

Fountain

# Entrepreneurship

for Uganda Secondary Schools

## Teacher's Guide

*A Competency Based Approach*

Book  
4



Approved by MoES & NCDC



Fountain

# Entrepreneurship

for Uganda Secondary Schools

## Teacher's Guide

### Book Four

*A Competency-Based Approach*

Rogers Kalungi

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Fountain Publishers

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## Preface

This Teacher's Guide offers you an opportunity to facilitate learners perfect their acquisition of knowledge, skills, values, attitudes and understanding in this discipline. As a teacher, it will provide you guidance on how best to handle different learners to become active in the teaching and learning process. You will guide learners in brainstorming tasks and other learning activities, which will require learners to participate in hands-on activities for an enriched learning experience. You are required to facilitate the learning process in terms of acquisition of knowledge and skills necessary to lead learners into various professions.

There are learning activities where learners can engage each other to take responsibility of their own learning. Endeavour to involve all learners in doing different tasks and activities so that they are able to acquire knowledge, skills, values and attitudes needed in the world of work. Guide learners in doing activities that will help them develop critical thinking skills needed to solve problems, be creative, communicate effectively, and use available information and communications technologies in learning.

Encourage learners in doing all activities so that they are able to acquire life skills of cooperation, teamwork tolerance and many more others. The conversations and discussions that learners are involved in should help them shape their ideas in contributing to the wealth of knowledge. Allow learners to actively participate in group or pair work since these are moments for them to learn from each other as they share experiences.

Topics covered in senior one, two and three are not independent entities. They directly relate to the content the learner is going to cover at this level. Tell learners to brainstorm on the topic of risks in business that they covered in senior one. Tell them that it directly relates to insurance as a strategy to minimise them. More so, tell them that all operations in business associated with Entrepreneurship target production of goods that are practically exported, yet some of the resources used are imported giving rise to international trade. Therefore, as they explore this content, they should make reference to the previous topics covered in preceding classes.

# Sample Scheme of Work

School: Kameme Secondary School

Class: S.4

Name of the Teacher: Nathan Omollo

Subject: Entrepreneurship Education

Term: 3

WEEK	PERIOD	THEME/TOPIC	COMPETENCY	LEARNING OUTCOMES	TEACHING/ LEARNING RESOURCES	METHODOLOGY	REFERENCES	REMARKS
1 (6 <sup>th</sup> -10 <sup>th</sup> February 2023)	8	Business support Topic15: Tax compliance	The learner identifies and exploits the opportunities in the local and international market and complies with tax regulations	<ul style="list-style-type: none"> <li>The learners should be able to:</li> <li>Know tax compliance.</li> <li>Appreciate factors affecting tax compliance.</li> <li>Understands the elements of tax compliance.</li> <li>Know the disadvantages of non-tax compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Selection of case studies on tax compliance which illustrates tax compliance and non-tax compliance</li> <li>ICT tools and Internet connection to browse relevant information about tax compliance</li> <li>Suggest ways of improving tax compliance.</li> </ul>	<ul style="list-style-type: none"> <li>Learner-centered method through the following techniques:</li> <li>Group work will be used to develop communication, cooperation, and good listening skills</li> <li>Discussion will help in critical thinking skills</li> <li>Think-pair-share to develop the art of listening to another's opinion, and critical thinking (formative assessment enhanced)</li> </ul>	<ul style="list-style-type: none"> <li>Learner's Book</li> <li>Teacher's Guide</li> <li>Internet</li> <li>URA Tax Guide, 2015</li> </ul>	<ul style="list-style-type: none"> <li>Activities focus on:</li> <li>Discovery</li> <li>Explanatory</li> <li>Analysis and application</li> </ul>

# Sample Lesson Plan

School:	Kameme Secondary School	Date:	06/11/2025
Subject:	Entrepreneurship Education	Time:	8:00-9:20 a.m.
Teacher:	Nathan Omollo	Duration:	80 minutes
Class:	S4	Number of learners:	Boys: 17
Term:	3		Girls: 14

Theme:	Business support
Topic:	Tax compliance
Competency:	The learner identifies and exploits the opportunities in the local and international market and complies with tax regulations.
Learning Outcome(s):	Know the advantages of tax compliance.
Generic skill(s):	Critical thinking, problem solving, and communication.
Value(s):	National consciousness and patriotism.
Cross cutting issue(s):	Citizenship and patriotism.
Key Learning Outcome(s):	By the end of the lesson, learners must be able to know the advantages of tax compliance by using the Learner's Book, group discussion, presentation, and ICT tools to research and creating new knowledge.

## Pre-requisite Knowledge

**Learners already know about:** Government revenue, taxation and tax administration in Uganda covered in S1, S2 and S3 respectively.

**Learning materials:** Learner's Book, Uganda Revenue Authority.

**References:** LSC syllabus, Learner's Book, Teacher's Guide.

Time per phase 1	Teacher Activity: Observation, Conversation, Product (tick as appropriate to the lesson)	Learners' Activity: Discovery, Explanatory, Analysis and Application (tick as appropriate to the lesson)
Introduction: 15 Minutes	<ul style="list-style-type: none"> <li>• Take the attendance of learners.</li> <li>• Ask learners to briefly brainstorm about the elements of tax compliance.</li> <li>• State the objectives of the lesson.</li> </ul>	<ul style="list-style-type: none"> <li>• Respond to the teacher while taking attendance.</li> <li>• Give a summary of the elements of tax compliance.</li> <li>• Understand and appreciate the lesson objectives for the lesson at hand.</li> </ul>

<b>Development:</b> <b>55 Minutes</b>	<b>Assign</b> <ul style="list-style-type: none"> <li>• Activity 3.4: Debating about the advantages of tax compliance.</li> <li>• Visiting the nearby community to interview business people.</li> <li>• Engaging individuals on tax compliance.</li> <li>• Tell learners to debate the motion: "Entrepreneurs benefit more from tax compliance than non-tax compliance."</li> <li>• Relate the activity to the advantages of tax compliance and the disadvantages of non-tax compliance. Challenge learners to brainstorm the advantages and disadvantages of tax compliance.</li> </ul>	<b>Do the following:</b> <ul style="list-style-type: none"> <li>• Activity 3.4: Debating about advantages of tax compliance.</li> <li>• Debate the motion: "Entrepreneurs benefit more from tax compliance than non-tax compliance".</li> <li>• Relate the advantages of tax compliance, disadvantages of tax compliance and give opinions regarding tax compliance.</li> <li>• Present their work to the class as receive feedback.</li> </ul>
<b>Evaluation:</b> <b>8 Minutes</b>	<b>Ask learners to:</b> <ul style="list-style-type: none"> <li>• Suggest the advantages of tax compliance.</li> <li>• Identify the disadvantages of non-tax compliance.</li> </ul>	Learners write down their suggestions about. <ul style="list-style-type: none"> <li>• Advantages of tax compliance</li> <li>• Disadvantages of non-tax compliance</li> </ul>
<b>Conclusion:</b> <b>2 Minutes</b>	<ul style="list-style-type: none"> <li>• Choose some learners to sum up what they have understood from the lesson.</li> <li>• Identify the weaknesses that cause non-tax compliance in Uganda.</li> </ul>	<ul style="list-style-type: none"> <li>• Give a summary of what they have learnt.</li> <li>• Write down homework.</li> </ul>

## **Teacher Self-Assessment**

The teacher may conclude that the lesson was successfully taught because all the planned content was covered, the learners demonstrated mastery of the content through their working in teams to creatively generate solutions to the tasks , there was high level of collaboration and learners took with them an assignment activity for homework.

Or the lesson needs to be revisited in case he/she realises that the learners didn't capture the key lesson objectives.

The lesson phases may include: introduction, lesson development, lesson evaluation and conclusion.

## CHAPTER

1

# Insurance

(48 periods)



# INSURANCE

HEALTH



CARE

LIFE



HOUSE

### Reflective questions

Ask learners the following questions:

- i) Have you ever heard of insurance?
- ii) Which insurance products do you know or have used personally?
- iii) Do you know some examples of insurance companies operating in your local community or elsewhere in Uganda?
- iv) What do you think insurance companies do?
- v) Why do they exist?
- vi) Which services do they provide?

### Introduction

In this chapter, you are going to introduce learners to the concept of insurance, where they will appreciate the principles of insurance, its types, the various insurance documents, understand the steps to take up an insurance policy and settle a claim, and also appreciate the challenges facing the insurance industry and the possible solutions to those challenges. With all this done, they will understand and use insurance services.

