of payment of money specified. The letter in otherwise signifies that the issuing bank will pay to the corresponding the amount stated there in provided the exporter meets certain conditions.
13. **LETTER OF HYPOTHERCATION**
    Is a letter from an exporter to his bank authorizing the bank to sell goods being exported for the best price it can get if the bank can not obtain payments on bill of exchange drawn on the importer which is already discounted for the exporter should the bank receive less money from the goods, the deficit is met by the exporter. Likewise the surplus from the sales is transferred to the exporter.

BARRIERS IN INTERNATIONAL TRADE.

REASONS FOR PROTETIONISM

International trade is always restricted in order to check the disadvantages and it’s due to;-

1. Protection of infant industries from foreign competition until they are large enough to enjoy economies of scale.
2. Anti-dumping argument, dumping, means selling surplus commodities in foreign countries at a price lower than that at home. Countries do this to expose off surplus goods and to maintain high prices at home such cheap goods discourages industries in countries where they are dumped.
3. Restrictions are necessary for national security e.g. if trade involves importation of arms.
4. Tariffs or taxes charged on imported goods serve as government revenue.
5. Employment argument imports discourage production and therefore reduce employment opportunities.
6. To check imported inflation.
7. To improve balance of payments position of a country.
8. Health purpose e.g. restrictions on importation of animal products from countries affected by diseases e.g. china with chicken fuel, Britain (mud cow diseases) e.t.c.
9. Reduction of dependence and to encourage investors in the country.
10. To develop import substitution strategies so that a country can produce what it has been importing.

ARGUEMENTS AGAINST PROTECTIONISM.

1) It allows in efficient (high cost) firms to remain in business. This leads to resource misallocation.
2) It shelters industries away from competition as a result they don’t improve on the quality of their products.

3) Tariffs on raw materials end up increasing the cost of production.

TOOLS FOR PROTECTIONISM (METHODS)

In practice there is no free trade.

Trade restrictions are imposed on imports to reduce their volume of flow in the country. This tools include;-

1. **QUOTAS**
   This is the fixing of the physical quantities or value of commodities to be imported in the country.
2. **TARRIFFS**
   These are taxes on imported or exported goods. Import taxes increase the price of imported goods and this reduces their demand in the country, these taxes are of two types.

(I) **ADVALOREM TAX**

Is a tax exchanged on the value of the commodities e.g. value added tax (V.A.T)

(ii) **SPECIFIC TAX**

Is a tax charged on the volume of commodities.

3. **FOREIGN EXCNAGE CONTROL**
   The government can do reduce the amount of foreign exchange allocated for of goods and his restricts their demand in the country.
4. **TOTAL BAN**
   Refers to prohibition of importation of some commodities by law e.g. arms, opium, phonographic films e.t.c.
5. **DEFLATIONARY POLICY**
   Involves reduction of liquidity in public hands which checks on the domestic demand. This can be done through fiscal policy i.e. increasing taxes and reducing government expenditure.
6. **DEVALUATION**
   Refers to reduction of the value of the currency in terms of other currencies. This makes foreign exchange more

expensive and hence leads to increased prices and a reduction of imported goods.

7. **IMPORT LICENCES**

   This may be issued to a few importers or issued at a high price for importation of certain commodities.

8. **TRANSPORT DISCRIMINATION**

   For example trains may charge more money on imports than on exports. This is to discourage imports.

9. **SUBSIDIES.**

   The government can offer financial assistance to home based industries to enable them complete favorably with foreign goods as far as prices are concerned.

   A subsidy may be offered so that the market price of locally produced goods lowers than that of similar imported goods. Eventually people will prefer to buy cheap local goods and ignore imported ones, thus discouraging imports.

10 **SANITARY REGULATIONS.**

   Under this the government may decide to introduce medical standards to be reached by certain commodities before they are imported into the country e.g. foodstuffs and medicines.

DIFFERENCES BETWEEN FOREIGN TRADE AND HOME TRADE

HOME TRADE	FOREIGN TRADE
- Internal trade of a country. - Has small market - Uses local currency - Carrying market research is cheaper - Wholesalers and retailers are involved - Goods are subjected to excise duty - Roads and railways are used to transport goods - Goods are kept in wholesalers warehouse - Uses local media to advertise goods - Its possible to carry after sales service.	- is the external trade - has large markets - uses foreign currency - carrying market research is expensive - involves importer and exporters - goods are subjected to customers duty - goods are transported by air and sea - goods are kept in bonded warehouse - Use foreign media to advertise goods. - Its difficult to carry after sales service.

PROBLEMS FACED IN FOREIGN TRADE

There are quite a number of problems experienced in foreign trade. And this includes;-

1. Distance between countries increases costs and also expenses of maintaining trade representative abroad.
2. Currency difference. The rate of exchange favours developed countries to the disadvantages of less developed countries like Uganda.
3. Documentation and exportation procedures delays trade and inconvenience the traders.
4. High tariffs barriers hinder countries to trade with others.
5. Language differences creates problem of translating certain business documents.
6. lack of banking and insurance facilities
7. special packaging needed due to bad weather conditions makes goods more expensive
8. Expensive transport, coupled with bad weather conditions leads to delays in supply of goods and thus making some goods to get expired on the way.
9. If goods are sent on credit traders may face problems in securing payments.
10. The problem of accidents lead to great loss of goods in transit.
11. High competition amongest importers and exporters causes increased in the price goods.
12. Cultural differences between countries

TERMS OF SALE

When selling goods the seller should show the buyer the terms of sale and it should include information as to whether the seller is to pay for transport to the buyers places or not, insurance formalities, duty tax e.t.c.

The terms should therefore be clearly quoted and interpreted to the buyer e.g.

1. **I.O.U (I OWE YOU)**

Is drawn by the debtor to the creditor indicating that some stated amount of money is owed to the named creditor.

2. **LOCOL EX-WORKS (LOCAL PRICE)**
   This is the price of goods as they are at the exporters' premises. The importer will pay transportation or freight changes to his own place.
3. **FRANCO (FREE OF EXPENSE RENDU)**
   It includes all changes of handling packaging, transport and insurance up to the buyers premises or other named point. i.e. the seller meets all expenses of delivering the goods to the buyers place.
4. **F.O.R. (FREE ON RAIL)**
   It includes packaging and delivering charges up to the railway station in the exporter's country.
   Other charges of loading on the wagons, freight costs and insurance charges are paid by the importers.
5. **F.O.B (FREE ON BOARD)**
   It includes delivery, handling and loading charges. Freight and insurance charges are paid the importer.
6. **F.A.S (FREE ALONGSIDE SHIP)**
   This price includes delivery up to the side of the ship loading freight and insurance charges are paid by the importer
7. **C&F (COST AND FREIGHT)**
   This quotation includes delivery, handling loading and freight charges up to the importers premises. Insurance charges are paid by the importer himself.
8. **C.I.F (COST INSURANCE AND FREIGHT)**
   Under this price quotation, the exporter pays all the costs of handling, loading, delivery, freight and insurance.
9. **CARR FWD (CARRIGE FORWARD) CARR. EXTRA**
   The quoted price under this includes only the cost of goods. Transport and other handling charges have to be met by the buyer. Since this is an added expense to the cost of goods.
10. **F.A.Q (FREE ON QUAY)**

This means that the seller has to transport the goods up to the quay. A quay is a place where ships anchor for loading or unloading

F.A.Q is different from F.A.S because sometimes the ship does not anchor in the quay because the labour may be over crowned or the ship may be too large to anchor some few kilometers from the coast and smaller vessels have to be hired to take goods to it.

11. **EX - SHIP**

The supplier pays for freight and insurance up to the point of destination. The buyer then will be responsible for the expenses of taking delivery from the ship.

12 **E & O.E (ERROR & OMMISSIONS EXPECTED)**

Normally printed on receipts or invoices and statements. It safe guards the supplier from any omissions or errors which may appear on those documents. It informs the buyer that such errors or omissions that may appear in the figures are not intended and will be subjected to corrections.

13. **DUTY PAID.**

This quotation is very expensive because on top of all expenses involved by bringing the goods to the buyer. It also includes the payment of all customs duties for the goods.

14. **IN BOND**

This means that delivery is to be made into the customs bonded warehouse at the named port, charges for withdrawing the goods from the warehouse are met by the buyer.

15. **D.D (DELIVERED DOCKS)**

Includes the cost of carriage to the docks Docks are places where ships wait for cargo.

16. **LOADED**

Includes all costs to the port of destination plus unloading charges.

FINANCING OF FOREIGN TRADE.

1. **BANK DRAFTS**
   The importer may direct his bank to pay the exporter through the exported bank by drawing up a cheque in favour of the exports bank.

2. **TELEGRAPHIC TRANSFERS**
   This is the quickest method of payment. The buyer pays his bank in advance and the bank pay the seller through the seller own bank. Instead of sending a cheque a telegram is sent.

3. **DOCUMENTARY CREDIT.**
   The exporter may request the importer to open up credit facilities in favour of the exporter at a bank in the exporter's country. This is bank will assure will a letter of credit on behalf of the importer.

BUSINESS UNITS AND THEIR ORGNISATIONS.

A business may be owned individually or collectively, when owned individually, its called a small business and when collectedly owned its called a large business.

FACTORS DETERMINING THE SIZE OF A FIRM.

Small or large business may be determined by the following factors.

1. **The floor area occupied**.
   Large business tend to occupy large a very big floor or place e.g. Agric enterprises, textiles, Niles breweries e.t.c.

2. **Amount of capital employed**
   Large business employ large amounts of capital while small firms employ little capital in business.

3. **Number of people employed**
   Large firms employ many people and vice versa.

4. **Production techniques used**
The method of production used may also determine the size of the firm i.e. large firms employ modern method, while small firms don't.

5. **Quantity of goods produced**
The gross out put of large firms is large than that of small firms.

6. **Market area served.**
Large firms normally serve large markets as compared to small business.

7. **Departments involved**
Large firms practice specialization because of large scale operation. And this calls for a large number of departments within the firm as compared to small firms.

ECONOMICS OF SCALE

(Advantages of large scale firm)

Refers to middle page.

NB Whether small or large a business should have name.
The name of any business unit depends on the number of people involved and the one of operation. The common business include;-

1. **SOLE PROPRITORSHIP**

Is a business organization owned and operated by single individual

FEATURES OF SOLE PROPRIETORSHIP

- One man is responsible for the raising of capital from his servings or personal resources.
- The owner is responsible for the success or failure of the business.
- He take all the profits but also responsible for all the business losses.
- Usually the business is managed by the owner, but sometimes a paid manager is employed. In the late case its legally possible if the owner wishes to arrange for a share of profits to be paid to the manager. However, the owner can not make any legally binding agreements to share losses with the manager.
- The liability of a sole trade is un limited i.e. there is no distinction between his business and personal property. Incase of business failure, the creditor of the business can claim payment from private property.
- Normally the business is operated under the owner’s name.
- Sole trade is the simplest, oldest and most widespread form of business.
- Sale trade is most suitable for persons with small capital and who prefer to be their own bosses.
- It’s the legal form of ownership used by many small businesses in Uganda e.g. retail shops, tailoring, and butcheries e.t.c.

ADVANTAGES OF SOLE TRADE.

1) Ease and low cost of establishment. There is no act of parliament or rule for sole trader. The trader can start and

change his business as he wishes without being interrupted by laws. Apart from the cost of trade license.

2) High personal incentive. The sole trader being entitled to all the business, he normally has highest incentive to make the business a success.
3) Freedom of speech and action. The sole trade since he owns the business alone; he has the freedom to make any decisions without waiting to consult others for approval.
4) Sole trade organizations are relatively small in size and therefore easy to manage.
5) In most cases the owner knows his customers personally. He can extend credit to trust worthy customers and cater for individual interest personal tastes and complaints.
6) This type of business can be self set up any where and therefore they take services nearer to people.
7) If a person wishes to cease (stop) business as a sole trader he does not have to ask permission. He merely stops doing business.
8) As the assets and profits belong to the owner, the sole trader is likely to put much effort than a person working for some one else.
9) There is confidentiality as regards his business since every transaction benefits or loss is known to him alone.
10) It is flexible one can change his business from one line of business to another.
11) The sole trader pays a single personal income tax on the profits realized from the business unlike the co-operation, he is not subjected to specific tax charged on the income of the business.
12) A sole trader provides employment to his family members.

DISADVANTAGES OF SOLE PROPRIETORSHIP

1) Unlimited personal liability for all business debts. i.e. if the liabilities of the business exceed assets, the owner can be required by low to pay the differences from his personal resources.
2) A sole trader is usually limited in the amount of capital he can obtain and limited capital means limited stock.
3) A sole trader often has to do all the work himself he is therefore overworked.
4) Limited talent. A sole trader is responsible for every phase of the business. He therefore can not do everything efficiently and effectively.
5) A sole trader working capital is normally small so his purchases are relatively small and the discounts he receives on purchases are quite small compared to those of large organization.
6) Lack of continuity. The very fact that the sole trade is the sole owner of the business. Means that his absence through illness, bankruptcy or death can quickly throw the business into confusion.
7) Where there is retail price maintenance i.e. where the price of goods he deals in are fixed by the manufacturer, his profits margin is limited.
8) Not a legal entity. The business is not recognized as a separate entity.
9) A sole trader can not afford modern techniques of operation.
10) There is no proper accounting system with a sole trader.
11) Little capital gives no room for business expansion.

PARTNERSHIP

Partnership is legally defined as the relationship between persons carrying on a business with the common objective of making profits.

TEMPORALLY AND PERMANENT PARTNERSHIP

A partnership may be temporal or permanent. A temporal partnership is formed for either a specific purpose or period. When the period or purpose has expired the partnership is dissolved e.g. if Mr. Owino and Mr. Mukasa form a partnership of constructing a building at the completion of the building, the partnership will be dissolved.

Temporal partnership is also called joint ventures. Permanent partnership can continue in indefinitely i.e. up to a time not known when the partnership is dissolved.

FEATURES/CHARACTERISTICS OF PARTNERSHIP.

- Partners need to be 2-20 and professional firms it is 2-50 partners.
- It results from contractual agreement among partners i.e. guided by a partnership Deed.
- Management is carried out by all in case of ordinary partnership.
- Each partner is an agent of the firm i.e. one is bounded by the activities of the others.
- Each partner has unlimited liability except in limited partnership.
- A partnership firm has no separate legal existence.
- There is no transfer of capital without the knowledge of others.
- Major decisions are made by majority through mutual understanding or consent.
- Profit sharing is not in proportion to capital contribution especially where there is no written agreement.
- Each partner must act in good faith with each other and present true accounts.

- Association is registered with the registrar of business.

MEMBERSHIP

This usually comprise a minimum of two and a maximum of twenty (2-20) except for a firm that offers professional service like accountants, lawyers, which have a maximum of 50 provided all are qualified people who have no contractual capacity e.g. the save, bankrupt

One can not be apart of partnership because it is a contract where partners agree to abide by certain conditions and to undertake certain responsibilities.

TYPES OF PARTNERS.

Partners may be classified into various ways.

(i) They are classified according to the role the role they play i.e. active or dormant.
(ii) According to their liabilities for the firms debts i.e. may be general or limited.
(iii) Classified according to their ages i.e. major or minor.
(iv) And may also be classified according to their capital contributions i.e. a partner may be real or quasi

1. **ACTIVE PARTNER**
   Is one who provides capital shares profits and losses. He plays an active role in the day to day running of the business and they include people like accountants, managers' e.t.c.

2. **DOMANT/SLEEPING/SILENT PARTNER**
   Contributes capital towards the business, shares profit and losses, but take no part in the running of the business.

3. **LIMITED PARTNERS**
Is a partner whose liability towards the firm's debts is limited to a state sum usually the capital contributed by him

.

4. **GENERAL PARTNER/ORDINARY PARTNER**
Is one who has unlimited liability and may be called upon to meet the firm debts from his personal resources if the firm fails to settle them.

5. **MAJOR AND MINOR PARTNER**
A major partner is one who is above 18 years of age.

MINOR PARTNER

Is one who is below 18 years of age. He is a limited partner i.e. his liability towards the firms debts does not exceed his capital contribution. However, he has a right to act on behalf of the business and also entitled to certain privileges.

6. **QUASI/OSTENSIBLE PARTNER**
Is a person who lends his name and standing to the business in exchange for a free but does not contribute any capital to the business or take part in the daily running of the business daily running of the business. He is not liable for the debts of the business.

7. **ESTOPPEL PARTNER**
Is a partner by behavior so other members believe him as a partner by basing on his associative character.

FORMATION OF PARTNERSHIP.

A partnership may be formed by express agreement or by implication.

Express agreement means that the parties agree verbally or in writing to establish a partnership.

Partnership by implication arises when court hold that two or more parties intended to act as partners. E.g. they share profits and losses even through no express agreement were made.

Joint or common ownership of property however, is not sufficient evidence of partnership even if the owners share any profits from its use which the partnership business will be conducted.