In business, there are disasters, losses, risks, among others, and that is why insurance is one of the key elements in business. Business people always need some money they will turn to in case things go bad, or money to always help them in certain daily issues.

**Subtopic 1.1 Terms used in Insurance**

(09 periods)

**Keywords**

- actuaries
- assessors
- insurable risks
- insurance
- non-insurable risks
- pooling of risks
- premium
- sum insured
- underwriters

**By the end of this subtopic, the learner should be able to:**

- a) understand the meaning and importance of insurance.
- b) understand the basic terms used in insurance and the difference between types of insurance.

**Teacher preparation for the subtopic**

- Visit the ICT lab or library to ensure availability of computers and Internet or relevant books.
- Arrange for the right time when learners will be able to access the resources.

**Resources needed**

- |                           |               |
|---------------------------|---------------|
| ● ICT resources           | ● Internet    |
| ● Textbooks and notebooks | ● Flip charts |
| ● Masking tape            | ● Markers     |
| ● Case study extracts     |               |

**Teaching/Learning methods**

- |                          |                 |
|--------------------------|-----------------|
| i) Guided discussion     | ii) Research    |
| iii) Question-and-answer | iv) Exploration |

**Skills:** Teamwork and cooperation, problem solving, and communication, ICT proficiency.

**Values:** Hard work, patience, respect, social responsibility, and unity

**1.1.1 Meaning and importance of insurance**

As one attends school, starts a business or moves through life, they may incur a number of risks which they need to be protected against.

This can be achieved by spreading risk of economic loss among as many people as possible who are subject to the same kind of risk—thus insurance.

### Activity 1.1 *Discussing the meaning of insurance*

Organise learners in groups and guide them to:

1. Use the dictionary or Internet and discuss and agree upon the meaning of the term insurance.
2. Present their findings to the class.

#### **Teacher instructions**

- i) Prepare learners in groups to visit the ICT laboratory or library.
- ii) Guide learners on how to use ICT laboratory or the library.
- iii) Guide learners to follow the instructions given in the activity tasks.
- iv) Guide learners on the different websites or textbooks they can use to do the research.
- v) Facilitate learners to discover, explore, analyse etc. their findings (take care of the special-needs learners).
- vi) Ask learners to take note of their findings.
- vii) Ask learners to present their findings.

#### **Assessment strategy**

- i) Observe learners as they work in groups.
- ii) Converse with learners about the task while asking probing questions. This will help you build rapport with them and make learners understand the concepts better.
- iii) Observe learners as they present their findings to assess KUSVA.
- iv) Evaluate and supplement learners as they present their findings.

#### **Possible responses**

**Insurance** is the pooling of risks, an arrangement by which a company or the government takes to provide a guarantee of compensation for a specified loss, damage, illness, or death in return for payment of specified premium.

### **1.1.2 Importance of insurance**

Insurance has saved many lives, businesses and properties thereby ensuring steady growth of individuals, businesses and the country at large.

Therefore, while it is not always possible to prevent unwanted events from occurring, the financial world has developed products that protect individuals and businesses against such losses by compensating them with financial resources. This is through insurance.

**Activity 1.2    Explaining the importance of insurance**

Below is a dialogue between Akello and Mugisha. In groups, guide learners to write essays explaining the importance of insurance. They should use the library and internet resources to enrich their essays and share it in the class:

**Akello:** Hi Mugisha, Long time!

**Mugisha:** Hi Akello. Long time, indeed!

**Akello:** True, my business is keeping me so busy. I opened up a supermarket along **Entebbe road** and it's been growing overtime.

**Mugisha:** Woow, that was a good move! How do you ensure losses arising from theft and other risks? I also plan to invest in a supermarket.

**Akello:** Ohh, okay! Jubilee Insurance Company convinced me to join them. They told me they will help me concentrate on my business activity without spending more time on safeguarding my property.

**Mugisha:** Ohh, okay! That means they also give you a sense of security and safety of your business.

**Akello:** You're right, Mugisha. They also provide me with funds when I need money to expand my business. Additionally, I can easily get a bank loan with my business or stock insured.

**Mugisha:** That means, in a few years, you will even be able to open up other branches. My friend also told me insurance companies provide savings for future property in addition to providing financial protection to dependants in case of death of a breadwinner.

**Akello:** That is true, Mugisha. However, now I am late for a meeting with my insurance providers. It's been nice meeting you after a long time.

**Mugisha:** That's fine, Akello. Meeting you has been such a blessing to me. I have always wanted to know about the usefulness of insurance. Be blessed my friend. Enjoy the meeting.

**Teacher instructions**

- Guide learners on how to use ICT lab or the library.
- Guide learners on the different websites or textbooks they can use to do the research.
- Prepare learners in groups to visit the ICT lab or library.
- Guide learners to follow the instructions given in the activity tasks.
- Facilitate learners to discover, explore, explain etc. where necessary (take care of the special-needs learners).
- Ask learners to discuss and take note of their findings.
- Ask learners to present their findings.

**Assessment strategy**

- Observe learners as they work in groups.
- Converse with learners about the task while asking probing questions. This will help you build rapport with them and make learners understand the concepts better.

- iii) Observe learners as they present their findings to assess KUSVA.
- iv) Evaluate and supplement learners as they present the findings.

## Possible responses

### Importance of insurance

- **Provides payment for insured risks when they occur:** The uncertainty of paying for losses out of pocket reduces significantly, thus managing cash flow.
- **Gives a peace of mind,** thereby enabling investments of larger amounts of money.
- **Provides financial protection** to dependents in case of death of the breadwinner (life insurance).
- **Enables continuity of businesses** in case of life insurance.
- **Controls and reduces losses** through surveys, and provides risk improvement advice to the public and those insured.
- **Reduces individual burden on society**, such as education of the children after the death of the breadwinner.
- **Reduces the burden of loss** providing a form of social cooperation.
- **Protection for family members:** The standard of living for a family depends on the financial ability of its heads, so if when the heads of families face unexpected happenings such as death, severe injuries or chronic diseases, the financial hardships that follow are reduced by insurance.
- **It is a means of mobilising investment funds:** When insurance companies collect premiums, they invest them in many ways which generate profits. These profits made are used to pay claims when they occur.

### 1.1.3 Basic terms used in Insurance and the difference between types of insurance

It is very important to know the terms used in insurance. This makes one take up a policy they are sure of to avoid making mistakes in interpreting terms and conditions. Below are some of the basic terms used in insurance.

#### ① Pooling of risks

Many people join insurance and pay premium into a common pool or fund. It takes place at intervals. When a loss occurs, the insurer takes money from the pool of premiums and uses it compensate the unfortunate member. The remainder of the pool is invested; the burden of the loss is therefore shared among the members.

#### ② Insurer

This is the insurance company that accepts to manage the pool and compensate the insured in case of a loss.

#### ③ Insured

This is a person or organisation seeking to be covered against a risk or to be protected in the event of the insured risk happening.

**Activity 1.3 Identifying the terms used in insurance**

Guide learners to study the puzzle below and answer questions that follow it:

E	N	L	A	C	T	U	A	R	Y	H	M	M	S
V	B	I	K	L	M	N	O	I	Q	R	U	B	U
U	R	F	T	U	V	W	X	S	Z	T	T	E	M
S	M	S	M	N	M	O	N	K	C	A	N	N	I
T	L	M	G	A	N	D	E	A	R	W	O	E	N
C	O	I	N	S	U	R	A	N	C	E	B	F	S
T	S	G	U	N	E	G	E	O	R	G	O	I	U
P	S	O	T	R	M	B	I	Z	A	S	C	T	R
R	E	D	U	N	C	E	R	T	A	I	C	W	E
E	A	S	H	V	A	L	U	E	J	K	L	Q	D
M	N	S	E	N	T	R	E	N	E	W	A	L	S
I	M	H	D	E	V	E	L	O	P	M	I	G	E
U	O	E	L	O	N	D	A	M	A	M	M	O	A
M	I	A	S	S	E	S	S	O	R	N	T	D	V

**Task**

In groups, guide learners to:

1. Identify the terms used in insurance hidden in the puzzle.
2. Use library resources and the Internet to explain their meaning.
3. Let them share their work with the class.

**Teacher preparation**

- Make preparations for learners to access the textbooks from the library.
- Make copies of the puzzle in case the textbooks are not adequate.

**Teacher instructions**

- i) Guide learners to form groups and choose group leaders.
- ii) Guide learners on how to use library books.
- iii) Guide learners to follow the instructions given in the activity tasks.
- iv) Facilitate learners to discover, explore, analyse etc. (take care of the special-needs learners).
- v) Ask learners to discuss and take note of their findings.
- vi) Ask learners to present their findings.

**Assessment strategy**

- i) Observe learners as they work in groups and appreciate how well they work as a team.

- ii) Converse with learners about the task while asking probing questions. This will help you build rapport with them and make learners understand the concepts better.
- iii) Observe learners as they present their findings to assess KUSVA.
- iv) Evaluate and supplement learners as they present their findings.

## Possible responses

a) Insurance terms

- Premium
- Actuary
- Insurance
- Sum insured
- Risk

c) Other basic terms used in insurance

**Agent:** A person or a group of people selling insurance on behalf of an insurance company.

**Insurer:** The company which accepts risks after receiving premiums and pays claims.

**Insured:** The person who has taken insurance against various risks and who pays a premium for the insurance.

**Commission:** This is the money that is paid to agents or brokers who sell an insurance product on behalf of an insurance company. Commissions are paid by insurers.

**Excess:** This is the amount the insured is expected to make when making a claim. This amount is usually specified in the policy. It discourages the insured from making very small claims and instead meeting this cost themselves.

**Liability:** Your responsibilities for the adverse effects of your actions or lack of actions on others.

**Third party:** Any other person who may be affected by your actions, for example in a car accident, it would relate to damage to their car. In this context, it is well to recognise that the first party in an insurance policy is you, and the second is your insurance company, and the third is the other person or vehicle in the accident.

**Proposal:** This is the application form which you must fill in when you apply for insurance cover.

**Sum insured:** It relates to the value of goods at risk and this is the basis upon which the premium is calculated.

**Reinsurance:** This is when an insurance company insures a risk with another insurance company. This is done when the property handled is highly expensive to be handled by the original insurance company.

**Assessors:** These are specialists who determine what the insured receives in compensation when the loss occurs for the property insured.

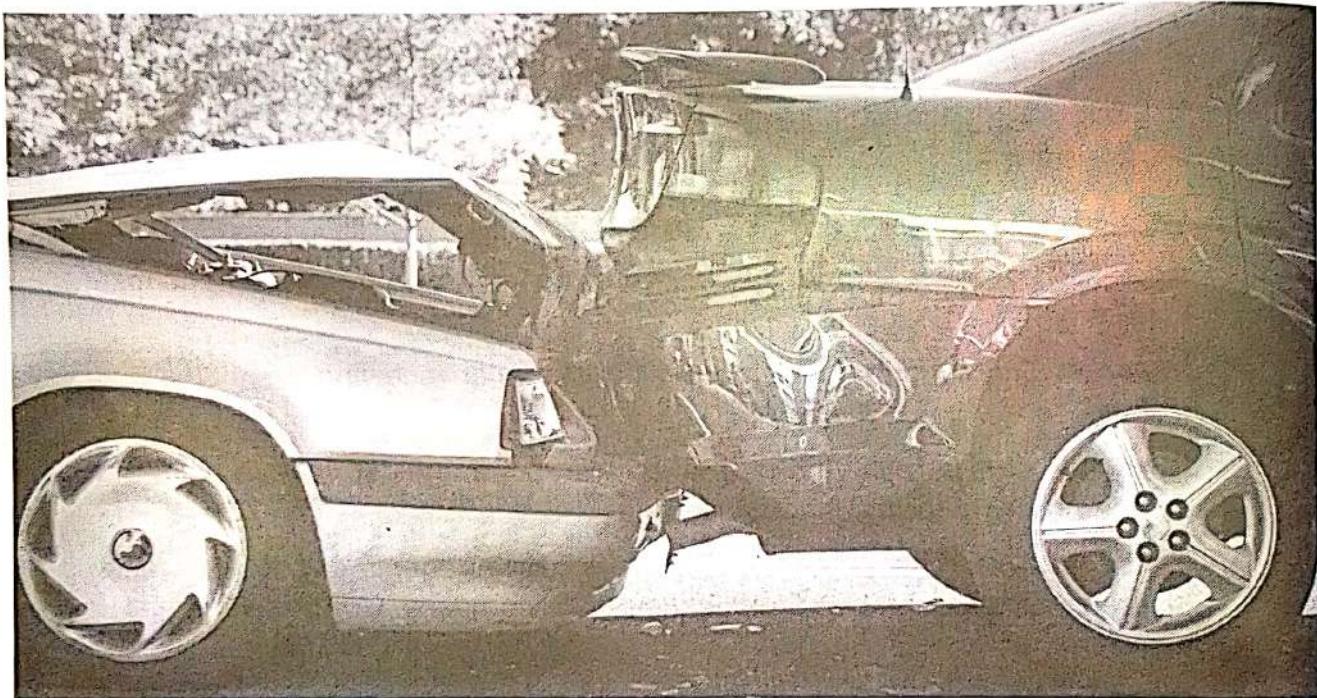
**Actuary:** This is a person who calculates the premium to be paid basing on the past statistics.

**Under insurance:** This happens when property insured is under declared or undeclared.

## Subtopic 1.2

## Principles of Insurance

(15 periods)



### Keywords

- contribution
- indemnity
- insurable interest
- proximate cause
- subrogation
- utmost good faith

By the end of this subtopic, the learner should be able to:

- a) understand the meaning and importance of insurance.
- b) understand the basic terms used in insurance.

### Teacher preparation for the subtopic

#### Resources needed

- ICT resources
- Textbooks and notebooks
- Markers and pens
- Internet
- Flip charts
- Masking tape

## Teaching/Learning methods

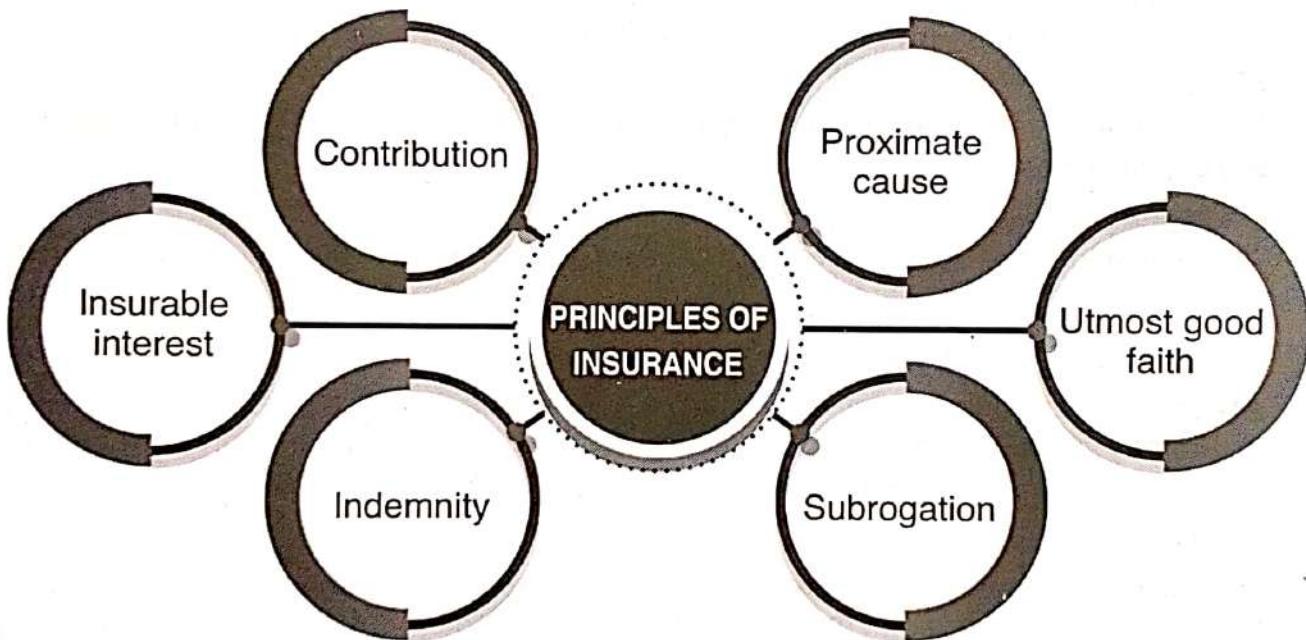
- i) Group discussion
- ii) Brainstorming
- iii) Research
- iv) Question-and-answer

**Skills:** Teamwork and cooperation, problem solving, and communication.

**Values:** Hard work for self-reliance, social harmony, respect for one another, and creativity and innovation.

## Introducing the principles of insurance

So many people wanting to take up insurance have many unanswered questions and myths. This means that one needs to understand the principles of insurance to be able to understand the circumstances and conditions within which one may be compensated by law.