It's necessary as it helps to solve misunderstandings when they arise.

CONTENTS

- The name, address and purpose of the firm.
- The names and addresses of the partners.
- The amount of each partners capital.
- Status or types of each partner such as active, dormant, general or limited, partner.
- Provisions for interest on capital and services if any.
- The ratio in which profits and losses are to be shared.
- The drawing privileges if any of the partners.
- The authority and duties of each partner.
- Limits to a partners right to individual action financial commitment for over one million shillings without other partners consent.
- The life of the partnership.
- The way in which retired deceased or expelled partners share of partnership is to be settled.
- The accounting period to be used and the accounting records to be kept.

- The ways of settling disputes between partners.
- When and how management committee is elected.
- The way in which partnership is to be dissolved incase of disagreement.

THE PARTNERSHIP ACT OF 1890

If there is no deed of partnership, the partnership act of 1890 revised 1934 chapters (29) applies

CONTENTS OF THE ACT (1890)

(a) All partners have the right to contribute equal amount of capital.

(b) Profits and losses shall be shared equally by all partners.

(C) No partner can claim interest on capital

(d) Any additional capital is a loan and should receive interest at 5% per year.

(e) Every partner should take part in the management of the partnership but no partner should claim salary or wage.

(f) No person may be introduced as anew partner without the consent of other partner.

(g) No majority of the partners can expel any partner unless power to do so has conferred by express agreement between partners.

(h) The books of accounts must be left at a place of business and all partners have the right to inspect them.

(I) Every partnership is dissolved as regards all the partners by the death, bankruptcy of a partner.

(j) No change may be made in the nature of the business without consent of all partners.

NB the above rules only apply when there is no partnership agreement.

RIGHTS AND DUTIES OF PARTNERS.

1. Every partner is an agent of the firm.
2. A partner has implied authority and power to draw, sign documents, buy and sell goods but only in a trading firm.
3. Partners deal with each other in at most good faith in all matters concerning partnership.
4. If a partner has a private business that competes with the partnership, all profits made by him should be surrendered to the firm.
5. Partnership properly is jointly owned.
6. Majority votes can not expel a partner unless stated out in the deed or agreement.
7. No new partner may be admitted without the consent of all partners. Similarly no partner can sell his shares to any outside without the consent of all other partners.
8. All partners are liable for the debts of the firm.
9. The firm must indemnity a partner for liabilities incurred by him in the conduct of the business.

ADVANTAGES OF PARTNERSHIP

1. More capital. It has more capital than that of sole trade and thus making it possible for easy expansion.
2. Better credit standing. Partnership finds it easier to obtain trade credits from suppliers and loans from banks because of large scale operation.
3. Pooling of knowledge. Because partnership involves many people, its easy to share knowledge and skills and thus better management than sole trade.
4. The owners are not overworked because work is shared amongst partners.
5. Usually it's a family business in terms of ownership and staffing, so it tends to be more successful than companies.
6. Unlike companies partnership affairs are private.
7. Formation of partnership does not require many legal formalities.
8. In limited partnership members liability is limited to their capital contributions.
9. New partners may be invited in case the business needs more capital for expansion.
10. The loss burden is shared by all partners unlike in sole trade where only one person faces the burden.

DISADVANTAGES OF PARTNERSHIP.

1. Unlimited liability. Each general or ordinary partner has unlimited liability for the debts of the business.
2. Profits are shared by many which reduce the amount received by each person.
3. Partners are liable to disagree on various matters affecting the business. This may create unpleasantness and may show own or even retard the firm's progress.
4. Lack of continuity. A partnership is legally terminated if one partner dies, become insane, insolvent e.t.c.

5. Compared to sole trade, there is less freedom of action since each partner must be consulted every time decision is made.
6. The death of an active partner may affect the efficiency of the business.
7. If one partner makes a mistake all the partners have to suffer the consequences.

DISSOLUTION OF PARTNERSHIP

Dissolution means bringing an end to the existence of partnership.

Partnership can be dissolved under the following conditions.

1. It entered for a defined time. By expiry of that time.
2. In case of change of the name of business.
3. it entered for a fixed term, by the expiry of that term
4. By any partner giving notice to the others of his intention to dissolve partners.
5. If the purpose for which it was formed is achieved.
6. By the helping of any event that makes it unlawful to continue with the partnership business e.g. if the business can not be run at a profit.
7. Also section (35) of the act provides that the court may on application by a partner decreed solution, e.g. in case where a partner is proved to be of unsound mind.
8. If a partner becomes in same, bankrupt or death of a partner.

NB Upon dissolution the rights and obligations of partners continue to fill all transactions have been up an each partner is entitled to the properly of the partnership and to share in the surplus of assets after the debts of the firm has been cleared.

DIFFERENCES BETEEN A SOLE TRADER AND PARTNERSHIP.

SOLE TRADER	PARTNERSHIP
- Single owner.	- At least two
- No agreement is required	- An agreement is a must.
- No legal requirement for registration	- There is legal requirement for limited partnership.
- Management is by one person.	- Management may b e shared among members.
- Losses and profits are suffered by one Person.	- Losses and profits are shared among the partner.
- Amount of capital is usually small	- The amount of capital is co-operatively large.
	- Liabilities limited to the limited partnership.
	- May continue after the death of one partner.

- Liabilities are unlimited - No continuity after the death of the owner - Decision making is easy.	- Decision making may slow.

PROBLEMS FACED BY SMALL TRADER IN UGANDA.

1. limited capital
2. Poor transport especially in rural areas.
3. high level of competition
4. space difficulties
5. Selling poor quality products that results in low rate of turn over.
6. Small trade discounts because they purchase in small quantities.
7. Bad debts because of credit selling.
8. Faster rate of commodity depreciation especially by hawkers.
9. They can not afford advertising costs due to small scale operation and thus low sales.
10. high taxes charged by government
11. Most of them are one man firms hence personal problems affects the business.
12. Political instabilities in some parts of the country affect their activities.
13. Common theft affects them.
14. limited skills in business
15. High rate of uncovered risks because they are poor.

JOINT STOCK COMAPANIES.

Defn: Is a corporate association of person formed to carry out certain specific functions. Its corporate body because it created under law and has an entity of its own quite separate from the members that comprise it.

It's a legal person that can enter into contact, own properties, incur liabilities, sue others and be sued by others.

FORMATION OF COMPANIES

The first move in the formation of a company is to bring it into separate legal entity a part from the individuals who comprise it i.e. registering it to the registry of joint stock companies under the companies of 1988 and 1989 respectively.

That incorporates all forms I of undertaking from the largest to smallest business.

TYPES OF COMPANIES.

Companies classified into:

Statutory companies and registered companies.

1. **Statutory companies**
   These are formed by the power or laws passed by the parliament but do not work for ordinary companies formed this way are Uganda railways co-operation, (URC), National water and sewage co-operation (NW&SC) e.t.c.

2. **Registered companies**
   Are those formed and registered under the companies act of 1985 and 1989 and are the most common type of companies found in East Africa e.g. Kakira sugar works 1985 (u) limited (Ltd) e.t.c.

TYPES OF REGISTERED COMPANIES.

Registered companies are classified into

(i) Public or private companies i.e. according to the number of members.
(ii) According to liability of members as limited or unlimited companies.
(iii) Limited companies may be limited by shares or limited by guarantee.

PRIVATE LIMITED COMPANIES.

Is developed form of partnership business. They are formed when there is no intention of going to the public for funds. And it may consist of between (2-50) share holders. And has the status of a private company only if its articles of association contain the following three restrictions.

1. The right to transfer shares is restricted
2. The number of members exclusive of present and past employees who become shareholders when they were employed and have continued to remain share holders ever since is limited to fifty (50)
3. no subscription of shares from the public.

CHARACTERISTICS OF A PRIVATE LTD COMPANY.

CHARACTERISTICS.

1. It consists of 2-50 members.
2. it’s a legal entity
3. members liability is limited to their capital contributions
4. share are not sold to the public
5. Transfer of shares is restricted. It must be approved by the board of directors
6. Its information is voluntary.

7. its capital is divided into various shares
8. it is formed for the purpose of making profits
9. Starts business after receiving a certificate of incorporation.
10. There may be no need for the prospectus.

ADVANTAGES OF PRIVATE LIMITED COMPANIES

1. It has more capital than that of partnership and sole trade.
2. Better credit standing because of large scale operation, private companies can afford to get trade credits from suppliers and loans from banks.
3. Pooling of knowledge because its owned by many members, its easy to share knowledge and skills for better management.
4. Since it owned by many people (up to 50), the owners are not over worked.
5. It enjoys privacy unlike public ltd companies.
6. New members may be invited incase the company needs more capital.
7. Formation of a private company is not very expensive.
8. its members enjoy limited liability
9. It has a separate legal entity.

DISADVANTAGES OF PRIVATE LIMITED COMPANIES

1. Profits are shared by many people which reduces the amount received by each member
2. There are disagreements by various matters affecting the business.
3. There is less freedom of action since its by many people.
4. can not go to subscribe for shares from the public
5. Transfer of shares is restricted. This ties the members in remaining share holders for life.
6. if one member makes a mistake all the members have to suffer the consequences

LIMITED AND UNLIMITED COMPANIES

A limited company is one liability of whose member is limited to a stated amount (usually the face value of capital contributed by them)

The liability of unlimited companies is unlimited like those of sole traders and general partners.

LIMITED BY SHARES OR GUARANTEE.

Limited companies may or may not have shares. If they have a share capital, the liability of their shareholders is limited to the face value of the shares held by them.

If the company has no share capital, the liability of its members may be limited to a sum guaranteed by them. i.e. if such a company is liquidated and debts, the members would be asked to contribute up to the maximum of the amount guaranteed by them at the time of taking membership.

PUBLIC LIMITED COMPANIES

A public company can be formed in three ways.

1. By registering it.
2. By registering it as a private company and converting after wards into a public company.
3. By converting unexciting private company, the convention is made by removing from its articles of association the three restrictions.

FEATURES OF A PUBLIC LIMITED COMPANY

1. They have a legal entity of their own quite separate from the member that constitutes them.
2. The liability of members is limited.
3. they have a minimum of 7-with no maximum
4. their capital is divided into units of uniform value called shares

5. The owners are people who hold its share and are called shareholders.
6. Shareholders have no direct contact with employees or customers of the company.
7. Shares are freely transferable.
8. The company is not affected by the death bankruptcy of a shareholder.
9. The company is under the control of board of directors who are policy makers of the company and are elected from the shareholders themselves.

STEPS IN THE FORMATION OF A COMPANY

Interesting people wishing to form up a company should present the following documents to the registrar of companies.

1. **MEMORANDUM OF ASSOCIATION**
   Is the most important document prepared when forming a company. It hays down and clearly defines the limitations and powers of company.

CONTENTS

- The name of the company with the word limited at the end e.g. international limited.
- The country or town in which the registered office is situated.
- Objectives it shows the aims and purpose for which a company is formed. Helps public to know what they subscribing for decline to become shareholders or not.
- The nature of its capital stock i.e.
  - Total amount of share capital
  - Value of each unit
  - The type of share capital i.e. preference shares and ordinary shares.
- Name, postal address and signature of each applicant.

- Whether the company is to be private and if private the restrictions to be placed on the transfer of its shares.
- A statement that the liability of members is limited.
- The rights of each class of shares. The purpose of memorandum of association is to sell out the rules as between the company and the people and organization with whom it deals. It gives the external relationship of the company with the nest of the world.

ARTICLES OF ASSOCIATION

It states the rules and regulations for internal working of the company.

Contents

(i) It contains the rights of shareholders.
(ii) The issues and transfer of shares.
(iii) Share capital and its divisions into various classes and rights attaching them.
(iv) The methods of calling and conducting annual general meetings and voting powers of shareholders.
(v) Methods of dealing with alterations in the capital.
(vi) Regulations concerning the qualifications, appointments and powers of directors and secretaries.
(vii) The conversion of shares into stock
(viii) The payment of individuals and reserves.
(ix) The method of audit and other internal or domestic affairs of the company.

NB The articles of association serve as guidance to internal management of the company.

STATEMENT OF NOMINAL CAPITAL

This document specifies the maximum amount of capital the company expects to raise and specifies the different classes of shares which constitute it.

LIST OF DIRECTORS

A list of persons who have accepted to become directors and their written promise to act as directors.

CERTIFICATE OF INCORPORATION

After receiving the memorandum of association, articles of association and registration fee paid, the registered of companies issues the certificate of incorporation. This bring the company into legal existence or identity quite separate from the members who complete at this stage, a private company can begin business if it has capital. But a public company must first issue a prospectus for the imitation of shares.

THE PROSPECTUS

Is any notice to the public inviting them for the subscription or purchase of shares or debentures of the company

CERTIFICATE OF TRADING

Is a document that empowers a public limited company to start business. It is issued by the registered of companies after;

(i) The minimum share capital has been paid.

(ii) The directors have filled a recreation that the above requirements have been incurred.

DIFFERENCES BETWEEN A PUBLIC LIMITED COMPANY AND A PRIVATE LIMITED COMPANY.

- With a public limited seven members to start with not maximum. While at least ten to fifty members in a private limited company i.e. begins with two and maximum of fifty.

- Public limited company sales shares to public while private limited does not sale share to the public.
- In a public limited company shares are freely transferable whereas in private limited company not i.e. restricted.
- Public limited company enjoys and limited liability while in a private limited company liabilities are unlimited.
- A public limited company is a legal entity while a private limited company is not a legal entity.
- A public limited company needs a proper thus to start its business, while the private limited company does not.
- For a public limited company to start business requires certificate of trading while a public limited starts business after receiving certificate incorporation.

THE CAPITAL STRUCTURE OF A COMPANY

The company obtains its capital by the sale of shares or its capital, stock which may be issued with per value i.e. with certain value.

SHARES

A share is a unit of capital or a fixed part of capital of joint stock Company i.e. it's the interest which a shareholder has in a company and is measured in terms of money.

They are normally sold at a smaller amount to encourage more people to buy there.

FORMS OF SHARE CAPITAL

1. NORMINAL OR AUTHORISED OR REGISTERED SHARE CAPITAL.

This is the maximum amount of money that the company expects to raise from its shares. And it's the amount state in the memorandum of association and statement of …….. Capital. Its raised by selling shares to the public. Assume that the companies shares capital is made up of 10,000 shares capital is made up of 10,000 shares each 100/=. The nominal capital will be 10,000x100= shs100,000.

2. **ISSUED SHARE CAPITAL**

This is part of the company capital authorized which the directors have issued to the public. Suppose they issue 5000 shares each at shs 100/= Thus 5000x100 = shs 500,000/=. The member is what is called the un issued up shares capital.

3. **CALLED UP SHARE CAPITAL**

One the shares have been issued and allocated to the public, the shareholders are called up to subscribe or to pay.

They may be called up to pay for all the shares issued at their face value or only a fraction of what is issued.

Assume that each share holder is called upon to subscribe shs 50/= for the amount of called up capital is 5000x50/= = shs250.000

4. **PAID UP SHARE CAPITAL**

When the company calls upon subscribers is pay a portion out of the issued capital, some will pay and others may not pay, e.g. out of the shs 250,000/= called up capital only shs 200,000/= may be paid, therefore shs 50,000/= becomes unpaid up capital

.

5. **MINIMUM SHARE CAPITAL**

This is the amount stated by the promoters when applying for registration of the company as the minimum amount needed to begin trading

TYPES OF SHARES

A company normally shares different classes of share capital. The issue may be ordinary or preferred share.

ORDINARY SHARES

They have no fixed rate of return. They get residue i.e. the entitled to the remainder of the profits. After the preference dividend and loan interest are paid. In days good business they get more than the preference share holders.

Only ordinary shareholders have a right to vote on important company matters.

PREFERENCE SHARES

Have fixed rate of return i.e. are entitled to the first rate of dividend. Profits distributed to shareholders before any distribution to ordinary share holders. Dividend is paid to them at a fixed percentage e.g. 5% e.t.c. But have no voting rights.

CLASSES OF PREFERENCE SHARES.

1. **COMULATIVE PREFERNCE SHARES**
   Holders of this are assured of their dividend every year. The areas are carried forward and must be paid in succeeding years before profits are distributed to other classes of shares. i.e. dividend keep on accumulating till paid.

2. **NON-ACUMULATIVE PREFERENCE SHARES**
   Un like the above these stand chance of not getting dividends should a company fail to make profits in a particular trading period. However, they carry higher dividend than ordinary shares.

3. **PARTICIPATING PREFERENCE SHARES**
   The holders of these are entitled to share in some proportion in any profits that are distributed after the ordinary shares have received a specified amount.

4. **FOUNDERS SHARES OR DEFFERED SHARES.**
   These are not common today and when they exist in a firm, they are usually few in number and owned by the founder of the company in relation to their value and number, the holder of these shares posses very high voting power but have no claim on the profits of the company. However, they are paid after the preference and ordinary shareholders have been paid. And where the profits are high, the dividend received by them may large.