The business of insurance aims at protecting the economic value of assets or life of a person. Through a contract of insurance, the insurer agrees to make good any loss on the insured property or loss of life (as the case may be) that may occur in course of time in consideration for premium to be paid by the insured.

**Principles of Insurance** are guidelines upon which insurance agreements are undertaken, and they are applicable to all types of insurance.

A proper understanding of these principles is therefore necessary for a clear interpretation of insurance contracts and helps in proper termination of contracts, settlement of claims, enforcement of rules and smooth award of verdicts in case of disputes.

Insurance contracts are subject to principles and they include the following:

### Principle of utmost good faith

It states that a person applying for insurance should disclose all relevant truth and material facts about the property being insured. It implies that in a contract of insurance, the concerned contracting parties must rely on each other's honesty.

## Principle of insurable interest

This states that one must insure something in which he/she has interest such that when a loss occurs to their property insured, the owner is bound to suffer. The owner of the property is said to have insurable interest as long as he/she is the owner. The policyholder must have a monetary interest in the property, which he/she has insured.

## Principle of indemnity

It states that insurance does not benefit a person but only restores one to his/her original position that he/she was in before the loss occurred. The insurer will pay only the amount of loss suffered by the insured. The principle of indemnity does not apply to life insurance and the principle does not allow the insured to make profits.

Compensation may include the following:

### ① Repair

The insurance company may repair the property.

### ② Replacement

If the damage is beyond repair, the insurance company may decide to completely replace the property.

### ③ Money

Compensation may be paid in cash depending on the nature of damage on the property insured.

## Principle of subrogation

According to this principle, after the insured is compensated for the loss due to damage to property insured, then the right of ownership of such property passes on to the insurer. This principle prevents the insured from making a profit out of his/her loss.

### Example

Jane was on her way to the workplace in her insured car when it was hit from behind by a lorry. It turned out that the lorry driver, Samuel, was drunk. In this case, Jane can claim compensation from the insurance company. Once Jane's car is replaced, then the scrap or remains of Jane's car will belong to the insurer.

## Principle of contribution

This states that if a person insures his/her property with more than one insurance company, in case of loss, each of these companies contribute to the loss but not exceeding the value of property. This principle of contribution enables the total claim to be shared in a fair way. In other words, one should not make profit from his/her policy.

## Principle of proximate cause

It states that there must be a fairly close connection between the cause of a loss and the actual risks insured against to enable the insured to seek compensation. This principle states that before any composition is made, the cause of the loss must be close to the actual risk insured. For example, if a car is insured against an accident, and it is later destroyed by fire, compensation will not be carried out, since there is no connection between the fire and accident.

**Activity 1.4 / Identifying the principles of insurance**

Organise learners in groups to:

1. Read the context in the table below and identify the principle of insurance that best matches it by filling in the blank boxes.

Context	Principle
Justine, a mother of two, took an accidental death policy. On her way to work one morning, she met her death in a fatal accident. The contract said that the compensation amount should be paid by the company. However, an investigation indicated that Justine's car was destroyed by fire. This meant that her claim was to be denied by the insurance company.	
Mr Smoker took a health insurance policy. At the time of taking it, he enjoyed taking liquor and smoking. After a year, he got lung cancer resulting from over smoking. In such a situation, the insurance company will not be liable to bear the financial burden as Mr Smoker concealed important facts.	
Muwonge is a sugar cane grower in Kamuli. His truck that he uses in ferrying sugar canes was involved in an accident that left it in pieces. Fortunately, he had insured his truck. His truck was replaced and the scrap of the truck taken by the insurer.	
Which principle of insurance prevents someone from insuring his neighbour's home?	
.....insurance principle requires the insured to give correct information.	
If Insurance Company A and Insurance company B are two insurers and they were covering equally the assets of Kitalya Senior School which got gutted by fire; in case of loss, each would contribute half of the compensation.	
Mr Kirya is a wholesaler of fresh milk in Kangulumira town. He had insured his milk cooling machine against damage with Aber insurance Company. However, the milk cooling machine was damaged by his teenage son who destroyed it by hitting it with a hammer to test its steel strength. In this case, Mr Kirya does not want to subject his son to any action. Hence the insurer is not obliged to make payment for the loss.	

2. Present their findings to the class.

## Teacher preparation

- Prepare the flip charts with markers that will be used in the lesson. Request the administration to avail them to you in time to avoid short notices.

## Teacher instructions

- Guide learners to form small manageable groups. The size of the groups will depend on the total number of learners in class.
- Guide learners to follow the instructions given in the activity tasks.
- Facilitate learners to understand the instructions where necessary (take care of the special-needs learners).
- Ask learners to discuss and take note of their findings.
- Ask learners to present their findings.

## Assessment strategy

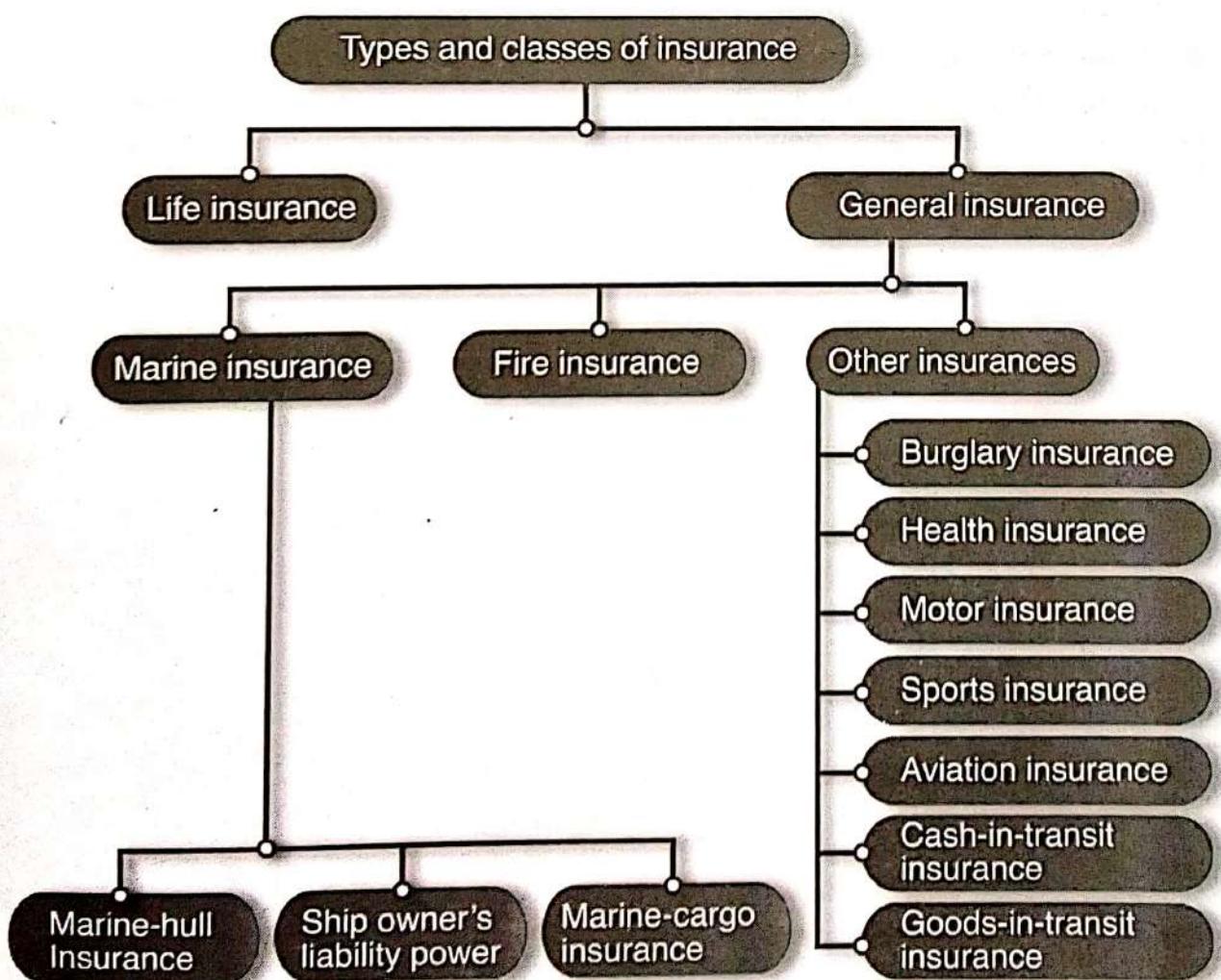
- i) Observe learners as they work in groups to note how well they communicate and integrate ICT in learning.
- ii) Converse with learners about the task while asking probing questions. This will help you build rapport with them and make learners understand the concepts better.
- iii) Observe learners as they present their findings to assess KUSVA.
- iv) Evaluate and supplement learners as they present their findings.

## Possible responses

Context	Principle
Justine, a mother of two, took an accidental death policy. On her way to work one morning, she met her death in a fatal accident. The contract said that the compensation amount should be paid by the company. However, an investigation indicated that Justine's car was destroyed by fire. This meant that her claim was to be denied by the insurance company.	Principle of proximate cause
Mr Smoker took a health insurance policy. At the time of taking it, he enjoyed taking liquor and smoking. After a year, he got lung cancer resulting from over smoking. In such a situation, the insurance company will not be liable to bear the financial burden as Mr Smoker concealed important facts.	Principle of Utmost good faith
Muwonge is a sugar cane grower in Kamuli. His truck that he uses in ferrying sugar canes was involved in an accident that left it in pieces. Fortunately, he had insured his truck. His truck was replaced and the remains of the wasted truck were taken by the insurer.	Principle of subrogation

Which principle of insurance prevents someone from insuring his neighbour's home?	Principle of insurable interest
.....insurance principle requires the insured to give correct information.	Principle of utmost good faith
If Insurance Company A and Insurance company B are two insurers and they were covering equally the assets of Kitalya senior school which got gutted by fire; in case of loss, each would contribute half of the compensation.	Principle of contribution
Mr Kirya is a wholesaler of fresh milk in Kangulumira town. He had insured his milk cooling machine against damage with Aber insurance Company. However, the milk cooling machine was damaged by his teenage son who destroyed it by hitting it with a hammer to test its steel strength. In this case, Mr Kirya does not want to subject his son to any action. Hence the insurer is not obliged to make payment for the loss.	Principle of indemnity

### 1.2.1 Types and classes of insurance



## Fire insurance

Fire insurance is an insurance policy that covers damage and losses caused by fire.



**Figure 1.1** Fire outbreak in a warehouse

Under fire insurance, there exists the following policies:

- ⦿ **Fire policy**

This insures property against fire breaks and destruction.

- ⦿ **Household insurance**

It provides covers for a dwelling house, and contents against fire and other specified perils, for contents against theft following a break-in, for portable items against all risks, for injuries of domestic workers sustained while at work as well as owners'/ occupiers' liability.

## Accident insurance



**Figure 1.2** Road accident involving a bus

Accident insurance contains the following:

**a) Motor insurance**

This policy insures risks that happen to vehicles and motorcycles against accidental losses.

This is a general insurance cover that offers financial protection to your vehicles from loss due to accidents, damage, theft, fire or natural calamities. It includes insurance of motor vehicles, such as private cars, commercial vehicles and motorcycles. It also covers injury caused to the insured resulting from an accident. This policy can be provided into two forms: third party policy and comprehensive policies.

**Activity 1.5** / *Researching differences between third party and comprehensive policy*

Guide learners in groups to:

1. Use the Internet or library resources to make a clear distinction between third party and comprehensive policy.
2. Share with the class in plenary.

**Teacher instructions**

- i) Guide learners on how to use ICT lab or the library.
- ii) Guide learners on the different websites or textbooks they can use to do the research.
- iii) Prepare learners in groups to visit the ICT lab or library.
- iv) Guide learners to follow the instructions given in the activity tasks.
- v) Facilitate learners to understand the instructions where necessary (take care of the special-needs learners).
- vi) Ask learners to discuss and take note of their findings.
- vii) Ask learners to present their findings.

**Assessment strategy**

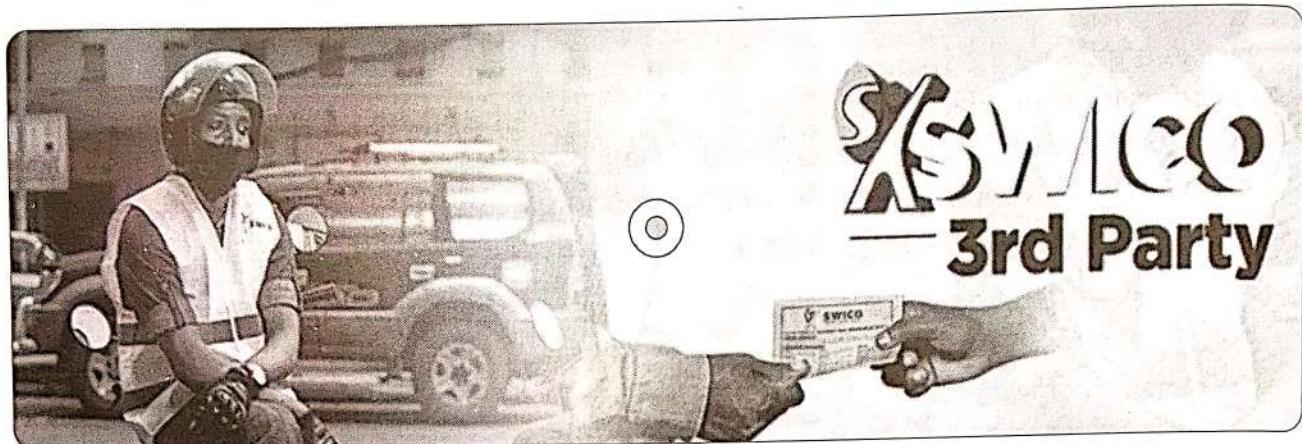
- i) Observe learners as they work in groups to appreciate how well they communicate and exhibit ICT skills.
- ii) Converse with learners about the task while asking probing questions. This will help you build rapport with them and make learners understand the concepts better.
- iii) Observe learners as they present their findings to assess KUSVA.
- iv) Evaluate and supplement learners as they present their findings.

**Possible responses**

**Third Party:** Covers third party bodily injury and property damage arising out of a motor accident.

**While**

**Comprehensive policy** covers third party liability and property damage to the vehicle, i.e. damage arising out of fire, theft and accidental damage to the vehicle.



**Figure 1.3 Third party policy in motor insurance**

**b) Personal accident insurance**

This is an insurance policy that covers an individual in case he/she sustains injuries or dies because of an accident.

**c) Accidental death cover**

This insures against permanent disability because of the accident, temporary total disability resulting in loss of income, and medical expenses because of an accident.

**d) Fidelity guarantee cover**

This is a cover that companies undertake because of what they are exposed to—significant financial losses annually—due to crimes committed by employees.

**e) Cash-in-transit cover**

This covers money while in premises in a locked safe, in hands of authorised employees, and in transit to and from the bank.

**f) Cash-in-safe overnight**

This safeguards money loss which is to be kept at business premises overnight. This is done because businesses cannot deposit money received at a time when banks are closed.

**g) Trade credit insurance**

It is also called bad debt policy. It protects businesses from non-payment of commercial debt.

**h) Aviation insurance cover**

Aviation insurance is insurance coverage geared specifically to the operation of aircraft and the risks involved in aviation. This covers risks and loss of property while travelling.

## Health insurance



**Figure 1.4 Health Insurance signpost**

Health insurance covers the costs of an insured individual's medical and surgical expenses.

Health insurance is designed to ensure that if you need medical treatment in future, you will not need to worry about paying for the cost of the treatment.

It gets you quick diagnosis and treatment, as well as offer you a prompt referral to a consultant, and admission to a private hospital at a time and place that is convenient.

### Activity 1.6 *Researching about factors considered in selecting a health insurance*

Guide learners in groups to:

1. Use the Internet and library resources to research and find out the factors considered when selecting a health insurance.
2. Share their findings with the class in plenary.

#### Teacher preparation

- Prepare the Internet in the computer lab or the available relevant books in the library.

#### Teacher instructions

- Guide learners to form small manageable groups. The size of the groups will depend on the total number of learners in class.
- Brief learners on how to make research.

#### Assessment strategy

- i) Observe learners as they work in groups.
- ii) Ask probing questions to learners as you converse with them about the task at hand.
- iii) Evaluate learners' output as you supplement accordingly.