5. **REDEEMABLE PREFERENCE SHARES.**
   Are shares that are bought back by the company after a stated period of time e.g. 5years.
   The company pays some interest to shareholders for the period held and is issued when the company needs money temporally.

IRREDEEMABLE PREFERENCE SHARES.

Unlike the above, these can not be bought back from the holders by the issuing company. If one wants to convert theses shares into cash, he may do so by selling them to any member of the public or to the stock exchange.

ISSUE OF SHARES.

Once the company has received a certificate of incorporation, it can offer its shares to the public. The promoters of the company are required to state the minimum amount which they need to start business.

This amount must be raised by selling allowed to start its business activities.

Application for the issue of Shares is invited through press advertisement. A prospectus of the company is prepared which contains the necessary information about the company including the memorandum of association. Members of the public are invited to apply for the shares through specially appointed banks that distribute prospectus and application forms and receive applications for shares and money on behalf of the company.

UNDER WRITING

If the company feels that it will not be able to sell the shares its offering, it may get a commercial bank or insurance.

Company or shares broker to under write the issue. This means that the underwriter undertakes to buy any shares that may not be taken up by the public. He is paid a small commission for the guarantee.

DIFFERENCES BETWEEN SHARES AND STOCK

STOCK	SHARES
• Is a block of shares	- Shares may be converts into Stock if the Articles of Association Permits it.
• Could be of any amount and don't bear serial Numbers	- Shares are of fixed denomi nations and bears serial numbers

DEBENTURES

It's a limit of loan i.e. money borrowed by the company from the public for its long term financial needs.

Debenture holders are paid a fixed rate of interest which must be paid whether the company makes profits or not. And its classified under the following

(a) Classified according to the security pledged against them as naked debentures or mortgaged debentures.

(b) Classified according to demotion as redeemable debentures or irredeemable debentures.

1. **NAKED DEBENTURES**

These are unsecured debentures i.e. no property is pledged against them. If the company goes bankrupt, the holders of naked debentures rank among ordinary creditors of the company.

2. **MORTAGE/SECURED DEBENTURES**

These are fully backed by specific company assets, failure to pay the money, the debenture holder can sell off the assets to recover his money.

3. **REDEEMABLE DEBENTURES**

These are borrowed for a specified period and redeemed at the end of the loan period i.e. the amount borrowed against them is refunded after a specified minimum period e.g. (7-10) years.

4. **IRREDEEMABLE DEBENTURES**

These are never refunded. The money borrowed against them remains out standing till the company is liquidated.

DEFFERENCES BETWEEN SHARES AND DEBENTURES

SHARES	DEBENTURES
• Is a limit of capital	- is a limit of a loan
• A share holder is one of the owners of The company	- A debenture holder is a creditor of a company.
• Shares are paid dividends	- Debentures are paid interest
• Shares are unredeemable	- Debentures are redeemable
• Shareholders have a right to vote on the affairs of a company.	- Debentures have no right to vote on the affairs of the company

SHARES	DEBENTURES
• Shareholders receive more than per value on Liquidation	- Debenture holders receives only per. value plus out standing interest if any
• Except for preference shares, there is no limit dividend paid on shares debentures is restricted to percentage stated.	- Return on t on

WINDING UP OF A COMPANY

A company may be liquidated voluntarily by shareholders or by court upon petition from unsatisfied creditors.

1) It members wish to liquidate the company, the directors are required to fill a declaration of solvency. This document states that the directors believe that the assets of the company are sufficient to pay off its debts. A liquidator is appointed by the shareholders, assets are sold and adverts are placed in newspapers for creditor to come forward to prove and claim their debts. If any money remains after settling all debts, it is distributed amongst shareholders.
2) If the directors are unable to fill a declaration solvency because they think that the assets will not be sufficient to pay off the companies debts, a meeting of directors is called. Creditors then appoint who sells assets and pays off creditors.
3) A court can order liquidation if its satisfied that the company is unable to pay off its creditors and continued existence would only result in further accumulation of debts. The court appoints an official receiver who carries out the procedure of selling the companies assets and paying off creditors.

ADVANTAGES OF PUBLIC COMPANIES.

1) They have more capital than that of sole trader and partnership.
2) Its members enjoy limited liabilities
3) Death of a shareholder does not affect the existence of the company.
4) Employment of specialists is possible due to its large capital
5) People with small capital can easily join it.
6) Specialization can easily be exploited.
7) Management is elected democratically.
8) Shareholders are safeguarded by the legal regulations underlying these companies.
9) They enjoy large profits due to their large scale operation.
10) Incase of public limited companies, shares are freely transferable.

11) Employees may be allowed and encouraged to buy shares in the company. This gives an additional incentive to work hard.

DISADVANTAGES OF PUBLIC COMPANIES

1) The shareholders don't have direct control over the running of the business.
2) The directors may have their own interest that may conflict with the interest of the company.
3) Formation of company is along and expensive procedure.
4) Since all important decision are taken by the directors and shareholders, decision making may be slow and often very expensive.
5) Being large management is difficult.
6) There is lack of personal initiative to work hard compared to sole trade.
7) Taxes imposed on companies reduce its profits.
8) There is no secrecy as regards business out comes, since many people on it.
9) Sharing of profits reduces the amount of dividends received by each shareholder.
10) They are not flexible due to its large size.

CO-OPERATIVES

Is a voluntary association of individuals operating a business with the aim of improving the welfare of their members.

AIMS/WHY GOVERNMENT SHOULD PROMOTE FORMATION AND DEVELOPMENT OF CO-OPERATIVE SOCIETIES.

- They give financial assistance in form of credit especially to farmers.
- Provide transport facilities.
- Education of farmers.
- Provide storage facilities.
- Provision of farm inputs at subsidized prices
- They provide tractor hire service to farmers.
- Marketing produce
- Buying produce.
- Advising farmers.
- Selling of goods to members at fair prices.
- Help in implementation of government policies.
- They help in transformation of economy from subsistence to commercial production.

FORMATION OF CO-OPERATIVE SOCIETY

Following are steps in the formation of co-operative societies.

1. The drafting of the bye-laws. This is an equivalent to the memorandum of Association and articles of association of a limited company.

2. The bye-laws are then submitted to the commissioner for co-operatives for approval and registration of the society.
3. Upon approval, a registration, a certificate is issued to the new society by the commissioner for co-operatives. Then the society can start its business.

CAPITAL OF CO-OPERATIVE SOCIETIES.

The capital of a co-operative society is raised from the subscriptions of its members. Each member pays a small sum of money to become a member when this is put together, they build a large capital.

Unfortunately for the co-operatives even if this money is put together, it can not run a big business instead the co-operative have to look for other sources of capital namely.

1) The loans from co-operative development Bank (UCDB) normally passed through the co-operative unions.
2) The savings of members deposited with co-operative savings and credit societies.
3) Reserves i.e. part of dividend made by the society which is not given out to members but retained to provide additional capital.

CONTROL AND MANAGEMENT OF CO-OPERATIVES

The business of co-operative is entrusted to a committee of management which is elected by members on the basis of one man one vote.

The executive would include the president/chairperson secretary manager treasurer and committee members.

THE BASIC CO-OPERATIVE PRINCIPLES

1) Open and voluntary membership. The membership of co-operatives is open to all who can fulfill the bye-laws of the society e.g. Age, lives within a given geographical area and also possess land incase of agricultural co-operative. And should not be limited by social, political, tribal, racial, or religious differences.
2) Democratic administration. The administration of co-operative is under taken by members who are shareholders and has the policy of one man one vote regardless of the number of the shareholder.
3) Payment of limited interest on share capital. They normally provide small interest rate on share capital which does not exceed 5%.
4) Dividend (share of profit). It pays dividend to shareholders in good years but on condition. E.g. in producers co-operative, dividend is given out according to the ratio of how more the dividend and vice-versa. In case of consumer co-operative, dividend is given according to how much one has purchased from the society. The higher the purchase, the higher the dividend payable on share capital.
5) Co-operative with other member co-operatives at local national and international levels this is because they have the same things in common and can learn from each others.

6) To become a member, a small membership fee is payable.
7) Education of members. They undertake to educate their member to attain a good standard of education.
8) Most co-operatives carry their business in cash basis and do not give credit.
9) They are supposed to be impartial i.e. no interference by politics, religious and ratio differences.
10) Their major aim is not to maximize profits but to maximize services to members by providing goods and services at seasonable prices.

STRUCTURES AND MANAGEMENT OF CO-OPERATIVES

1. PRIMARY CO-OPERATIVE SOCIETY

This co-operative societies are small and membership consist of individuals in an area e.g. peasants

2. SECONDARY/CO-OPERATIVE UNIONS.

They are larger than primary co-operative society. They are formed to help primary societies have a strong bargaining power in the marketing system of their produce.

To help farms obtain agricultural inputs like hoes, fertilizers, seeds, pesticides e.t.c.

Often co-operative unions are formed at the district/regional levels and represent primary society at international levels.

The almost organ in this movement is the co-operative alliance e.g. Uganda co-operative alliance

Secondary co-operatives include south Booked co-operative union, Bugs Co-operative Union.

TYPES OF CO-OPERATIVES

There are basically four types of co-operative society

1. RETAIL CONSUMER CO-OPERATIVE

Is a form of retail business owned and operated by a group of final consumers who buy and sell goods to fellow members at reduced prices.

FUNCTIONS

- To protect members and non-members against excessive high costs of distribution due to too many middlemen in the distribution network
- To protect consumers many of which are in experienced and weak buyers who are persuaded by skillful sales men to buy things which they really do not want.
- They buy cheaply and collectively from either producers or wholesalers and sell to themselves at a fair price.

2. PRODUCERS CO-OPERATIVE SOCIETY

Formed by a group of producers to strengthen their bargaining power in the marketing system of their produce.

FUNCTIONS

- Collection and transportation. They collect and transport farmers produce to markets and other buying agents.
- Help to improve agricultural products by encouraging the production of more standardized products or effective grading of the product.
- Financing the producers. They buy farmers produce at fair prices which has been established.
- They provide useful channel of spreading ideas for the improvement of cultivation to peasant farmers. The farmers are thus provided with special and advisory services e.g. how to apply fertilizers and insecticides to crops.

WHOLESALE CO-OPERATIVE SOCIETY

This was the first formed in 1863 to supply the retail societies with goods and so reduce their dependence on other forms of wholesale business.

They operate in the same principle and membership is by individual consumer co-operative societies.

FUNCTIONS.

- To assist retail consumer co-op0eratives by providing specialists services such as advertisement, market, market research e.t.c
- To offer commercial services like Banking, insurance and building societies.
- To extend credit facilities to their members
- To buy, process and produce other farm products like milk.

NB This form of co-operative society is not very popular in East Africa.

SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES

Formed to encourage savings by consumer producers and other salaried workers whose income is fixed.

Members of this society are allowed to obtain loans from the society for the purpose of improving the farm, educate children, and construct houses e.t.c.

REASONS FOR THEIR SUCCESS IN EAST AFRICA.

1. In East Africa producer co-operatives deal mainly in primary products which are the main foreign exchange earner therefore the government finds it necessary to support them

2. They are located in remote areas where individual farmers can not afford the cost of marketing their crops.
3. In many parts of East Africa people service by subsistence farming thus giving little scope for consumer co-operatives.
4. They have strong bargaining power.

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PROBLEMS FACED BY CO-OPERATIVES IN UGANDA.

1. lack of sufficient transport facilities like trucks, good roads e.t.c
2. Failure of members to pay their subscriptions tends to limit efficient operations of co-operatives some members are poor.
3. Mismanagement of the co-operatives due to lack of skilled management staff.
4. Co-operatives have constantly suffered from little support from the government especially on the side of finance.
5. Embezzlement of the funds of co-operatives by the officials has led to some co-operatives to close down their business.
6. Wide spread illiteracy among the co-operative members, most of them are ignorant about the affairs of co-operatives.
7. Tribalism in Uganda is common practice which endangers the unity of the members in a co-operative society.
8. Storage is yet another problem especially where it involves bulk and perishable commodities.
9. Price fluctuations at the world market discourages co-operatives to actively participate.
10. None payment of farmers products has discouraged farmers, thus limited co-operatives activities.
11. Insecurity in some parts of the country has not favored co-operative operations.
12. Government policy of liberalization of the board reduces their activities and adversely affects flexibility of their operations as well as the efficiency of management.
13. Lack commitment of the managers of the society who are not full time mangers, but merely part time employees hence no a lose attention to societies.

14. Co-operatives have failed to complete favorably with the private traders whom they are stirring to replace. The private traders even offer attractive prices to producers hence out competing them in business.
15. Smuggling of produces to neighboring countries to some extend, limits the activities of producers co-operative societies.

ROLE OF CO-OPERATIVES IN AGRICULTURAL DEVELOPMENT IN UGANDA.

1. They help farmers in getting better prices for their producers thus making agriculture a profitable occupation.
2. Help in distribution of farm input at a reduced price e.g. fertilizers, seeds, farm tools among others.
3. The climate wasteful competition and exploitation of farmers by middlemen.
4. They collect, store and transport agricultural products.
5. Consumer co-operatives provide members with cheap consumer goods.
6. They create employment to people in transportation, marketing and export of other products.
7. Provide education to members and to the general public on how to use agricultural inputs and on methods of farming.
8. They increase co-operation among the people. In some countries co-operatives have acted as political units especially in socialists countries.
9. They also provide a channel of distribution of whatever loans and help government wishes to give to farmers.

ADVANTAGES OF CO-OPERATIVE SOCIETIES

(a) They increase the bargaining power of its members.
(b) The running of co-operatives societies is democratic e.g. in consumer co-operative society.
(c) There is no conflict between seller and buyers because they are the same people.
(d) The main objective of c-operative is to server members but not to make profit.

DISADVANTAGES OF CO-OPERATIVE SOCIETIES

(a) The elected committees are not skilled in business management which always leads to inefficiency.
(b) Lack of enough capital as most members are low income earners.
(c) Lack of trained personal to run co-operatives
(d) Illiteracy by members makes embezzlement of funds by officials easy.

TOPIC ABOUT MARKETING BOARDS

STATE ENTERPRISES AND MULTINATIONAL ENTERPRISES

These are establishments set up and owned by the government to provide goods and services to members of the public.

Such enterprises include: -

PUBLIC CORPORATIONS

A public corporation is an authority normally established by act of parliament which clearly defines its aims and objectives. It's a form where government holds either all the share capital or majority of it for example Uganda railways co-operations, national water and Sewerage Corporation.

PARASTATAL BODIES

A parastatal body is statutory body which is established through an act of parliament to perform certain functions which may not necessarily be commercial. Examples of parastatal bodies are, the former lint marketing board, coffee marketing board, which were set up to assist former by looking for marketing for their produce and provision of transport to marketing centre's.

MARKETING BOARDS

These are trading organizations set up by the government or the private sector to purchase agricultural products from farmers and sell them the consumers with an intension of promoting agriculture with the state or the country. Marketing boards are classified according to the types of goods they handle and areas served. They include

1. **COMMODITY MARKETING BOARD**

   This is the type of marketing board which specializes in specializes in specific agricultural products e.g. coffee, tobacco, it is responsible for buying and selling that particular product. it takes its name from the product hey handled eg former marketing Board Lint marketing board in Uganda

2. **EXPORT MARKETING BOARD**

   Are marketing boards that concentrate on marketing of various agricultural products to foreign markets.

3. **ADVISORY MARKETING BOARDS**.

   This is a marketing board that concentrates on carrying out research and providing advisory services to growers of various crops. They research on modern methods of farming and new crop varieties and then advice famers accordingly.

4. **PRODUCE MARKETING BOARD**.

   This is a type of marketing board which handles and sells a variety of agricultural products.

5. **STATUTORY MARKETING BOARD**

This is formed by government under an act of parliament or statute. They are managed by chairman appointed by the government.

FUNCTIONS OF MARKETING BOARDS.

- Buying produce, from farmers at reasonable prices, collecting and storage of produce bought from farmers.
- Carries out research into agricultural and marketing produce or quality control through research.
- They offer assistance to farmers e.g. fertilizers farm tools ,e.t.c
- Stabilizing prices for agricultural produce.
- Control of production by use of quotas.
- They extend advisory services to farmers.
- They sell produce to local processors or auction it
- Advising government on matters related to the produce they handle.
- .

PROBLEMS FACING MARKETING BOARDS

- Transport problems due to bad roads and weather.
- Poor quality produce. Where farmers mix poor grades with quality grades.
- Political intervention or mismanagement where un skilled administrators may be nominated to run the board but end up messing the board operations.
- Over production/under production, farmers harvest in excess or surplus and at times in less quantities.
- Competition from businessmen who privately offer better pay to farmers.
- Price fixing is difficult which fluctuates with the world market- price.
- Natural disasters like, pests and diseases, floods, drought etc.
- Inadequate storage facilities.
- Corruption and embezzlement of funds by managers.
- Insufficient crop finance to buy produce from farmers.
- Large scale operations, they employ and cover large geographical areas. This requires careful planning, organizing, directing, and controlling of their operations.
- Political instability in some parts of the country
- Poor roads and bad weather.

MUNICIPAL OR LOCAL AURTHORITIES

Municipal or local authorities provide certain essential non- profit able services which private people are reluctant to invest in.

Such services include; road maintenance, garbage collections, street lighting and cleaning drainage e.t.c.

In Uganda the local authorities comprise of local councils (LCI –LCV) with city and municipalities being headed by LC III and LCV commonly referred to as the MAYOR.

MULTINATIONAL ENTERPRISES

These are large business enterprises whose activities extend across the boarders of more than one nation e.g. shell (U) LTD Pepsi, cola, standard chartered Bank, which have several branches operating in many countries with headquarters in European, America e.t.c.

FEATURES OF PUBLIC ENTERPRISES

1. They are owned and controlled by the government for the purpose of providing goods and services to the public.
2. Public enterprises face unlimited liabilities i.e. in event of any loss or failure government properties are attached and sold off to pay creditors.
3. The government is responsible for their losses and profits.
4. Their management is appointed by government who is the sole shareholder.
5. Public enterprises operate on commercial principles but get financial assistance from government from time to time.
6. They have large capital which is required by some business. Which private investors do not have e.g. railway construction.
7. It eliminates the duplication of services e.g. water supply, railway transport e.t.c
8. Often due to its monopoly in their relevant fields.maximise profits
9. They help government in managing the economy i.e. government can control and regulate economic activities through public co-operations like control of prices, and unemployment in the economy.
10. They help in protecting the health of the society. The goods and services provided by public enterprises usually satisfy certain standards.

DISADVANTAGES OF STATE ENTERPRISES.

1. Increased government expenditure in the operation of these enterprises.
2. They are usually inefficient. This is due to excessive political interference in their operations. Politicians usually appoint their supporters to manage the enterprises regardless of their qualifications.
3. Slow decision making due to the long procedure followed.
4. Corruption managers usually misuse the resources of public enterprise for their private benefits.
5. Lack of personal interest by the employee i.e. workers in this enterprise usually work with “to whom it may concern” attitude. This has no personal interest in the success of the enterprise.
6. They may create monopoly in their fields e.g. Uganda railways, national water and sewage co-operation. Thus may fail to deliver effectively.
7. Public enterprises may at times discourage private investments because they have large capital that can easily out compete private firms.
    - With reference to your own country give reasons why government ownership of public enterprises may be encouraged
    - Explain the disadvantages that would result from this.

GROWTH OF BUSINESS EXPANSION;

AMALGAMATION OR BUSINESS COMBINATIONS.

The size of the business unit does not remain the same all the time, some firms grow and expand while others diminished.

Reasons for growth

- Firms grow in size so as to enjoy economic of scale (advantages of large scale production).
- Firms may also expand due to the desire to obtain and control a larger share of the market with the view of out-competing their rivals.
- Further still firms expand in order to strengthen their position in business. Such firms usually produce a wide range of products so that they can earn from different market.

METHODS OF GROWTH

Business organizations may grow in two major ways

I. Internal Growth
II. External growth.

INTERNAL GROWTH

This arises out of natural expansion of a business. Business may expand because of;

(i) After maintaining its share of an expanding market.
(ii) Development of new markets
(iii) Development of new products.
(iv) After accumulating a lot of profits.

EXTERNAL GROWTH

This involves two or more business pooling their resources together to from one big firm i.e. they merge or amalgamate merge between firms can either be voluntary/ computing, temporally or permanent.

TYPES OF EXPANSION.

1. HORIZONTAL INTERGRATION (MERGER)

Takes place when business producing similar goods come together to form one large form. The aim of this type is to take advantage of economies of scale

(Advantages of large scale production). E.g. if coca cola firm combines with that of Pepsi-cola this becomes horizontal expansion because they produce similar products.

VERTICLE MERGER (INTERGATION)

It takes place when two or more firms at different stages of producing an item come together.

e.g. wheat growers may combine with the bread makers and the transport company which facilitate distribution. Two types of vertical mergers are identified.

- **BACKWARD VERTICLE INTERGRATION**
  Here one firm combines/takes over the supply of raw materials. i.e. a business at a lower stage e.g. a sugar making firm takes over the sugar-cane growing (plantation)
- **FORWARD VERTICLE INTERGRATION**
  It is when a firm combines with another at the next stage of production e.g. if sugar making firm combines with the sugar transporting company to facilitate quickly distribution of sugar.

LATERAL MERGERS (INTERGRATION)

This takes place when two firms producing related goods that do not compete with each other for market come into merger. For instance a business producing whisky (distiller) comes into merger with that producing beer (brewer) This is to enjoy marketing economies.

CONGLOMERATION OR DIVERSFYING MERGER

Involve merging of two or more firms which are producing unrelated goods e.g. Grain milling industry combining with picfare industries. The reason for this is the urge for large capital and status.

HOLDING COMPANY.

Under this method, the various companies entering into combination retain their entities while one of them acquires controlling shares in others thus if in the above example madhvan soap and oil industry acquires 51% or more shares in mukwano soap and oil industry would then be called a holding company which mukwano soap oil industry would be called subsidiary company.

CARTEL.

Is not a form of combination in real sense but just an arrangement where various companies agree to sell their products through a central selling agency

Only member companies can sell their products through this agency. I.e. they are able to establish sort of monopoly in the market and influence prices and supply of their products.

FRANCHISING

Some companies allow others to buy or use their brand names or techniques of production. This is called franchising. The present company is franchiser, and the user the franchises e.g. peps-cola allowed crown bottles of Uganda to use their name and techniques.

GOVERNEMENT INVOLVEMENT IN COMMERCE AND CONSUMER PROTECTION.

The government finds it necessary to develop and create good environment for commercial activities hence, it finds itself involved in commercial activities.

REASONS FOR GOVERNEMENT INVOLVEMENT IN COMMERCIAL ACTIVITIES

1. To provide essential services which are not profitable to the private sector e.g. water supply, garbage disposal, street lighting among others.
2. To provide public utilities like roads, railways, water and air transport
3. To develop natural resources such as wildlife, forestry, fisheries e.t.c.
4. To promote employment through public enterprise.
5. To plan adequate Ely for the location of resources
6. some undertakings are clearly undesirable for private sector for example strategic industries such as the manufacturer of munitions
7. Great capital. Some project require a great deal of initial capital. So private sector finds it difficult to construction.
8. Control of economy. There is always a risk that the majority of their industries may be owned by non-citizens governments. Finds it appropriate to control the economy by taking part instate enterprises.
9. Government involvement enables it to fix minimum wages so that citizens selling their labour are not exploited.
10. To improve efficiency in production because government employs mainly skilled and trained staff.
11. to provide loans to those intending to carry on commercial activities
12. To implement rehabilitation and reconstruction of commercial activities.
13. To provide foreign exchange through the central bank so as to facilitate foreign trade.
14. To provide basic services e.g. education health and sanitation e.t.c
15. To protect domestic producers imposing heavy restriction on imports.

CONSUMER PROTECTION

Consumer protection is a policy taken up by law to protect consumers from being exploited by the business world.

The exploitation of people by the businessmen raised the need for consumer protection. Before practical steps were taken, the protection to consumers was **CAVEAT EMPTOR** (let the buyer be aware)

REASONS FOR PROTECTION.

1. Producers use dangerous and inferior components in the production of goods in order to minimize costs e.g. using un boiled water to mix juice, dirty water to cook food e.t.c.
2. Some businesses are monopolized and in absence of competition, they over charge the public while the quality of their services or goods remains poor.
3. Some times sellers use misleading adverts for goods which does not suit the purpose for which they are needed hence this should be checked upon to safe guard the interests of the consumers.
4. Traders use wrong measures and weights which result into un fair business deals.
5. Although a consumer is expected to buy currently what they want, they still face a problem of making choice and therefore consumer association should be formed to protect consumers rights and interests.
6. Some of these traders have high bargaining power to promote their interests and therefore consumers being weak must be protected.
7. Some sellers sell contaminated or half cooked food or dangerous drugs and therefore consumers protection is required to promote public health, safety and welfare.
8. Some sellers supply expired goods like food stuffs, drugs to consumers and they do this basing on consumers ignorance, illiteracy hence consumer protection, needed.

There are three major ways of protecting consumers i.e.

- by government
- By consumers Association.
- By business Association.

1. PROTECTION BY GOVERNEMNT

The government protects consumers through several ways: -

A **PRICE CONTROL ACT**

The act is meant to safeguard consumers from being overcharged by business men. The government fixes prices for certain goods especially essential commodities like salt, soap, kerosene e.t.c. such that it becomes illegal to sell above such price and adjustment made with permission from the price control committee.

B **WEIGHTS AND MEASURES DEPARTMENT**

Requires bus men to use recommended weighing scales and measures when selling goods to consumers. It requires manufacturers to indicate the proper weight of goods and the packing materials. The dept is under the ministry of commerce, trade and industry whose officials move from place to place to check and confirm the efficiency of weighing scale. (UNBS) Uganda National Bearer of Standards.

C **MINISTRY OF HEALTH**

Sends out officials to check on animals before they are slaughtered for meat or beef.
A quarantine may be composed such that animals products like meat, beef, milk hide and skins e.t.c. are not moved from area affected by a particular diseases.

D **MINISTRY OF HEALTH**
Usually sends out representatives to various place to check on the standards of hygiene e.g. bars, restaurants, hotels and clinics. The ministry may not confirm to the specified standards.

E **PRODUCING GOODS THROUGH PARASTALS**
Government may set up parietals to produce goods and sell them at reduced prices to consumers e.g. N.W.E.S.C N.W.SI.S.C

F **LETTERS TO PRESS**
Consumers who feel cheated may send letters to the press to complaint against a particular producer or trader.

2. PROTECTION BY CONSUMER ASSOCIATION

These are committees set up by consumers to safeguard their interest. Normally set up with the help of local councils an any consumer is free to join it upon on payment of a membership fee. The Association carries out investigations about products regarding quality, prices and designs and give the results to members through published booklets.

3. PROTECTION BY BUSINESS ASSOCIATION

Formed by bus-men and are concerned with bringing up sufficient and satisfactory standards of goods and services to consumers.

A system known as Resale retail price maintenance (MPM) was introduced by the association which attempts to control the price at which their products are sold to consumers. In Uganda the system works well with beer, soda, cigarettes and petroleum products.

The laws (legislations) that safeguard consumers because of consumer exploitation various laws (legislations) were introduced to protect consumers e.g.:

1. TRADE DESCRIPTIONS ACT - 1968

This requires goods sold to the public to bear correct descriptions and trade marks. It also protects consumers from misleading advertisement, under this act, its criminal offence perishable by fine imprisonment to make a false or exaggerated claim to a goods/services. The trade descriptions act, transfers the general caution caveat emptor (let the buyer be aware to caveat venditor (let the seller be aware) the trade description act 1972 requires all imported goods know from which country of origin so that people know from which country they come from in case of any problem.

2. FAIR TRADING ACT 1973

The office of the director general of fair trading to keep a keen watch on trading matters in the country. It protects consumers from false practices, misleading information concerning transactions undue sales pressure and unfair contractual terms.

3. PRICE ACT 1974-1975

Enforced by the trading standards inspectorate whose officials move from place to place to ensure its effectiveness. It protects consumers from being over charged by the businessmen.

The act performs the following duties.

- Encourage the government to subsidize basic food stuffs.
- Regulate the prices of essential foods stuffs and other goods.
- Require bus men to label prices on their goods.
- Make shop keepers display their goods in a way that do not give false impressions.

4 WEIGHT AND MEASURE ACT 1963

The act requires bus-men to use proper weighing scales using kilogram units and measuring tapes using meters. The manufacturers are required to indicate the quantity on items. It's a criminal offence if one quotes a particular weight on the item, when its actually less than what is quoted.

5. FOOD AND DRUGS ACT 1963

The act lays down several regulations concerning foodstuffs:

- Suppliers should maintain good hygiene.
- Place where food is cooked, prepared should be clean.
- Food undesirable for consumption should not be sold to the public
- Food stuffs should not be falsely described.

6. THE SALE OF GOODS ACT 1979

Under this law, shopkeepers are obliged to certain responsibility if he accepts the offer the customer to buy e.g.

(a) The goods must be of a required quality, they should not be damaged or broken

(b) The good should serve the purpose of the buyer.

(c) The description of the goods should conform to actual quality of the goods.

7. UNSOLICITED GOODS AND SERVICES ACT 1971

The act makes it illegal for traders to demand payment for goods supplied, without the order of the consumer, in any case should a seller send to a person goods not ordered for and such goods are not collected with in six months, then the receiver has the right to retain them. These are considered unconditional gift

PRIVATISATION

Is the transfer of ownership and management of business from the public to the private sector.

FORMS OF PRIVATISATION

1. Denationalization.

This is the return of nationalized enterprises to private owners. E.g. in 1972 Amen expelled returned to them their enterprises when they returned to Uganda in 1985 to date.t operate

2. Divestitures

This is the sale of all parts of enterprises or shares owned by the government to

the public i.e. Divestiture is a total sale joint venture (private and public).

3. Contract management

Here the government retains ownership of the enterprises but privatizes the management and private individuals are given the right to market it on behalf of the government

4. Leasing and renting

Government leases out/rents public enterprises to private individuals for a given period, the lease may be renewed or not

5 **JOINT VENTURE**.

Under this form, the government operates the business in partnership with the private sector. But the government retains the majority shares i.e. 51% shares and sells 49% shares to the private sector.

COST SHARING.

Under this form, the government retains ownership of the enterprise but the beneficiaries contribute towards the running costs e.g.at public universities,hospitals e.t.c.

REASONS FOR UGANDA TO SELL ITS ENTERPRISES (ADVANTAGES)

1. To encourage foreign investment in the country. This brings in foreign exchange and skilled man power which benefits the country.
2. It encourages private initiative and entrepreneurship. This reduces the traditional belief that the government is the pioneer entrepreneur.
3. To reduce government expenditure on them, some of which do not make profits.
4. To improve on their management
5. To fight corruption in the enterprises.
6. To allow them increase production.
7. It increases government revenue because the privatized enterprises will then be taxed and the government earns revenue.
8. It encourages competition and eliminates the monopolistic tendencies in the public sector. This in turn leads to improvement in the quality of the products and then leads to a high standard of living.
9. To allow the country to achieve a facer rate of growth
10. Because it wants to make them more efficient.
11. To increase employment opportunities.

DISADVANTAGES OF SELLING THOSE ENTERPRISES

1. Prices have gone up because the private firms are profit motivated.
2. The consumers are being exploited.
3. Unemployment may result when owners want to use machines.
4. there has been foreign domination
5. poor quality goods are being supplied
6. High taxes on firms are translated into prices.
7. Income inequality is encouraged.
8. Mismanagement of funds after selling the firms.
9. It has led to profit repatriation.

UGANDA SECURITIES EXCHANGE (STOCK EXCHANGE)

Is a market where already issued shares and stock are bought and sold.

MEMBERSHIP

Only members are allowed to buy or sell shares at stock exchange. These members consists the market. Any member of the public wishing to buy or sell shares must do so through a member of stock exchange. These members may be brokers or jobbers

BROKERS

These are people who buy and sell shares on behalf of others and are paid on commission basis. Any member of the public wishing to buy shares must approach a broker, who will brief him on various matters and offers free advice on different types of shares.

JOBBERS

These buy and sell shares on their own account i.e. they trade in shares in much the same manner as wholesaler deals in merchandise. A jobber must buy or sell shares through broken. No member of the public is allowed to sell his shares directly to a jobber. The reasons is that if jobbers are allowed to deal directly with the public who are ignorant they would be between them, the interest of the members of the public is protected.

The different between what a jobber pays and what he buys a share is his profit and is called a jobber turn.

TYPES OF JOBBERS.

Three terms can be use to describe jobbers, bills, bears, and stags! i.e. a particular transaction and not in over all sense.

BULLS

This is a jobber who buys shares when they are cheap in the hope that the prices will soon rise and he will be able to sell them at profit.

STAGS

This is a jobber who deals in new issues e.g. when a company wishing to a raise additional capital offers shares for public subscription, stags buy these shares in hope that their value will soon appreciate and they will be able to sell them at a profit when the price changes they use expertise to judge as to which shares value is likely to increase or decrease in the coming few days and according make their motive whether they make profits or not, to an ordinary man their activities appear very similar to gambling except, where as a jobber puts his money on the stake only on the basis of his judgment, a gambler has no means of predicting the outcome of the bet and relies solely on lack

FUNCTIONS OF STOCK EXCHANGE

A stock exchange performs the following

1. It provides ready market for both those buying and selling shares.

2. It sets a price for every security whether or not it is essentially bought or sold in a particular period. This is a great help to both investors and companies.
3. If affords investors an opportunity to sell their shares when they find more attractive security to buy.
4. It publishes useful information in statistical and summary form about the various companies for guidance of both investors and relevant companies.
5. It helps direct a large part of savings by members of the public to invest in joint stock companies which plays a big role in the development of a country.
6. In an investment conscious country, the stock exchange index is often take as a barometer of the countries economic progress.
7. It also keeps an aye on the financial affair of every company whose shares are bought and sold through its members.
8. Stock exchange advertises shares and securities to the public.
9. Through stock exchange companies are able to raise new capital.