**Activity 1.7*****Appreciating the benefits of life insurance***

Organise learners in groups and guide them to:

1. Design a poster that they will use as volunteers in their community to mobilise citizens to appreciate the benefits of life insurance.
2. They will present their poster to the class and explain how they are going to use it in their voluntary work in the community.

**Possible responses****LIFE INSURANCE**

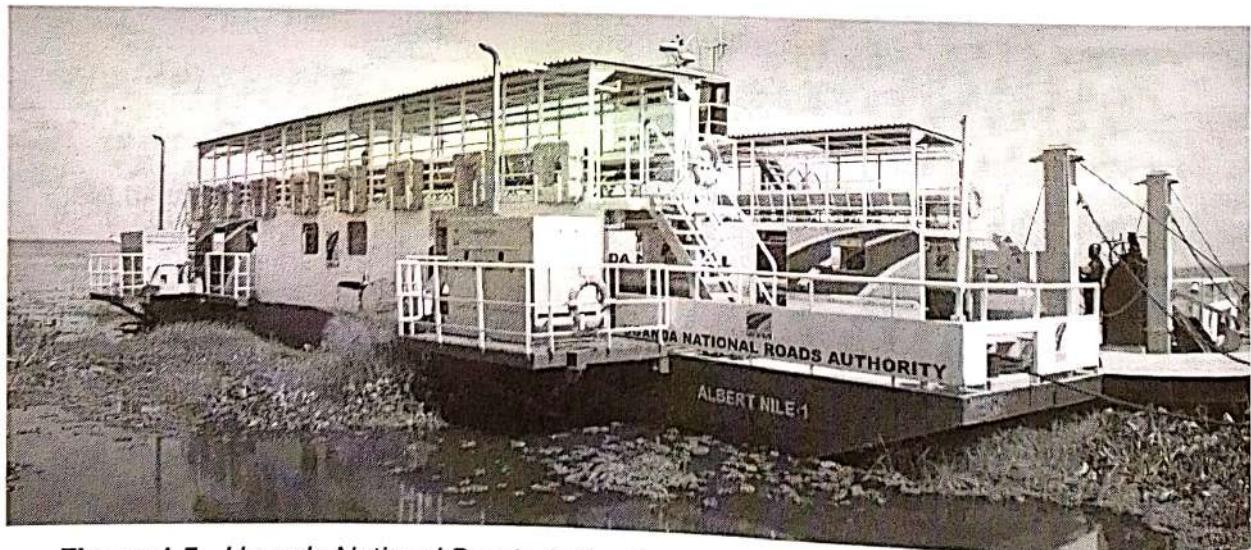
Life Insurance Payouts Are Tax-Free .....

Your Dependents Won't Have to Worry About Living Expenses .....

Life Insurance Can Cover Final Expenses .....

You Can Get Coverage for Chronic and Terminal Illnesses .....

Policies Can Supplement Your Retirement Savings.

**LIFE INSURANCE****LIFE INSURANCE****THE KEY TO A HAPPY AND STRESSFREE LIFE****TRY LIFE INSURANCE****Marine insurance**

**Figure 1.5 Uganda National Roads Authority marine insurance**

**Marine-hull insurance** refers to the insurance of water vessels, cargo and passengers involved against damage, injury, or loss due to water body disasters like storms.

Marine insurance includes the following types:

- **Marine-hull insurance**

Marine-hull insurance is an insurance policy specifically designed to provide coverage to water vehicles like a boat, ship, yacht, fishing boat, steamer etc. against damage or loss due to fierce storms and collisions. A hull means the body of the vessel.

- **Marine-cargo insurance**

Marine-cargo insurance covers property while in transit against loss or damage associated with the navigation of the water bodies like lakes, seas and other subways like canals.

- **Ship owner's liability policy**

This policy covers people's lives and cargo against damage or injury resulting from negligence in navigating the vessel.

### **Activity 1.8 Identifying marine insurance policies**

A Ugandan police official says at least 10 people have died in a boat accident on Lake Victoria. Police spokesman, Emilian Kayima, said late Saturday that police marine units had pulled 40 survivors from the water.

He added on, that the search and rescue efforts will continue overnight for others believed to be trapped under the water in the completely submerged boat. He gave no details on the cause of the accident. It was not immediately clear how many people were on board.

Boat accidents are increasingly becoming common on East Africa's major lakes, including Lake Victoria, which is surrounded by Tanzania, Kenya and Uganda. Over 200 people were killed in a Tanzanian ferry disaster in September, with officials saying it had been dangerously overcrowded.

*Source: <https://apnews.com/article/ec291fc5e9f6413599756bbeb558412>*

#### **Tasks**

Organise learners in groups and guide them to base on the above extract to:

1. Identify the marine insurance policies that can be undertaken by water transport operators in East Africa to minimise losses.
2. Present their findings to the class with explanations.

#### **Teacher preparation**

- Read and understand the case study, and ensure tasks are aligned to the learning outcomes.
- Prepare the flip charts, cards, and markers that will be used in the lesson. Request the administration to avail them to you in time to avoid short notices.

#### **Teacher instructions**

- i) Guide learners to form small manageable groups. The size of the groups will depend on the total number of learners in class.

- ii) Learners may be made to change groups and responsibilities if need be.
- iii) Ensure that learners have access to the case study.
- iv) Monitor learners as they read the extract and discuss it.
- v) Encourage active participation of all learners.
- vi) Guide learners to record their findings for presentation.
- vii) Assign abled learners to work with learners with special needs like those with audio and sight impairment.

### **Assessment strategy**

- i) Observe learners as they work in groups to note their ability to cooperate, communicate and solve problems.
- ii) Ask probing questions to learners as you converse with them about the task at hand.
- iii) Evaluate learners' output as you supplement accordingly.

### **Possible responses**

Let learners analyse and discuss the following marine policies:

- Floating policy
- Voyage policy
- Time policy
- Mixed policy
- Named policy
- Port risk policy
- Fleet policy
- Single vessel policy

### **Life Insurance**

Life insurance is a contract that offers financial compensation in case of death or disability. The insurer promises to pay an assured sum to your family in the event of death, disability or at a set time.

#### **Activity 1.9      Discussing the various forms of life insurance**

Organise learners in groups to:

1. Discuss and explain the various forms of life insurance. Use the Internet, library and newspapers.
2. Share their findings with the class.

### **Teacher preparation**

- Prepare available school resources that will provide more information about various forms of life insurance to the learners.

### **Teacher instructions**

- i) Guide learners to form small manageable groups.
- ii) Ensure that the Internet, library and newspaper resources are available.
- iii) Observe learners as they share their findings and encourage other learners to supplement.

## Subtopic 1.3 Insurance Documents and Process

(15 periods)

### Keywords

- claim form
- compensation
- cover note
- proposal form
- survey report

By the end of this subtopic, the learner should be able to:

- a) know the documents used in insurance.
- b) understand the steps to take upon an insurance policy.
- c) know the steps taken to settle a claim.

### Teacher preparation for the subtopic

- Make sure flip charts, markers and any other materials are prepared for use. Request the administration to avail them in time to avoid short notices.
- Support learners to explore a range of official documents used to carry out insurance transactions and contracts. Learners will understand well in a more practical approach. Avail visual, printed or digital aids. The documents discussed about are not common.  
As a teacher, it's your obligation to find them or where possible get learners to download them from the Internet.
- Seek permission from administration to take learners out to visit an insurance company.
- Prepare a questionnaire together with learners that will be used.

### Resources needed

- |                |                     |             |
|----------------|---------------------|-------------|
| ● Notebooks    | ● Pens              | ● Cameras   |
| ● Flip charts  | ● Markers           | ● Recorders |
| ● Masking tape | ● Library resources |             |

### Teaching/Learning methods

- |                      |                      |
|----------------------|----------------------|
| i) Group discussion  | ii) Research         |
| iii) Brainstorming   | iv) Guided discovery |
| v) Library resources |                      |

**Skills:** ICT proficiency, cooperation, problem solving, and communication.

**Values:** Critical thinking and problem solving, hard work, respect for one another, and creativity and innovation.

### 1.3.1 Documents used in insurance

Just like any other type of business, insurance uses its own unique documents to effect payment of premium, file and settle claims. Insurance documents mean all slips, cover notes, contracts, policies, certificates of entry or other insurance documents evidencing or constituting the Insurances from time to time in effect.