TERMS USED IN STOCK EXCHANGE

1. PER VALUE OF SHARES

This is the face value/nominal value of the share which is the value of this constitute the share of the company.

2. MARKET VALUE OF SHARES

This is a value at which a share sells on a stock exchange. If a company has a good stand and hence a repetition, its shares are likely to be sold at a higher value than its face value. The market value of a share is flexible and depends on the forces of demand and supply.

3. DIVIDENTS

Is the amount paid out of profits by a company to its share holder. Its paid in cash and represents shareholders return on the investment held by them.

GO PUBLIC

Is a situation when a private company needs to expand. Its levels of production and converts to a public company so that it can sell share in stock exchange.

STOCK

Is the name given to the block of shares which or emcees sells shares and gets the required capital its said to be with “stock”

BLUE SHIP

These are first class securities. They are shares stock of public companies with a high sound reputation.

ISSUEING HOUSE

These are money (finance) organizations which deal in new shares and securities on behalf of public companies.

PORT FOLIO

This is a group of several securities handled by one investor some investors invest in a number of companies, hence aiming at high profits.

GUILT-EDGED SECURITIES

These are bonds issued by the government. These securities raise money for the government and are very safe in the following ways

1. They carry a fixed of interest
2. Interest payments are periodic
3. They are redeemable.

AIDS TO TRADE

TRANSPORT

Is an aid to transport trade, involving the movement of people, goods and services from one place to another.

IMPORTANCE OF TRANSPORT IN TRADE

Transport plays the following role in trade: -

1. Transport has promoted foreign trade in that goods can be produced and sold to other countries.
2. it encourages development of industry and agriculture and may lead to commercialization of agriculture
3. It's a source of government revenue through taxation e.g. road license, driving permit fee e.t.c.
4. Good efficient transport system may lead to the development of regions by opening them to production process thus utilization of idle resources.
5. Goods and services become only useful when they are moved from producers to consumers. who are scattered over a wide area in the local markets.
6. It helps in advertising goods and services. Advertising messages may be written on vehicles.
7. It encourages specialization i.e. producers from different parts may concentrate on producing a particular good or service since exchange is possible.
8. It creates employment to people like drivers, pilots captains, road workers e.t.c
9. Movement of goods from one place to another avails people with a variety of choice.
10. Workers are easily moved to their places of work.

11. It facilitates communication. Post office uses transport (post bus) to carry letters and parcels from one place to another.
12. Goods can be moved from one areas of surplus to areas of scarcity.
13. It widens the size of the market. Finished goods can be transported to all parts of the world and sold.
14. It has promoted international understanding by moving people from one country to another.
15. Tourism has succeeded in many countries because of better method of transport.

ELEMENTS OF TRANSPORT

The four (4) elements of transport are:-

1. The way
2. the unit f carriage
3. the method of population
4. the terminal

THE WAY

This is where goods and people pass. It may be natural like water (sea),Air lakes or it may be man - made like the roads, railways or bridges..

UNIT OF CARRIAGE

This refers to the vessel that is used to move people and their goods from one place to another. For example a car , train ,bus ,aero plane, a ship e.t.c.

THE METHOD OF PROPULSION

This refers to the driving force or power of a unit of cairage e.g petrol engine, diesel engine, electric motor. The choice of the method depends on the size of the vehicle, speed desired, and fuel a available.

THE TERMINAL

This refers to the starting and end point where goods and people are loaded and offloaded from the unit of carriage e.g taxi park , bus park air port, railway stations ,sea port.
Sometimes a terminal of one unit of carriage is the starting pont of another unit of carriage e.g bus park marks the end of goods transported by bus, but the goods may still be transported by by some other means of transport to where they are needed say by boda boda.

FORMS OF TRANSPORT

The three (3) forms of transport that uses the way. It consists of Head porters, wheel barrows, Lorries, buses, bicycles, cars motorcycles.

ADVANTAGES OF ROAD TRANSPORT

1. Setting up a road is easier that other systems.
2. It’s good for carrying goods over short distances in a short time.
3. Road transport is flexible where switching from one route to another is concerned
4. Selling and collection of goods along routes can be possible.
5. It’s flexible i.e good for door to door services as goods are taken to their destination.
6. It’s relatively cheaper than air transport.
7. Special arrangements can be made for particular occasions.
8. Road transport is in use all the time as it does not follow time table
9. Its faster than rail transport over short distances
10. It is suitable and economical for small consignments.

DISADVANTAGES

1. It may not be in sue during bad weather especially murram routes during heavy rains.
2. Space is limited where carrying bulky goods is concerned.
3. Its expensive for long distances, due to high costs of fuel
4. Return cargo may not be possible because of lack of tie table schedule.
5. Traffic congestion may contribute to delays in delivery.
6. It is slow for long distance
7. High way robbery is possible especially through heavy forests
8. High rate of accidents. Unlike railway transport which has a private way in road transport, the way is open to many users, some of whom are careless. This increases the chances of accidents.
9. Its liable to frequent break down. These lead to damage and delay of goods.

RAILWAY TRANSPORT

This involves using trains to carry goods and people.

ADVANTAGES

1. Its quite cheap over long distance.
2. its suitable for carrying bulky goods like copper ore, coffee, cattle, timber, charcoal e.t.c
3. Special wagons may be designed for particular commodities and people.
4. The rate of accident is low compared to road transport.
5. Suitable for carrying containers.
6. It is faster than road transport over long distances. This is because railway lines are free of other traffic.
7. Road transport economizes labour and fuel. One train can carry goods for 100 or more tracks and one operate and a

guard can effectively manage a cargo train of up to 50 to 60 wagons.
8. Trains are not affected by bad weather.
9. Return cargo can be arranged as trains move on time table schedule.

DISADVANTAGES OF RAILWAY TRANSPORT

1. Railways are not flexible like roads.
2. Its un economical for short journeys
3. There is a possibility of damaging cargo because of increased handling.
4. its show means over long distances
5. Trains may not pass through mountainous regions.
6. Trains delay at particular stop-over because of time table schedule.
7. Constructing railway is very expensive.
8. Roads normally delay at depot stations because of clearance of procedures.
9. The risk of damage and theft is high this is because the owner of the goods do not travel with them.
10. Its not suitable for delicate and high value goods. Transshipment involved in railway transport may lead to heavy damages of such goods.

WATER TRANSPORT

This is the movement of passengers and cargo over water bodies mainly rivers, lakes and oceans.

These are several water vessels used e.g. canoes, boats, liners ferries, steamers, tankers, bulk carriers, coasters, roll-on, roll-off e.t.c.

ADVANTAGES OF WATER TRANSPORT

1. The way is free, since its provided by nature except for canals and man-made lakes
2. Its good in carrying special goods like oil in long distances
3. There is not traffic congestion on water transport
4. Very heavy goods like machinery, mineral ore may be carried by ship.
5. Maintenance charges of water vessels are relatively low.
6. The use of automatic cranes eases the work of loading and off loading cargo.
7. Very large ships may be build to increase tonnage………….. and reduce carriage costs.
8. It is economic less fuel is required than for road transport.
9. A return cargo can be arranged for a ship this enables the operational costs.
10. Container package is possible; this reduces theft, loss and damage.

DISADVANTAGES OF WATER TRANSPORT

1. The speed is low and this may not favour perishable goods.
2. port congestion may lead to delay in delivery
3. Providing facilities at the port may be very expensive.
4. It’s not flexible. Water vessels can not stop or call at all points at the sea or lake.
5. Some water ways are seasonal. This means vessels can not sail over some water bodies all the time. This could be due to freezing or fall in water levels.
6. Not all countries have access to the sea, thus its limited to countries with water bodies.

7. Sea accidents usually lead to total loss of life, goods and the vessel. This is when a ship sinks together with everybody and the goods.
8. Heavy loads may not go over shallow water levels.

TYPES OF WATER VESSELS

Sea transport is carried out by two types of ships viz; liners and tramps

Liners may be passenger's liner or cargo liners.

LINERS

The ships follow a regular time table, call at ports at regular intervals and follow a regular route even if they have to without enough cargo.

And are normally owned by established shipping company.

TRAMPS

Are ships that do not follow a regular route or time table.
They would go any where if there goods to be carried.

CHARTER PARTY

An agreement between the shipper and the importer to carry cargo for a particular route or a number of voyages. Charter party is of two type's i.e.

(I) Voyage Charter

Is an agreement between the shipper and the importer to carry goods for a particular route.

(ii) Time charter

Is an agreement between the shipper and the importer to carry goods for a certain period of time.

BILL OF LANDING

When several business men use one vessel to transport their goods, they are issued a bill of landing.

FUNCTIONS OF A BILL OF LANDING

1. It acts as a contract of carriage between businessmen and the shipping company.
2. It acknowledges receipt of goods by the shipper.
3. It is a document of title which a businessmen uses to claim for goods when they arrive at the dissipated port.
4. It’s a negotiable instrument in that title to goods can be transferred by endorsing the bill of landing.
5. It shows all the details of good carried.
6. It shows the shipping charges and all conditions of carrying the goods.

BULK CARRIERS

These are large vessels, specially used to carry particular type of cargo e.g. timber, mineral ore e.t.c.

OIL TANKERS

These are mainly chartered or owned by the large petroleum companies to carry petroleum products.

ROLL- ON- ROLL- OFF

These are large ferries used to carry vehicles. The vehicles carried are driven on the ferry and driven off when they reach final destination.

FERRY SHIP

These are specially designed to connect one land mass to another by carrying goods and services.

AIR TRANSPORT

This is the most rapid, convenient and comfortable form of transport. Under this air crafts are used to carry passengers and cargo.

ADVANTAGES OF AIR TRANSPORT

1. It is the fastest means of transport.
2. It’s the best for delicate and valuable goods.
3. There is less chance of loss, because security is highly observed
4. Suitable for long distances, without shopping.
5. Most comfortable form of transport free from topographical barriers.

DISADVANTAGES OF AIR TRANSPORT.

1. It’s the most expensive system of transport.
2. Its costly in terms of full and flying operations
3. Weight of cargo carried is limited.
4. Aircrafts cannot take cargo and passengers to final destination
5. Incase of accident, all cargo and passengers are likely to be completely destroyed.
6. Hijackers may affect air operations.
7. Weather conditions may interfere with air services.

AIR WAY BILL

This is a document drawn between the airline company and the businessman using it to carry his goods.

PIPELINE TRANSPORT

Under this, pipes are used to carry fuel, water and gaseous products from one place to another.

In Uganda pipes are widely used to carry water and sewerage disposals in major urban centers.

ADVANTAGES OF PIPELINE TRANSPORT

1. It reduces the cost of repairing road and railway which wear due to heavy commercial traffic.
2. Because they pass underground, pipes are not affected by atmospheric conditions
3. Speed is reasonable high.
4. Pipes are suitable for carrying liquids over rough hand were higher roads or railways can be used.
5. The running costs of pipes are very low.
6. Large volumes can be carried in a very short period.
7. It reduces traffic congestion and the rate of accidents on roads which would be carried by fuel tankers.
8. Safest and most convenient means of transporting flammable products like petroleum.

DISADVANTAGES

1. Only liquids and gasses can be carried.
2. Repairs tend to be costly and difficult to locate.
3. Soil erosion may expose underground pipes.
4. Installing pipes is very expensive especially with long distance.
5. Pipes can easily be damaged by terrorists and other saboteurs.

CONTAINERISATION

This is a system of transport by which standard metal or wooden boxes are specially constructed to carry certain goods.

ADVANTAGES

1. Properly packed containers accommodate a large quantity of cargo than it would with goods packed in a ship.
2. Goods are protected from damages and theft
3. Loading and unloading is easy because of using automatic crane.
4. It saves time which would be wasted loading small number of packages on a ship. This reduces the chances of damage especially were shipment is involved.
5. Specially constructed containers can be built for special goods.
6. Insurance premiums for containerized goods are lower since it's difficult for the whole container to disappear.
7. Trucks to carry containers are available
8. Goods in containers are not affected by atmospheric conditions.

DISADVANTAGES

1. Without automatic cranes, loading and unloading may not be possible.
2. Containers bring about a lot of congestion, delays in packing goods resulting into late delivery.
3. They require large parts hence not suitable
4. Containers are very expensive
5. Containers may not carry living things like cows and people.
6. Its unsuitable for small quantities of cargo
7. Containers are usually returned empty which is extremely uneconomical.

FACTOS THAT INFLUENCE THE CHOICE OF MEANS OF TRANSPORT

1. **Cost of goods.**

   The type of transport chosen should be relatively cheap compared to the value of goods carried.

2. **Nature of goods**

   Perishable goods and Newspapers require fast means of transport where speed is required air transport is the best.

3. **Size of load**

Bulky goods may go by railway and Lorrie's small cargo may go by road or air.

4. **Value of goods**

Valuable goods may be transported easily by air e.g. gold, diamonds or mercury.

5. **Flexibility of the system.**

   System chosen should be flexible, especially where switching from one route to another is concerned. Road transport is most flexible system.

6. **The distance to cover should be considered.**

   When the distance is short, then road transport may be used but trains and air crafts may work better for long distances.

7. **Speed should also be considered.**

   When urgency of delivery is required then the fastest means may be chosen. Air transport is the best where speed and urgency is concerned.

TERMINOLOGIES IN WATER TRANSPORT

(I) DEMURRAGE

Is money or free charged if the ship is not unloaded with in the agreed time.

(ii) WHART

This is a structure on the bank of the Navigable waters where ships can be loaded and unloaded.

Wharf age; is the payment made for the use of a wharf

(iii) STEVEDORES

These are people who are actively involved in the loading and unloading of ships.

(iv) RUMMAGING

Its an exercise which involves customs officials which is purposely conducted so as to search for dutiable goods on the ship.

(v) DOCK WARRANT

Document which is given to the owner of the goods stored at the dock warehouse. It serves as recognition of his title to those goods.

INSURANCE

Is an aid to trade where by people contributing money towards a common pool against various risks for compensation should be risk take place.

POOLING OF RISKS

This is where by every person exposed to a risk should pay a small amount to an insurance pool from where people suffering a loss are compensated.

COMMON TERMS USED IN INSURANCE.

1. PREMIUM

This is money paid by a person towards an insurance policy. Premiums constitute a pool from which compensation is made to those who incur losses.

2. RISK

A risk is the event against which an insured take up with the insurance company.

3. INSURED

Is the person or organization which takes out an insurance policy.

4. INSURER

This is the insurance company offering the insurance policy.

5. SURRENDER VALUE

This is the money paid back to the insured party when he decides to cancel the insurance agreement before the period specified.

6. SUM INSURED

This is the exact value of the item insured which the insurance company undertakes to pay inform of compensation incase of a loss.

7. LOSS

This is the occurancy of the event against which an insurance policy is taken up.

8. ACTUARY

A person who calculates the premium to be paid basing on past statistical information or data.

9. CO-INSURANCE

When the article is insured against similar policies with a number of insurance companies in event of a loss the co-insure share the amount towards compensation.

10. RE-INSURANCE

This is when an insurance company insures a risk with a second insurance. This may be because the property is so valuable to be handled by the first insurance company.

11. OVER-INSURANCE

This is when a businessmen over declares the value of his property at the time of applying for insurance i.e. he over insures

He will be required to pay a higher premium but in event of a total loss he will be paid only the current value of the property.

12. UNDER INSURANCE

This is when one under declares the value of his property. He is charged lower premium but in event of a total loss he is paid only the sum insured which is less than the current value of property.

This does not fully compensate him e.g. Damba has insured his stock in trade at sh.60000= but the current value of his stock is sh80000= fire destroyed apart of his stock value at sh50000=.

In this case even through the loss of sh50000 (value of stock lost) is less than sh60000 (sum insured) Damba can only claim sh37500 from his insurance company.

Calculations

Sum insured	shs. 60,000=
Correct value of stock	shs. 80,000=

Sum insured as % of correct

Value of stock → $\frac{60,000}{80,000} \times 100$

75%

Value of stock destroyed shs 50,000

Value of claim

NB Whole stock was shs 80,000

Insured shs 60000

Thus only 75% of stock was insured.

Claim is 75% of destroyed stock as calculated above.

PRINCIPLES OF INSURANCE

These are regulations governing the insurance business.

1. UTMOST GOOD FAITH (Ubberrimae Fides)

Under this, the insured is required to state all the relevant material facts concerning the item to be insured. Should any information be hidden regarding the good insured, it may lead to the cancellation of the policy and the already paid premium is not refunded.

2. INDEMNITY

This state that compensation must be made to those who suffer loss, but one should not profit from his policy. The aim of insurance company is to compensate the insured for what is lost but not to put him in a better position than before.

3. PROXIMATE CAUSE

This states that before compensation is made, the cause of the risk must be close to the actual risk insured e.g. if a car is insured against accident, then its later destroyed by fire, compensation will not be carried out since there is not connection between fire and accident.

4. SUBROGATION

With insurance one is not expected to gain from his policy. Subrogation states that after compensation, the remains of the destroyed property should not be left to the insured, but must be left to the company e.g. incase of accident the scrap is taken by the insurer.

5. INSURABLE INTEREST

This states that one must insure some thing in which he has interest, such that when a loss occurred to the property insured the owner is bound to suffer.

6. INSURABLE RISK

This states that one should take up a policy against risks whose loss can easily be calculated with fair compensation. Some risks are non-insurable e.g. war, damages, change in fashion and gambling.

7. CONTRIBUTION

Some properties like ship Aircrafts are so expensive that one firm is not able to undertake the insurance cover. Such properties are insured with more than one insurer, so that in event of total loss both companies contribute to settle the claim.

FEATURES OF INSURABLE RISKS:-

I. Its occurrence should be accidental in nature.
II. The effect should be great enough to cause some serious or real hardship to individual.
III. There should be past record to enable insurer to assess premiums.
IV. The loss should have a financial value or be expensive in monetary terms to enable insurer to be able to market it.

V. The loss should not be catastrophic in nature e.g. death as a result of earthquake, famine etc.
VI. It should not be a loss of profit as a result of poor management.

STEPS IN TAKING OUT APOLICY

The following steps are involved in taking out an insurance policy.

1. The person wishing to be insured should have contractual capacity in order to apply for an insurance policy he then fills in a proposal form, which constitutes his application for insurance and signifies his willingness to pay premium.
2. On filling this form, one is required to disclose all material facts about the property to be insured, and state clearly the risk to be insured and the sum insured.
3. On receipt of the proposal form the insurance company calculate premium to be paid. Or may if necessary arrange for the inspection of the property before accepting premium.
4. The insured pays premium and is issued with a cover note.

A cover note

Is a proof that premium has been paid to and accepted by the insurance company who undertakes to indemnity the insured.

A cover note is valid for 30 days during which period a policy must be issued.

5. Within 30 days a policy is issued which constitutes a contract between the insured and insurer.
6. If the event insured against happens, the insured is required to notify the company and will fill a claim form to claim compensation.
7. The insurance company now arranges to survey the property to assess the extend of loss.

On receipt of survey report the insurer pays due compensation to the insured.

CLASSES OF INSURANCE

Two classes of insurance are noted i.e. life insurance and general insurance.

LIFE INSURANCE

This is commonly known as life assurance and it covers insurance of human life. Insurance involves uncertainty and covers risks that may or may not occur. With assurance, one takes out a cover against a risk that will happen e.g. death.

There are two major policies under this i.e.

1. WHOLE LIFE POLICY

This requires payment of premiums through out the life of the insured no matter how long one lives or for a specified period, but the sum insured is payable only after the death of the life insured.

This type of policy is therefore meant to provide money to the beneficiaries when the bread earner dies.

2. ENDOWMENT POLICY

This requires payment of premium for a specified period only with the sum insured becoming payable at the expiry of such period or at death which ever is earlier.

3. GROUP LIFE ASSURANCE

Under this families or business take out insurance to provide pension during old age.

4. SICKNESS POLICY

This covers against a specified disease or all forms of curable diseases. The insurer under takes to pay medical treatment fees.

GENERAL INSURANCE

This covers insurance of properties. A person can insure any property he has interest in. and its normally divided into fire, accident and marine insurance

FIRE INSURANCE

This insures property against fir breaks in addition to fire policy, its advisable to take out policies covering later losses as repairs being done to fire damaged property such policy known as **consequential loss insurance.**

BURGLARY POLICY

This covers against forced house breaking and is normally taken by businessmen, bankers and lords e.t.c.

THIRD PARTY RISK POLICY.

Concerns three people insurer 1st party insured 2nd and 3rd party being any other person injured as a result of the accident

This policy covers.

1. Passengers traveling in a car injured
2. People injured as a result of accident.
3. Any other property damaged as a result of the accident
4. owners of any other vehicle affected by the accident

N.B It's compulsory to buy this policy together with road license.

PERSONAL ACCIDENT

Is by individuals to cover against any accident which may affect them especially due to vehicles.

FIDELITY GUARANTEE.

This is the insurance against the dishonesty of particular employee or the entire working staff.

This is necessary especially for cashiers and accountants who handle large sums of money.

PLATE GLASS POLICY

This covers members of staff or customers of a business against serious injury from broken piece of glass.

CASH IN TRANSIT POLICY

This safe guards money loss while leaving or going to the business firm.

BAD DEBT POLICY

This protects against loss arising from debtors failing to pay their dues to the creditors.

EMPLOYERS LIABILITY POLICY OR WORKING COMPENSATION

This is taken up by employers and protects against any injury that may occur to his employees or customers while at work and during working hours.

(I) PUBLIC LIABILITY POLICY

Covers against nay injury which may occur to a person while passing near the property injured.

(ii) AVIATION INSURANCE POLICY.

This covers personal accidents and cargo damages due to Air craft crashes.

MARINE INSURANCE

This refers to the insurance of water vessels, cargo and passengers against damage, injury or loss due to water body problems.

Several types of marine insurance may be taken up:-

(I) MARINE HUIL POLICY

This safeguard against damage or loss due to fierce storms or collision. This also takes up the 3^{rd} party like damage on other vessels.

(ii) MARINE CARGO INSURANCE POLICY

This offers policies covering goods on the vessel.

(iii) SHIP OWNERS LIABILITY POLICY

This policy covers people lives and cargo against damage or injury resulting from negligence in navigating the vessel.

(iv) VOYAGE POLICY

This undertakes to insure the vessel or cargo against damage or loss for a specified journey.

(v) TIME POLICY

The ship or cargo may be insured for a certain period of time e.g. from Feb-June.

(vi) OPEN POLCIY/FLOATING POLCIY/DECLARATION POLICY.

Here the owner of the vessel insures it against any risk which may occur to it on any journey at anytime.

(vii) MIXED POLICY

This combines both voyage and time policy. The time and voyage are fixed e.g. Mombasa to Alexandra 3 months.

LOSSES IN MARINE

1. ACTUAL TOTAL LOSS

Occurs when the vessels or goods insured are totally destroyed or when they are damaged beyond repair.

2. CONSTRUCTIVE TOTAL LOSS

Under this, the damage on the ship or cargo may be repairable or recovered. However should the cost of repair be exceeding the value of a new vessel, the insurer may prefer compensating the insured by buying a new vessel.

PARTICULAR AVARAGE LOSS

This is the loss caused or damaged implicated to a particular cargo. Its taken up by owners of the cargo.

FACTORS THAT DETERMINE THE PREMIUM TO BE PAID.

1. Age of the item has stayed for a long period of time, its likely to face more chances of damage, so large premiums are paid then when the property is new.
2. Precautions taken to reduce the risk. Should the insured take up precaution any measures to reduce the risk up precaution any measures to reduce the risk, then lower premium will be paid. Incase of fire, fire extinguishers tend to reduce the amount of premium to be paid.
3. **Number of applicants.** The number of people applying for that similar policy also determines for premium to be paid. The more the people for the same policy, the lower the premium to be paid.
4. **Types of policy.** Some policies are more expensive compared to others. The more valuable the property, the higher the premiums paid. For example aviation policy requires higher premium than accident policy.

5. The nature of the property being insured incase of fire, those handling inflammable substances pay high premiums e.g. petrol stations.
6. Age of the person. The age of the person taking out the policy determines the amount of premium to be paid. Incase of life assurance, old people pay high premiums than young ones.
7. Because in normal situations old people face high chances of death than young ones. But incase of motor accident teenagers pay high premiums because chances of running down vehicles due to over speeding are high.

INSURANCE UNDERWRITTERS.

Are people who work on their own account to offer insurance covers to prospective customers.

INSURANCE BROKERS

These are middlemen who connect people requiring insurance cover to the insurance company. But don't handle policies themselves physically.

IMPORTANCE OF INSURANCE TO BUSINESSMEN

1. The property of businessmen is securely safeguarded against all risks e.g. fire, Burglary, theft e.t.c.
2. Businessmen are assured of continuity in their operations in presence of insurance
3. Insurance companies can act as trustees for the businessmen.
4. Some insurance companies give loans to businessmen e.g. interstate insurance company.
5. Insurance has played an important role in international trade. I.e. dealing with a buyer abroad, a variety of risks ranging from that of delay in exchange (foreign currency) payment by

a foreign buyer to out right default. But with insurance a seller is assured of payment even if the buyer decides to default payment for the goods.

6. It performs educational services to the business community.
7. Insurance creates employment opportunities for people who work as insurance agents, broker’s e.t.c.

INSURANCE AND GAMBLING SIMILARITIES

1. Insurance is relate3d to gambling only because in both cases, a number of people contribute small amount to a common pool.
2. In both cases at least two people or parties must be involved. Insurance involves insurer and insured, which gambling involves the loser and winner.

DIFFERENCES BETWEEN INSURANCE AND GAMBLING.

1. Insurance is and aid to trade which attempts to help those who suffer loss under various risks insured. While gambling is a risk and a social act where people work on probability or chance.
2. Insurance is a legal business registered and recognized by government. While gambling is illegal.
3. Under insurance, the risk insured against may never occur, unlike in gambling were the event must take place in order to determine the winner.
4. In insurance one must have insurable interest in the property insured. But this does not exist in gambling.
5. In insurance there is not profiting, but in gambling the rewards as a result of a successful bet makes the winner richer.
6. In insurance money is paid in installments, while in gambling its paid once and taken once.

7. Insurance is of great help to businessmen, while gambling is a curse.
8. In insurance, the one who receives the money is the one who has suffered a financial loss, while it's the opposite in gambling.

PROBLEMS FACING INSURANCE INDUSTRY IN UGANDA

MONEY AND BANKING

Currency notes and coins issued by the central bank act as money.

Money is anything valuable which can be used as a medium of exchange for goods and services.

Its something readily acceptable as a medium of exchange;
Before money come into use exchange took place by means of barter.

BARTER TRADE

Any trade arrangement involving the exchange of goods and goods for service without the use of money.

ADVANTAGES OF BARTER TRADE

1. It does not involve money document.
2. It tends to avoid too much dependence on currencies from other countries. Hence it reduces the need for foreign currency as the country just exchanges commodities and services for those of other countries.
3. Promotes social understandings amongst the parties involved.

4. It widens the market for a country as it does not require a country to link itself to a particular country as it would be the case with monetary trade.
5. It makes one to value his/her wealth in real terms other than in respective terms.
6. Barter eliminates the risks involved in carrying money.
7. It strengthens the bargaining position of the parties involved especially developing countries.

DISADVANTAGES OF SHORT COMING OF BARTER TRADE

- Double confidence of wants. E.g. if A posses a cow, and work to exchange it for maize, he has to find a person who not only posses maize but also wants a cow.
- Storage. Its hard to store the goods to be exchanged especially if they are perishable
- Lack of a common measure of value. E.g. if two people who want each others goods meet together, there is difficulty of what proportion of commodities to be exchanged.
- Indivisibility of certain goods. Even if the agreement is reached regarding the proportions in which things should be exchanged. It’s difficult to divide say ½ cows to one bag of maize.
- Transport from one place to another.
- Determination of relative values e.g. how many eggs should one offer for a goat.

EVOLUTION OF MONEY

Introduction of money overcome most of these disadvantages. However, currency coins and notes are of relatively recent origin. In the past, various other items like;- shelter precious stones, metals, skins e.t.c. were used as money.

It was later realized that treating something as money only because of its intrinsic value was becoming a seriously limiting factor.

This led to the use of coins and later paper money which people were required by law to accept for value printed on their face than for their intrinsic worth.

e.g. the metal content of five (500) shillings coin is not necessary worth (500) shillings.

QUALITIES OF GOOD MONEY

1. **General acceptability:** i.e. acceptable to every body in order to facilitate commercial transaction.

2. **Durability:** It should be able to last for long.

3. **Portability:** It should be convenient to carry.

4. **Divisibility:** i.e. easily dividend into small units of 50,100,200,500,100 e.t.c. shilling note and coins so as to enable payment for cheap goods and services.

5. **Homogeneity:** Money from a particular country should actually look like.

6. **Stability:** Good money should be stable in value for long period of time.

7. **Scarcity:** Money should be relatively scarce.

8. **Identifiable:** Easily recognized.

9. Not easily forged i.e. it should be difficult to copy.

10. It should be convenient and cheap for government to print.

FUCNTIONS OF MONEY

- Money is issued as a medium of exchange for goods and services.
- It's a measure of value. The relative prices determine what one commodity is worth in terms of the others.
- Money is a store of wealth i.e. persons whose wealth consists of perishable items can sell them for money and store the money till he needs it.
- It's a unit of account. It enables computing of stock and future incomes in business possible.

- Money makes it possible for price mechanism to operate since its used as a value to determine the price of a commodity.
- It facilitates one way of payments e.g. payments of taxes.
- Money serves as a standard of deferred payments to be affected in future can be calculated at present.
- It is standard value which is used to asses the value of various and services.
- Money serves as a tool which the government uses in the monetary policy. E.g. if government restricts credit it may control inflation.

LEGAL TENDER

1. **COINS.** This is any metallic money it may be cent or shillings.

2. **STANDARD COINS.** These are ones where the face value is equal to the value of the metal from which it is made.

3. **TOKEN COINS.** These have the face value grater or less than the real value of the metal from which it is made.

4. **BANK NOTES.** This is money in form of people issued by the central bank.

5. **BANK DEPOSITS**
   This is the money which is deposited by the public on their accounts in banks.

6. **CHEQUE**
   A cheque is a written order by a bank customer to his bank to pay a specified sum of money to a named person or order.

BANK.

A bank may be defined as an institution that: -

- Accepts deposits from those who have some money in excess of their immediate needs.
- Safe guards the so money so received
- Makes it available to its true owners on demand or at notice.
- Advances loans (those who are in need of financial assistance and are able to provide adequate security and are willing to pay interest.

CONDITIONS CONSIDERED BEFORE GIVING A LOAN

- Credit worthiness and personal integrity of the barrower.
- The viability of the project for which the loan is required
- Assets in relation to liabilities of the borrower.
- Period for which the loan is to be used.

- The prevailing government policy
- Whether the borrower is a bank customer or not
- The economic intergrity of the applicant.
- Nature, value and marketability of the security presented.
- The amount of money required by the borrower.

2. **BANK OVERDRAFT**
   This is money lent by a bank to its prominent customer exceeding the amount on his account.

3. **BANK DRAFT**
   Is a cheque by which a bank pays money to a named person. It's the safest means of paying money to a person because a bank quarantines payment on it. I.e. it's a cheque drawn on a bank itself and a bank will issue it only if a person requesting it has paid money to the bank.

4. **STANDING ORDER**
   It's a system where a customer of a bank with a current account authorizes his bank to pay a given amount of money to a named person or company at regular intervals on given day of the month.

5 **CREDIT TRANSFER SYSTEM.**
   This is when a bank customer authorizes his bank to pay money into the account of a named company or individual. Payments are made directly into the bank account of the named person.

TRAVELLERS CHEQUES

These are cheques issued by the commercial bank to people who travel to distance places i.e. within and a broad. A person pays for them in advance and are useful because they are both in local and foreign current.

IMPORTANCE OF TRAVELLERS CHEQUES.

(i) Some shops and hotels may be un willing to accept personal cheques.
(ii) They are available in various currencies.
(iii) They are safe to carry than cash.
(iv) Travelers cheques may be given different denominations.
(v) Travelers cheques are easy to carry. They are light compared to hand cash.

TYPES OF BANKS

1. SAVINGS BANK
   These banks are mainly intended to provide a safe place for keeping money and to promote a habit of careful management of money among individuals.

They offer very few of the services rendered by a modern bank. They accept small deposits, pay interest on such deposits and offer only limited withdraw facilities.

2. CENTRAL BANK

Is the main financial institution in the country established by the government to control and guide government finance, commercial banks and other financial institutions and to manage the domestic and foreign monetary systems.

FUNCTIONS OF CENTRAL BANKS.