## Introductory activity

### Activity 1.10 Researching the insurance documents

Guide learners in groups to:

1. Research on the documents that are commonly used in the insurance industry.
2. Let learners visit any insurance company under your guidance and find out insurance documents used and get their samples where possible. OR Invite an official from any insurance company to share with the class about insurance document.

#### Teacher instructions

- i) Guide learners to form small manageable groups. The size of the groups will depend on the total number of learners in class.
- ii) Instruct learners to move with cameras and recorders where possible as they go to the field.
- iii) Put in place measures to support learners with special needs in the field, for instance the visually impaired, the lame among others. You can assign them able learners who can help them out.
- iv) Create remedial classes for learners with special needs to get a clear understanding of what was observed and learned in the field.

#### Assessment strategy

- i) Observe learners as they work in groups to appreciate their cooperation, and problem solving skills among others.
- ii) Ask probing questions to learners as you converse with them about the task at hand to encourage critical thinking.
- iii) Evaluate learners' output as you supplement accordingly.

#### Possible responses

##### Documents used in insurance

- Proposal form
- Insurance policy
- Cover note
- Claim form

##### Proposal form

This is given by the insurer to a prospective client proposing to take up an insurance policy. In this document, a relevant information regarding the property to be insured is revealed. In other words, the proposal form is the application for an insurance policy. The following details are indicated on the proposal form:

- ⦿ An application form for insurance cover
- ⦿ Forms the basis for insurance contract
- ⦿ Gives details of items to be insured
- ⦿ Answered in utmost good faith
- ⦿ Other details relevant to the items to be insured are also provided freely
- ⦿ Asks questions about the items to be insured
- ⦿ If the information given about the item is false, the effect is that the insurance policy/contract is rendered void

- ⑦ The information provided on it enables the insurer to assess the details of the risk, calculate fair premium and determine whether or not there is an insurable risk

### GROUP LIFE ASSURANCE PROPOSAL FORM

1. Name of Company: \_\_\_\_\_
2. Address of the Company: \_\_\_\_\_
3. Nature of Company's business (state all) \_\_\_\_\_
4. Total number of employees at inception of the scheme \_\_\_\_\_
5. Does any other company or association now carry or has any other company or association ever carried any form of Group Insurance on your members? : a) Yes  b) No
6. If so, submit detailed information on previous Group Insurance Coverage \_\_\_\_\_
7. Representative of the company with whom correspondence is to be made
8. Amount of first premium Tshs/USD \_\_\_\_\_
9. Effective date of cover \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_ (DD/MM/YYYY)

The company agrees to submit a schedule of all its members to Sanlam Life Insurance (Tanzania) Limited. A report must also be made of all new members joining the scheme after commencement date. The Company also agrees to pay the required premiums to Sanlam Life Insurance (Tanzania) Limited. However, please note that no insurance will be effective until: -

- a) This application has been approved and accepted by the company at its Head office.
- b) The first premium has been paid to Sanlam Life Insurance (Tanzania) Limited by the company.

Signed at \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_

Name of the Official of the Company

Signature / Official Rubber Stamp

**Figure 1.6 Example of a proposal form**

#### Cover note

A cover note is a temporary document issued by an insurance company that provides proof of insurance coverage until a final insurance policy can be issued. On payment of the first premium, the prospective insurer is issued a cover note before the policy is prepared.

It has the following details:

- It is a temporary insurance certificate.
- It is issued while investigations are in progress for pending issues of actual policy.
- It is used when immediate cover is required, for example motor insurance.
- It is issued after payment of first premium.
- It contains terms and conditions of the insurance contract.
- It is used to claim compensation in the event of an incurring loss.



# NATIONAL MUTUAL FIRE INSURANCE COMPANY LIMITED

Incorporated in Victoria

PRINCIPAL OFFICES IN UGANDA  
Plot 2 Nkrumah Road

No. 11507

## COVER NOTE

14/12/1960  
BRANCH: Vic.

INSURED:

J. W. Woods & Mrs B. Woods

ISSUED TO:

Insured

You are hereby held covered against loss subject to the usual conditions of this Company's  
Policy until 4 p.m. on 14 August 1960

unless Notice of Cancellation be given in the meantime.

On Contents of Dwelling £ 1000  
On £  
On £

CONSTRUCTION WALLS	ROOFS
BRICK	

TOTAL £ 1000

SITUATION: Let 2g/1 Cypress St. Lalonj.

OCCUPIED AS: Dwelling

PENDING  
REPLACING POLICY: Completion of proposed

WARRANTED NOT OTHERWISE INSURED.

842—4/60

Pro Manager

Figure 1.7 Example of a cover note

## The insurance policy

This document acts as a contract between the insured and the insurer. It gives all details and conditions of the policy. The focus area of the insurance policy includes:

- The policy is issued after a cover note.
- It is a contract of insurance.
- It gives details of the risk covered.
- It states premium to be paid.
- It contains terms and conditions that are applicable to the insurance contract.

### Activity 1.11 Researching on the format and features of an insurance policy

Organise learners in groups and guide them to:

1. Use the Internet and library to research on the format and features of an insurance policy.
2. A school has purchased a bus for Sh 200 million. As an insurer, design an insurance policy that can be taken to insure the bus against motor vehicle accident.

### Teacher instructions

- i) Guide learners to form small manageable groups with group leaders. Randomly form groups and avoid close friends in one group to minimise distractions. The size of the groups will depend on the total number of learners in class.

- ii) Guide learners on how to use ICT and library resources.
- iii) Guide learners to follow the instructions given in the activity.
- iv) Facilitate learners to discover, explore, and analyse the format and features of an insurance policy.
- v) Ask learners to note their findings.
- vi) Ask learners to present their findings in class.

### **Assessment strategy**

- i) Observe learners as they work in groups.
- ii) Ask probing questions to learners as you converse with them about the task at hand.
- iii) Evaluate learners' output as you supplement accordingly.

### **Possible responses**

#### **ABC INSURANCE COMPANY PRIVATE MOTOR POLICY**

Policy no: .....

The insured: .....

Address: .....

Period of insurance: .....

Sum insured: .....

Description of vehicle: .....

Shs: .....

Registration no: .....

Make and model: .....

Year of manufacture: .....

Engine no: .....

Extended cover: .....

No claim bonus: .....

Motor premium: .....

Chasis no: .....

Cubic capacity: .....

Seating capacity: .....

Named drivers: .....

Shs: .....

Shs: .....

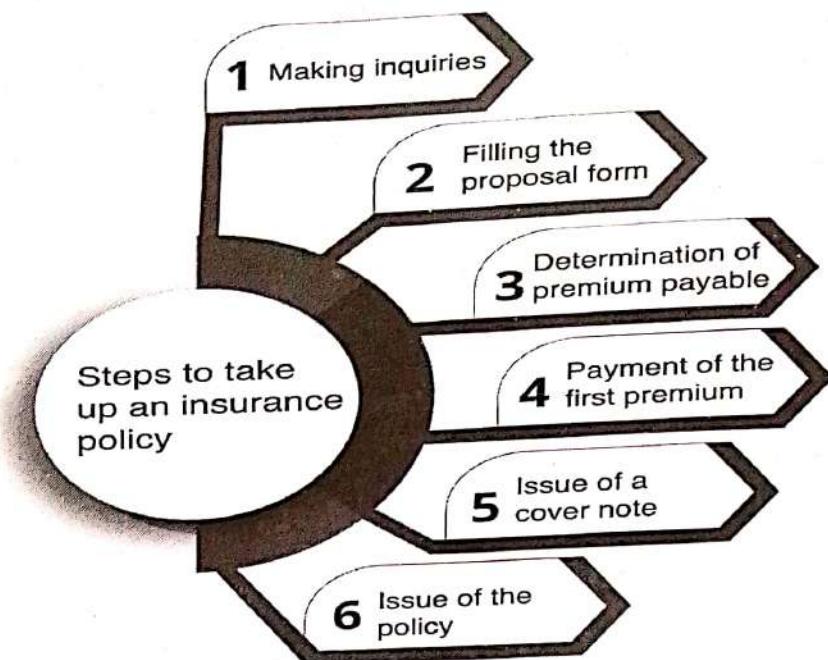
#### **Our agreement:**

In consideration of you having applied to us to insure your vehicle by a proposal and declaration which shall be the basis of this contract and having paid to us the premium in the policy schedule. We will insure you against loss, damage, or liability as described in this policy occurring during the period of insurance subject to the terms and conditions and endowments forming part of this policy.