1) Issuance of currency. The central bank has the sole authority to issue the national currency which circulates in the country.
2) Control of money supply. The central bank regulates the amount of money in circulation in the country. i.e. controls all cash in hands of general public and deposits with commercial banks.
3) Banker to commercial banks. All commercial banks in the country have accounts with the central bank. These accounts are used to settle inter-bank indebt ness through the clearing house.
4) Replacement of worn out notes. Bank notes that have deteriorated through wear and tear are withdrawn from the public and destroyed. It’s the duty of central bank to mint and print currency for replacement of the one which worn out.
5) Banker to the government. The central bank manages government accounts, receives all revenues and affects payments both internal and external on behalf of the government.
6) Supervisor of commercial banks. Central bank gives advice to commercial banks concerning the monetary payment. It requires periodic reports of their activities e.g. on deposits and lending.
7) Lender of the last resort. Central bank offers advance payments at short notice to the government commercial banks.
8) Management of foreign exchange operations central bank manages the day to day foreign resources e.g. conducting daily sales and purchases of foreign exchange through money markets.
9) Management of external reserves. It’s the responsibility of the central bank to enforce foreign exchange regulation. All foreign exchange proceeds from export of goods and services in a country should be surrendered to the central banks.
10) Advisor to the government. The central bank advises the government on matters of economic reviews periodically which economy.
11) Banker to International Institutions. It maintains close links with other central banks and several international institutions like red cross, worldbank, IMP, ADB among others.
12) Regulator of the countries balance of payments position (B.O.P) through management of external debt and ensuring safe limits of borrowing.

HOW CENTRAL BANK CONTROLS COMMERCIAL BANK TO GIVE LOANS.

(i) Open market operation (O.M.O) sale of treasuring bills and government bonds to attract depositions withdraw their money or deposits from commercial banks.
(ii) Increasing the cash ratio that should be held by the commercial banks so that they have less money for lending.
(iii) Raising the bank rate at which commercial banks borrow from the central bank. This forces the interest rate up and hence discourage borrowers.
(iv) Commercial banks may be required to make special deposits with the (OB). This reduces amount available for lending.
(v) Moral version- commercial banks are requested to restrain from excessive lending.
(vi) Selective credit controls (CB) are requested to give credit to only selected sectors.

UGANDA DEVELOPMENT BANK

Was established to finance projects meant for long term basis. It was set up in 1972 by government funds with assistance from international financial institutions.

FUNCTIONS OF UGANDA DEVELOPMENT BANK (UDB)

1) To finance small scale projects aimed at bringing foreign exchange.
2) To give loans to firms and companies on long term basis.
3) To assist into sectors where commercial banks are reluctant to invest because of high risks involved.
4) To finance domestic import substitution industry.

COMMERCIAL BANKS

These are financial institutions aimed at helping business men and the general public in Uganda commercial banks includes: - Barclays bank, Bank of Baroda, African tropical Bank, Standard chartered bank e.t.c.

FUNCTIONS OF COMMERCIAL BANKS

- Receiving and safeguarding money on deposits, savings and current a/cuss, commercial banks accept money from public inform of deposits.
- They offer right safe facilities i.e. facilities where money can be kept after banking hours.
- Credit transfer facilities e.g. payment of salaries. A Customer to the bank prepares a list of the people he is supposed to pay. He specifies the amount to be paid of them and the total amount to be paid to each and pays it by one cheque. The bank then ensures the payment to each payee.
- Overdraft services i.e. allowing a customer to draw more than what is on his A/c
- Supply of notes. Commercial banks supply bank notes issued by the central bank.
- They provide foreign exchange to businessmen who are engaged in international trade.

- They give advice to investors.
- They issue cash and travelers cheques
- Trustees and administrators of a will.\they act as referees especially on the credit worthiness and financial position of their customs.
- They give advice upon matter of taxation.
- They offer bank drafts
- Commercial banks buys and sells stock and shares for customers.
- Implementations of monetary policies
- Commercial also offer facilities of standing orders. A customer may issue on instruction at regular intervals to pay a specified amount of money to a normal person or organization of a regular interval e.g. rent.
- They at times offer automatic computed withdrawal of a cash at time saving teahouse (ATM)
- Credit creation facilities.
- Discounting bills of exchange

QN Describe the functions of a commercial bank.

PROBLEMS FACED BY A COMMERCIAL BANK.

1) Poor communication system. There is lack of up to date communication facilities.
2) Insecurity in some parts of the country is a threat to commercial bank branches in rural areas.
3) Low levels of education among customers i.e. many people are still ignorant about the services offered by the commercial bank.
4) High degree of competition. There are many commercial banks in Uganda. High competition among them is likely to limit the degree of mobilization of savings.
5) Lack of trained man power.
6) Low incomes. The majority of Ugandans are poor, cash savings comes from many scattered people, banks find it difficult to mobilize savings.
7) Lack of security limits lending by commercial banks.
8) High rates of interests tends to scare potential borrowers
9) Poor infrastructures e.g. roads in rural areas have limited the activities of commercial banks.
10) Mismanagement of funds by some bank officials.
11) Customers in credit worthiness.
12) Low savings due to inflation
13) The existence of large subsistence sector.
14) High costs incurred on service and hence low.
15) Government interference
16) The general negative attitude and worry of leaving savings with banks. Some people prefer keeping money under mattresses, inside pillows, pots e.t.c.

SPECIALISED BANKS.

These banks serve a special type of customers or are aimed at providing a specified type of service e.g. former co-operative bank which mainly societies, the agric-development bank which mainly serves farmers and finances companies that provide finance for buying and building houses only.

MERCHANT BANKS.

This banks specialize accepting and discounting bills of exchange and in assisting traders in international trade. And does not provide the usual banks services like current deposit accounts.

However in present day commercial world the importance of bills of exchange has been greatly reduced and this in turn reduced the volume of business transaction by merchants, banks and more so some commercial banks have started performing the functions of merchant banks leaving no room for their survival.

QN Out line the characteristics of the following bank accounts.

TYPES OF ACCOUNTS

A person wishing to keep his money in a bank must choose the type of account he will use.

There are several types of accounts e.g. each with its own features.

SAVING ACCOUNTS

These accounts are offered by both savings an commercial banks
Features of savings account.

(i) A minimum initial deposit is required when opening up the account and it differs from bank to bank.
(ii) Account holders are required to maintain certain minimum balance at all times.
(iii) Money can be deposited any time. In case of post office savings bank, money can be deposited from any post office.
(iv) No overdrafts are allowed. But a balance in savings account may be used as security when applying for an overdraft against current account. If a person operates both accounts.
(v) A pass book is provided but not cheque book which the holder must present to the bank when withdrawing or depositing the money.
(vi) Banks allow interests on deposits held in savings account.
(vii) Account holders can not send some one to with draw money on his behalf, he must be there in person.
(viii) In case of post office savings account one can withdraw from any post office within the country of issue.

CURRENT ACCOUNTS

These accounts are offered by commercial banks only and ideally suited to the needs of business.

1) A minimum initial deposit is required at the time of opening a current account.

2) No minimum balance is required to be maintained. An account holder can withdraw all his deposit.
3) An account holder can withdraw any amount at any time on demand without giving notice.
4) An account holder can deposit any amount at anytime in any form e.g. cash, cheque, bank drafts postal orders e.t.c.
5) A cheque book is proved to the account holder
6) Bank statement are issued to customer on monthly basis.
7) No interests is paid on current accounts
8) Sometimes banks allow overdraft facilities to their customers.

PAYING IN SLIPS

This is used to pay, deposit money into the current account.

HOW ATO OPEN A CURRENT ACCOUNT

A person wishing to open a current account must present the following.

(i) Name, address and occupation if any.
(ii) Two (2) refers who should be bank employers/bank customers who must give information regarding your financial position.
(iii) A signature card is issued
(iv) A specimen signature is displayed
(v) The applicant is then issued with account number
(vi) He is then issued with a cheque book ready to begin transacting with the account.

FIXED DEPOSIT ACCOUNT

Features

1. May be opened with not less than a certain minimum amount for a specified period.
2. A fixed rate of interest is paid on these account and its higher than that of a savings account.
3. They are very good for those who have large sums of money which they don’t intend to use in the near future.
4. Notice must be given before withdrawals take place.

BANK CLEARANCE HOUSE

It’s a place where the representatives of different commercial banks meet each other and clear the amounts due to and from other banks.

RUN-ON-THE BANKS.

This is a situation when many bank customers wish to withdraw their money from the accounts. This may be due to loss of confidence of customers in that particular bank.

A CHEQUE

Is a written from a bank current account holder to his bank to pay a specified among of money to a named person or order.

A cheque may be open or closed

OPEN CHEQUES

These are payable across the bank counter, payable to the holder or bearer or a named person.

Where no payee is named such a cheque is called a bearer cheque, and where the payee is named is called on order cheque.

FEATURES OF THE CHEQUE

- Name of the bank (drawee) and branch
- Date
- Name of the payee
- Amount of money in words and figures
- The signature of the drawee
- The account number of the drawer
- The cheque number no

SPECIMEN OF A CHEQUE

200	BARCLAYS BANK (U) LTD
201	MBALE BRANCH

PAY

C
Amount
UGX 200000
2446448
Counter foil

PARTIES TO A CHEQUE

These are usually three (3) persons involved

1. **DRAWER**: Is a person who writes and signs a cheque

2. **DRAWEE:** Is the banker (bank) that pays the money to given individual.

3. **PAYEE**: Is the person whom the cheque is made payable e.g. Mr. Wambede has account in CRANE BANK and decides to pay Mr.Wamanga. Wambede (drawer) crane Bank (Drawee and Wamanga (payee).

4. **ENORSER**
A person to whom the cheque has been written, signs at the back and transfers it to another individual. Is given after being signed by the endorser.

CROSSED CHEQUES

Features of a crossed cheque: -

I can't be paid across the counter, must be deposited in a bank account before money is issued.

II A crossed cheque bears two parallel lines across its face called crossings.

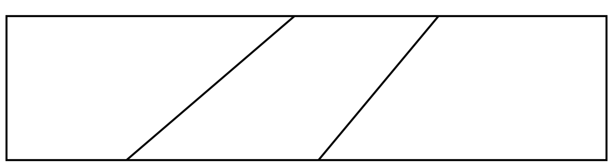
GENERAL CROSSINGS

This can be viewed from the following aspects.

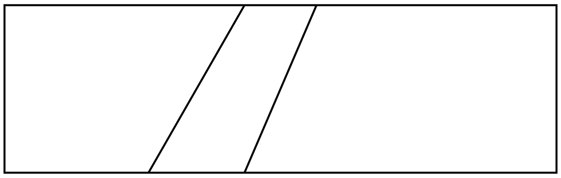
1. A cheque having two parallel lines with or without words "Not Negotiable" in this respect when a cheque is lost no one else can get money the one indicated.

To receive it.
e.g.

II A cheque with words and company or any abbreviation between two parallel line.



III A cheque having two parallel lines with words account payee only in between in this respect money I supposed to be paid in the account of a named person and not across the counter or to any body else.



SPECIAL CROSSINTS

This is the type of a crossed cheque where by in respect of general crossings, the name of the bank branch is included, name of payee and at times the amount is included.

Other cheques are Bank cheques, postdated cheques, forged cheques, lost cheques, stale cheques.

ADVANATAGES OF USING A CHEQUE.

(i) It is safe especially when it is crossed
(ii) Its portable
(iii) It can be used to carry whatever amount of money required
(iv) It can easily be sent through post office without extra pay
(v) It is negotiable unless stated
(vi) It saves time.
(vii) It is convenient
(viii) It can be used in deferred payments (post date)
(ix) A cancelled cheque (i.e. the cheque against which payment has been made) is an evidence of payment in itself.

WHY CHEQUESARE NOT WINDLY USED IN UGANDA.

1) Banks are not widely spread in Uganda
2) Ignorance of the public
3) People fear banks
4) Bouncing cheques have reduced their popularity
5) There is still existence of barter trade
6) People buy in small quantities where cheques may not be necessary.
7) Cheques are costly and can not be used in small installment payments.
8) Many people prefer savings accounts because they show the account status immediately.

PRECAUTIONS TO MAKE A CHEQUES SECURE

These are several measures which may be taken by account holder to ensure the security of his cheques.

A. He should avoid writing open cheques. This is because if lost such cheques can be cashed by any body.
B. He should draw crossed cheques to be paid into the payees account only.
C. Should avoid signing cheques in banks. They are unsafe because they can be filled by any body and withdraw made.
D. Should avoid leaving his signature on any part of his cheque book. This gives chance to people to copy the sign.
E. When writing (drawing) a cheque, one should use an ink which is immediately permanent. Cheques should never be written in pencil.
F. Report loss of cheques immediately to the bank and police.
G. Should avoid leaving gaps when writing amounts to be paid out.

Example of poorly written cheque.

QN Under what conditions may a commercial bank refer a cheque to the drawer

DISHOURING OF CHEQUES

Refers to a situation whereby a bank does not (refuses) accept payment of money when a cheque is presented.

A cheque will be dishonored if: -

1) The drawer does not have sufficient funds in his account with the bank. In this case the cheque is labeled. “/F” (insufficient funds) or “R/D” (Refers to Drawer)
2) The drawer is dead or has become bankrupt.
3) The drawer has instructed the drawee bank not to honour the cheque
4) Different signatures from the specimen possessed by the bank.
5) When the cheque is stale has stayed more than six (6) months from when it was written.
6) The cheque is post dated (presented) before the dated stated on it.
7) When the drawer becomes insane or lunatic.
8) If unnecessary crossings appear on the cheque.
9) It figures differ from words
10) When the date is not properly stated
11) The drawer has closed his account with the drawee bank.

NEGOTIABLE INSTRUMENTS

These are documents whose title can easily be transferred from one person to another by endorsement.

Endorsement refers to signing at the bank of the document to transfer title to a document or to evidence title.

TYPES OF NEGOTIABLE INSTRUMENTS

CHEQUES BILL OF EXCHANGE PROMISSORY NOT

BILL OF EXCHANGE

Is unconditional order in writing addressed by one person to another. Signed by the person giving it requiring the person to whom it is addressed to pay on demand or at a stated future dated a sum of money to a certain person or the order of the person or to bear.

TYPES OF BILLS

1. SIGHT BILL

2. USANCE BILL

Is a bill of exchange payable at a future date.

3. CLEAN BILL

Refers to a bill of exchange that is sent by an export to the importer without any accompanying documents. It shows that importer and exporter trust each other.

4. RETIRED BILL

Is a bill of exchange paid by the drawee before its maturity date.

PARTIES TO A BILL OF EXCHANGE

(i) The drawee. To whom the bill is sent (debtor)
(ii) The drawer. A person who writes the bill (creditor)
(iii) Acceptor. The drawee or debtor is the acceptor.
(iv) The payee. The money on the bill is paid to the drawer so he is the payee or nay other person sent by him.

NB A bill of exchange is not valid unless it has been accepted by the debtors, that is to become a legally enforceable document.

PROMISSORY NOTES

Is an instrument in writing containing an unconditional promise or under taking signed by the maker, to pay a certain sum of money only to or the order of a certain person.

SPECIMEN OF PROMISSORY NOTE

Kampala

UGshs. 400,000 14^{th}-06-2006

The months after date, I promise to pay Aisha or order the sum of shs 400,000 (four hundred thousand only) with interest of 5% p.a for value received.

Stamp
Gguluma.p.

NB Gguluma .p. is the promisor or maker and Aisha is the payee.

FUNCTIONS OF BILL OF EXCHANGE

FINANCIAL ASPECTS OF BUSINESS (BUSINESS CALCULATIONS)

CAPITAL

Is the amount of money invested in the business by its owner. Or money used to start business. It can be inform of cash or property.

FORMS OF CAPITAL

I CAPITAL OWNED
Is the amount of money a business owes to its owner.

II BORROWED CAPITAL (Long term liabilities)
These are long term liabilities since they are payable after along period of time.

III WORKING CAPITAL
Is the excess of current Assets over current liabilities i.e.

WC = CA-CL

Where WC =stands for working capital

CA=stands for current Assets
CL=stands for current liabilities

CAPITAL EMPLOYED

Is the money invested in business. Or the sum of fixed Assets plus working capital.

CE=FA+WC

Where CE=stands for capital employed

FA=stands for fixed Assets
WC=stands for working capital.

FIXED CAPITAL

Is the total sum of fixed Assets

CIRCULATING CAPITAL FLOATING

Is the total of current Assets,. Their value keeps on changing e.g. stock, Debtors, cash at Bank, cash in hand.

BALANCE SHEET

Is a statement drawn to show the assets, liabilities and capital of a business over a given period of time.

Or

Is a statement drawn to show the assets, liabilities and capital of a business over a given period of time.

Or

Statement showing the financial position of a business or individual at a given period of time.

The balance written in 3 lines i.e. 1st line name of business organization
2nd time- The statement balance sheet
3rd line- The date/period when its presents

e.g. P.Guluma's

BALANCE SHEET

AS AT 31ST DEC 2005

LIABILITIES		ASSETS	
Capital	75000	Furniture	10,000
Creditors	25000	stock	70,000
		Debtors	20000
	100,000		100,000

NB The balance sheet has two sides ,the left hand side is the liability side and Right hand side is the Assets side.

Both sides must balance and its drawn basing on an equation called balance sheet equation or book keeping equation which states that:

A = L+C

Where, A stands for Asset, L stands for Liabilities and C stands for Capital.

TERMS COMMONLY USED

ASSETS

These are business properties i.e. what the business owns. And its of two types

FIXED ASSETS

Are properties that are meant to stay in business for a long period of time. E.g. hand, premises, furniture, motor van e.t.c.

CURRENT ASSESTS

Are those business properties that stay in business for a short period of time i.e. their value keep on changing from time to time.

e.g. Stock 31st Dec.
Debtors, cash at bank, cash at hand e.t.c.

LIABILITIES

These are debt obligations or claims a business is supposed to pay. The debts pertain to outside persons or organization e.g. bank loans, creditors, bank overdraft e.t.c.

LONG TERM LIABILITIES

Are business debts that are payable after along period of time.

CURRENT LIABILITIES

Are those business debts that are payable with in a year e.g. creditors, bank overdrafts, accrued expenses

SOLVENCY

It's a business has more assets than liabilities. Its said to be solvent i.e. can meet its debts from its own resources.

But when the debts exceed Assets its said to be insolvent i.e. it can not settle its debts its own resources.

EXAMPLE I

The following information was supplied by Oscar and Cos as at

31st – Dec- 2001	Shs
Barclays loan	280,000
Furniture	350,000
Capital	2000,000
Premises	1150,000
Bank balance	8000

Motor vehicle	777000
Creditors	33000
Rent due	2800
Debtors	30800.

Calculate

(i) Value of fixed assets
(ii) Value of current Assets
(iii) Value of current liabilities
(iv) Value of working capital
(v) Value of capital employed

SOLN: OSCAR AND CO

BALANCE SHEET

Capital	2000,000	Furniture	350,00
		Buildings/premises	1150000
Barclays loan	280,000	Motor vehicle	777,000
		Debtors	30800
Creditors	33000	Bank balance	8000
Rent due	2800		
	2315.000		2315,8000

Value of fixed Assets

Premises	sh 1150,000
Furniture	shs 350,000
Motor vehicle	shs 777,000
	Sh

SALES PROMOTION AND CONSUMER PROTECTION

Sales promotion refers to attempts made by producer/traders to give tempers increase (boast) in the sale of the products. In other words sales promotion refers to measures used to publish, attract and commence consumers to buy goods and services.

Sales promotions therefore aims at increasing amount of goods and services sold. Sale promotion can be achieved through advertising, market research, use of loss leader, offering credit facilities, widow display, and discount samples among other.

Qn(a) with examples, explain the forms of sales promotion used by manufactures in Uganda.
(b) What are the services offered by advertising firm.
The following are the forms of sales promotion.

- Free sample. As the saying goes a good product promotes itself, producers may distribute free samples of their products to potentials customers. They expect most of those who receive sample to approve later they buy the product.
- Giving free gifts. This involves giving free gifts to any customers who buys the product of a specific value so as to encourage him to buy more. In Uganda, a free gift may give to maintain or encourages others to come and buy e.g. Caltex give a piece of soap, shell offers omo soap.
- Price reduction. This is an attempt by a producer to boost the sale of their products through temporary price reduction. The price reductions are made for a specific period of time to attract more customers. Its hoped that this new customers Credit facilities to boost the sale, a manufacturer may offer credit facilities to his trust worthy customers. Such customers are asked to pay at an agreed period say after a month or two.
- Sales drive (sales men) this is where sales men are employed to visit both potential and existing customers persuading them to buy or increase purchase of a product.
- Demonstration, this is where a manufacturer of a product organize public demonstration in a given area in order to promote his products. This is usually done to introduce anew product to the market for example if Nile breweries in Uganda in launching anew brand of beer it may organize people to match through the town with anew brand.
- After sales services. This is where customers are provided with services e.g. repairs or servicing which is done by a seller free of charge. This encourages customers to buy more products.
- By giving discounts such as cash and trade. This encourages costumers to say more of the product.
- Personal selling. This is where producers or traders employ the qualities of a good retailer such as honest and kind to his customer to increase the sale of goods and services.
- Provision of transport facilities
- Branding and packing.

ADVERTISEMENT

Advertisement refers to the spread or publication of information about goods and services available for sale to the general public. Advertising aims at attracting consumers' attention by stimulating them to buy goods and services.

VARIOUS MEDIAS OF ADVERTISEMENT

There are many different classifications of advertising among which are;

1) Informative advertisement. This is the type of advertisement which tries to inform the buyers that the type of goods or service exists. It therefore gives information about goods and services and it does not seek to induce/attract the buyer. It only informs consumers about new products, recent innovation about old ones e.g. cement is sold here, and fresh pork is available.
2) Persuasive advertisement. This type of advertisement tries to induce (attract consumers to buy a given product). It aims at creating the mind of consumers that a certain goods or service is superior to the other substitutes e.g. oris is the only international watch, there is not substitute “tiptop” Uganda aim line offers the best meals on the journey ever our competitors agree with this.
3) Competitive advertisement. This is like persuasive advertisement, it tries to attract customers to buy a given product or brand instead of that of other competitive firms. Competitive advertising is common among firm producing similar/related products e.g. Omo, Nomi, Toss e.t.c.
4) Collective/mass advertisement. This is when all the producers (manufactures) in an industry combine and advertise their products as a giving unit instead of each producer advertising its own product e.g. producers of can decide to advertise like this “Drink more beer” instead of Nile special, pilsner being advertised individually.
5) Direct advertisement. This is were an advert is directed to a particular class of people for example advertising Toys and direct than to babies, walking stick and directed to old people e.t.c.
6) Indirect advertisement. This is the type of the publication information about goods and services which is not directed to a particular class of people. It generally appeals to the majority of the people. Indirect advertisement is common where posters are used e.g. Disco, Kakira sugar is for me and you.

AIMS/FUNCTIONS OF ADVERTISING

Generally advertising is important in the following;

- Advertisement maintains the market for the firms products therefore increased sales.
- It educates the public about the quality size and use of the product available for sale.
- It creates and enlarges and widens market for the and services available for sale.
- Advertisement increases sales and therefore creates more profit for the manufacturer (producer)
- The advertisement creates employment for the working in advertising firm, e.g. on Radios, TVs, e.t.c.
- It creates and maintains the brand reforces.
- Advertisement is a source of income to the government e.g. government earns revenues by taxing advertising firms.

- Competitive advertisement causes the manufacturers to improve on the quality of the products.
- Advertisement also attracts a consumer to buy a given product.

ADVANTAGES OF ADVERTISEMENT TO CONSUMER

A consumer is a person who uses a commodity and it is the last man in the chain of distribution. Therefore advertisement is important to the consumers in the following ways as seen below.

- Through advertisement consumers get in touch with sellers
- Through advertisement consumers are educated on the use of quality and prices of the product.
- It informs the consumer about price changes for goods and services
- Through advertising consumer get to be convinced that money is spent on the best products.
- Advertisement loads to the production in a price of which is beneficial to the consumer.
- Through advertising consumer becomes a ware of goods and services available for sale.
- Through advertisement, consumers are in position to compare and contras different products.

DISADVANTAGES OF ADVERTISEMENT TO CONSUMER.

- Advertisement may encourage evils like smoking, sexual immorality e.g. Rex and sex for men prostitution.
- Some commodities advertised turns to be inferior to what one expected e.g. super deep.
- Advertising may be misleading e.g. Rex best of success
- When advertisement is competitive, price of goods and services, this directly affect the consumers
- Extensive (persuasive) advertising puts the manufacturer on top, this therefore leads to monopoly.
- Advertisement encourages luxury consumption which is hindrance to economic growth.

MERITS OF ADVERTISMENT TO PRODUCER

A producer is a first man in the chain of distribution and therefore advertisement is advantageous to him in the following ways.

PREPARATION OF ADVERTISNG AND CHOICE OF MEDIUM

Before advertising goods or service they must be on objective of advertisement i.e. the advertising the

1) Danger. Tomorrow your house may get fire, buy your insurance now.
2) Age. Every women has a right to be look young than she is e.t.c.

FACTORS CONSIDERED A MEDIUM OF ADVERTISEMENT

Before you choose a medium of advertisement, the following factors should be considered.

1) The cost of the medium. Advertise are always made on cheap medium e.g. a radio is preferred in compulsory to TV.
2) Flexibility of the media e.g. the radio covers appropriately the recent changes in prices unlike advance on films.
3) The number of people the media appeal to. Through posters, signpost, a few local people will be appeal while through the press, radio, TV many people receive the appeal.
4) Geographical coverage (area). Local adverts can be made through local stations where as international adverts can be done through internal radios like B.B.C.
5) The nature of the product e.g. sellers or dealers of technical goods like computer are advertised through medium like TV, Films e.t.c.
6) Special group of people e.g. A group of a scientist may get information about scientific research which it is advertised through scientific magazines.
7) The size of advertisement. This is through especially with posters, sign posters e.t.c. The bigger the advertisement the greater the impact and vice versa.
8) Frequency of the publication. E.g. Daily newspaper are sold on the same day, they are published e.g. the monitor, news paper, mirror e.t.c. which keep the public inform.
9) The age of the groups. Advertisement to young people should be through medias like TV straight talk papers e.t.c.

MEANING OF THE ADVERTSING MEDIA

These are elements that are sued in the advertisement of goods and services and they include the following.

1) Radios, TVs, window display, trade faire and exhibition

THE RADIO

The radio is the media of advertisement which is used in the spread of information about goods and services. Information is being broadcast life on Radio station such as Top radio, capital BBC, impact radio and e.t.c.

ADVANTAGES OF ADVERTISING OVER RADIO

- Advertisement broadcast over radio are often repetitive. These enables the consumers properly against and interpret the message.
- Advertisement over the radio accompanied with the music which is played within background during advertising programmed. And this attracts million of consumers.
- Radio advertisement has loud coverage or appealed therefore it reaches all the people all over the nation.
- Radio advertisement is verbal and a bills to both educated and illiterate
- Radio advertisement can be carried out in many native and foreign language
- Radio advertisements are all day running round the clock especially with private local radio stations that advertised through out the day.

DISADVANTAGES OR LIMITATION OF RADIO ADVERTISEMENT

- It is limited to those with radios.
- Commercial advertisements on the radio are limited because of congested radio programmes.
- To be effective, radio adverts should be repeated failure to repeat many consumers miss important information
- Un like TV, radio prospective customers can not see the product being advertised
- Radio broad casting advertisements are charged according to the time taken therefore it is expensive to advertise through the radio.
- Usually advertisements over the radio last for two (2) seconds which does not get room for the firm to advertise their products.

THE PRESS

This consists of the newspapers, magazines e.t.c.

ADVANTAGES OF PRESS

- It covers a wide area so that it can capture a good number of people.
- The press contains details of relevant fact or information which is needed about goods and services
- The press can be read and therefore understand well by very many people who are educated and not educated.
- The press has got a good frequency of publication e.g. quickly and monthly or years. This keeps the information up to date.

DISADVANTAGES OF THE PRESS

1) The press is abstracted by lack of efficiency means of transport so that wide areas may not receive the newspapers.
2) The press appeals to those who can read only.
3) Newspapers or magazines are expensive for the commoners to buy.

T.V (TELEVISION)

This can both be seen and heard by the audience the message being advertised can be directed to a specific audience by choosing the time of programme and the time of the day.

The audience can be directed in particular geographical areas by using local television station with the use of coloured television can be made more attractive in appearance than black and white.

Television advertising is very effective for technical which required demonstration e.g. WBS, UBC.

ADVANTAGES OF ADVERTISING OVER TELEVISION.

- Television advertisement is very effective because what is screened gives visual impression that can be remembered.
- The television educates people on the use and effectiveness of the product.
- Products advertised have clear vision simply means it can be seen easily
- The television gives pressure and adjustment to the people who view it.
- The television has ability to combines both songs and visuals

DISADVANTAGES OF ADVERTISNG OVER T.V.

- Television advertisement are expensive through they are only used by large scale manufacturers. Small retailers are left out because it is very expensive for them.
- Very few people have Televisions and there fore the majority of the people go without information about goods and services when advertised on the T.V.
- Television covers a limited geographical area and largely confined to urban areas.
- It is costed to prepare and run on advert over the T.V
- Television advertisement is convenient i.e. the basic time may not be convenient to the customers .i.e. customers not being present.
- Television advertisement favour people with money ignoring the poor in the rural areas because most rich people are found in town or Urban areas.

WINDOW DISPLAY

Window display is situations were goods are placed out side the shop near the doors or inside the shop but in transparent mirror to attract customers as they move.

ADVANTAGES OF WINDOW DISPLAY

- Through window display, customers are attracted which shopping and hence sales are increased.
- Customers are helped to have a selection of good they need to buy even before the actual day of buying.
- Through window display, customers are allowed great chance to buy a variety of good.
- Window display helps the sellers to increase sales by attracting more customers, this is because goods or items on sale are arranged in an appearing manner especially to the customers.
- Finally the practice gives the customers range and free choice of goods to buy especially due to smart arrangement which captures the customers mind.

DISADVANTAGES

- Window shopping encourage stealing of small items
- The method may not be an effective way of selling goods especially when the items are too many and over crowded on the window.
- It may cause the window class to be broken when this happens, sellers are forced to other unnecessary costs of repair.
- This practice limits the number of buyers due to the fact that only those who move around are the ones to buy.
- It is limited to only literate class of people.

TRADE EXHIBITION AND FAIR

A TRADE FAIR. Is a place where manufacturers and business men are gathered together normally for few days or weeks so as display their products no prospective buyers and stimulate trade inquiries. Producers or manufacturers organize exhibition to advertise their goods.

Trade fairs may be organized both of national and international level where products from different countries display what they produce for export.

Exhibition, Agricultural shows and trade shows are very in effective means of informing customers of available products.

The person of display goods on the show is not to sell them but to encourage businessmen to make inquiries however some selling is done.

IMPORTANCE OF TRADE FAIRS AND EXHIBITION TO THE PRODUCER

Useful information especially from customers (feed back) concerning a particular product by the manufacturer is got. This is before trade affairs bring people together and discuss about goods and services.

By taking part in trade fair or exhibition, a producer make his product known and encourage inquiries from the traders.

Expert advisor can be given by the producer and he may answer questions which may be asked by potential buyers.

IMPORTANCE OF TRADE FAIR EXHIBITION TO CUSTOMERS.

Consumers are able to see for themselves a large number of products and hence they make a choice

Consumers will have a chance to ask questions about goods displayed and get immediate answer

Some stands in the trade fair may not be necessarily be commercial but may be for educational value.

DISADVANTAGES OF TRADE FAIRS.

It is very expensive to organize a trade fair, structure needs to be constructed, electricity bills to be made.

In cost of catastophy (accident) a lot of goods can be spoiled e.g. motor vehicle accident e.t.c.

Trade fair exhibition or carried out in only specific areas e.g. Lukoko indoor or stadium therefore the rural population is left out and hence they don’t benefit out of it.

Trade fair tend to be wasteful incase where goods are not brought.

CONSUMER PROTECTION

Although consumers are expended to be very careful with examining any item that buy, sometime they failed to do so and hence they need protection which will only be successful on the following points.

Producers may use dangerous and inferior component in the production of their goods and so consumer’s protection is required to promote public health.

Some business is monopolized and the absence of competition they can charge high price and yet the quality of their goods and services will remain very poor.

Traders may use wrong measure weight which result into unfairness in business and hence consumers should be protected.

Sometimes the uses miss loading advertisement for goods which does not suit the purpose for which they are needed and therefore these should be checked up to safe guard the interest of the consumers.

Although customers are expected to buy and collect what they want, still the face a problem of making choice and hence consumers association should be formed to protect consumers rights and interest.

Some of the traders have a high bargaining power to promote their interests and therefore consumers being weak must be protected

Some traders may sell contaminated commodities, dangerous drugs to consumers therefore there is need for consumers protected to promote public health and welfare of individuals.

Some trader may supply expired food and drugs to consumers and they do so basing on consumers ignorance and therefore consumers' protection is need.

METHODS OF CONSUMER PROTECTION.

There several bodies which we do chock a consumer interest and the methods involved are as follows; -

1) Sells of goods act. 4A 93, the act provides, that sellers do not cheat the consumers by providing false supply of goods of inferior quality to the sample advertised.
2) Drugs and goods act. The act are prohibits the producers from including substances in their products that may be harmful to human life.
3) Weight and measures. The act assures that then producers have sold goods to consumers, their weight must be inspected to ensure that accurate measures are done. The ministry of commerce sends a representative to check on this.
4) Adversary price community. This community fixes prices for range of goods and service
5) Trade licenses. Traders will not be allowed to operate without a license.
6) Exchange control. Here the central bank can increase bank rate and high rate of interest discouraging borrowing by businessmen and only the right people can borrow.
7) Business association which are set up to promote. Certain standards of quality consumer goods and maintenance of high standard of advertising.
8) Consumers' organization. The consumers are protected by the organizations which are voluntarily set up by the consumers themselves to safeguard their interest. Every consumer is free to join by paying the membership fee.

QN (a) Present the care for the need of government protection of consumers in your Country today

(b) Discuss the methods used to protect the consumers.

…………… * * …………….