**Figure 1.8 Example of the insurance policy**

### **1.3.2 Steps to take up an insurance policy**

Before taking up an insurance policy, one should have contractual capacity. We earlier noted that it's important for one to have an insurance policy in the capacity desired, but how does one go about obtaining it?



### Activity 1.12 Role-playing the steps to take up an insurance policy

In groups, learners:

1. Study the flow chart above.
2. Research on the steps taken to open an insurance policy indicated.
3. Identify an insurance policy you need to take up.
4. Role-play the steps taken to open up the insurance policy identified in (2).
5. Present their findings to the class.

#### Teacher instructions

- i) Work with learners to create a skit to role-play.
- ii) Guide learners to take up the different characters.
- iii) Guide learners to form small manageable groups. The size of the groups will depend on the total number of learners in class.
- iv) Guide learners on how to use ICT and library resources
- v) Guide learners to follow the instructions given in the activity.
- vi) Facilitate learners to discover, explore, and analyse the steps to be followed.
- vii) Encourage learners with special needs to be part of the role-play. This will make them feel noticed and appreciated.
- viii) Guide learners as they role-play
- ix) Ask learners to present their findings.

#### Assessment strategy

- i) Observe learners as they work in groups and role-play.
- ii) Ask probing questions to learners as you converse with them about the task at hand.
- iii) Evaluate learners' output as you supplement accordingly.

#### Possible responses

##### Procedure /steps of taking up an insurance policy

The following are the steps that are followed to apply for an insurance policy and they vary according to a particular insurance company and the policy involved:

**Making inquiries** about the policy desired.

**Filling the proposal form:** This is an application for insurance and it includes the name of the applicant, location and address of the business, policy required and all relevant information. All details about the property are given.

**Calculation of premiums:** After filling the proposal form, the insurance company calculates the premium and requests the entrepreneur to pay the premium.

**Issuing a cover note /binder:** After paying the premium, the cover note is issued by the insurer to act as proof that the premium is paid and accepted by the insurer.

**Issuing of an insurance policy:** The insurance policy is issued by the insurer within 30 days after payment of the premium. The policy acts as an agreement between the insured and the insurer.

### Claim form

This is the document filed by an insured while making a claim from the insurance company after incurring a loss for anything insured.

It asks questions about the risk insured, the loss incurred, details of the loss, date of the loss, a police report, policy number and cause of the risk.

The information given in it allows the insurance companies assessors to assess the cause of the loss and calculate the amount of compensation; and it is also completed in utmost good faith.

<b>AUTO CLAIM FORM</b>	
<b>PLEASE FAX ALL CLAIMS TO:</b> <b>Roshan Agency</b> <b>Tel:</b> +256 773 222 222 <b>0800 000 677 (Toll free)</b> <b>Or email to</b> roshan256@gmail.com	
<hr/> <b>Date of Accident:</b> _____ <b>Time:</b> _____ <b>AM/PM</b> <b>Police Dept Notified:</b> _____ <b>Case #:</b> _____	
<b>VEHICLE #1: (Insured's Vehicle)</b> <b>Type of vehicle:</b> _____ <b>Year:</b> _____ <b>Make:</b> _____ <b>Model:</b> _____ <b>VIN #</b> _____ <b>License Plate #</b> _____	
<b>DRIVER/NAME/ADDRESS/#:</b> _____ <b>Email Address:</b> _____ <b>Description of Damages:</b> _____ _____	
<b>Body Shop Information (If taken)</b> <b>Address:</b> _____ <b>Phone:</b> _____	
<b>VEHICLE #2: (other Vehicle)</b> <b>Insurance Info:</b> <b>Company:</b> _____ <b>Policy #:</b> _____ <b>Type of Vehicle:</b> _____ <b>Year</b> _____ <b>Make</b> _____ <b>Model</b> _____ <b>VIN #</b> _____ <b>License Plate #</b> _____ <b>Driver Info:</b> <b>Name</b> _____ <b>D/License #</b> _____ <b>Address:</b> _____ <b>City</b> _____ <b>State</b> _____ <b>Zip</b> _____ <b>Description of Damage to Vehicle:</b> _____ _____	

Figure 1.9 Example of a claim form

### 1.3.3 Steps taken to settle a claim

When you insure your life or property and then get a problem, you then need to claim for compensation of insured risk. The insurance claim process basically involves five main stages from the time you report the loss up to when the claim is resolved.

#### Activity 1.13 Settling an insurance claim

Organise learners in groups and guide them to refer to the insurance policy you took up in the previous activity 1.12 and:

1. Research and discuss the steps that your group will take to settle a claim with the insurance company when the insured risk occurs.
2. Present your findings to the class.

#### Teacher instructions

- i) Guide learners to form small manageable groups. The size of the groups will depend on the total number of learners in class.
- ii) Encourage active participation of learners.
- iii) Motivate learners with special needs to participate in the discussion.
- iv) Guide learners on how to go about the research work.
- v) Facilitate learners to discover, explore, explain, and analyse their findings.
- vi) Ask learners to share their findings with the class.

#### Assessment strategy

- i) Observe learners as they interact in their respective groups.
- ii) Engage them in conversations that allow critical thinking.
- iii) Evaluate the presentations, give feedback and wrap up.

#### Possible responses

##### Steps taken to settle a claim

1. The insured contacts the insurance company.
2. The insured completes a claim form giving details of the loss honestly.
3. The insured provides the necessary police report.
4. The insurer checks on the provision of the agreement to ensure that there is no breach of the contract.
5. The insurer considers if the loss is as a result of the risk insured.
6. The insurer assesses the loss.
7. The amount of compensation to be paid is calculated.
8. The insured is indemnified in accordance with the principle of indemnity.

**Subtopic 1.4****Challenges Facing the Insurance Industry (09 periods)****Keywords**

- corruption
- inflation
- insurance challenges
- insurance industry
- limited capital
- political instability

**By the end of this subtopic, the learner should be able to:**

- a) appreciate the challenges facing the insurance industry.
- b) know the possible solutions to the challenges faced by the insurance industry.

**Teacher preparation for the subtopic**

- i) Prepare the flip charts with markers that will be used in the lesson. Request the administration to avail them to you in time to avoid short notices.
- ii) Brief learners on what to research and how to use ICT or library resources.
- iii) Assist learners who may fail to locate the source of information.
- iv) Guide learners to discuss and explain the challenges facing insurance industry.

**Resources needed**

- |                |                  |                   |
|----------------|------------------|-------------------|
| • Notebooks    | • Learner's Book | • Teacher's Guide |
| • Masking tape | • Flip charts    | • Markers         |
| • Pens         |                  |                   |

**Teaching/Learning methods**

- i) Group discussion
- ii) Research and exploration
- iii) Brainstorming

**Skills:** ICT proficiency and cooperation, research skills, problem solving, and communication.

**Values:** Critical thinking and problem solving, hard work, respect for one another, and creativity and innovation

## Why the insurance industry faces problems

Now that learners have been exposed to insurance, let them reflect on why few people know and take up insurance policies?

The insurance industry is very old in Uganda. However, there are many justifications to explain why it has not fully embraced in controlling risks for life and property. Majority of the population are ignorant about it and view it as a package for the rich.

Insurers face several challenges when doing business. Some of these challenges are from customers while others are internal or from the insurance sector itself.

### Activity 1.14 / Identifying the challenges facing the insurance industry

Read the poem below and do the tasks that follow:

#### Save Insurance

Insurance, the heart of security and certainty,  
Destroyed to insecurity and uncertainty!  
Trust from customers destroyed  
Customer relationship destroyed  
As it provides uncertainty of payment  
Instead of certainty for trust and progress!

Insurance, the heart of respect and admiration,  
Has lost all respect and admiration!  
Spreading hopeful messages all over  
To give your life back when disaster strikes  
As it provides false hope  
Instead of hope for a good life!

Insurance, the heart of professionalism and sensitivity,  
Turned into unprofessionalism and insensitive!  
Some companies poorly managed  
Customers always complaining  
As it provides lies and frauds  
Instead of resolving issues!

Insurance, the heart of independency and stability,  
Interfered by government to dependency and instability,  
Unstable prices and bad roads  
The poor economy leading to adjusting the premiums  
As it provides decline in customer base  
Instead of uniting the customer base!

Save insurance  
Save livelihoods

## Tasks

Organise learners in groups and guide them to:

1. Identify and explain the challenges facing the insurance industry from the poem.
2. Use the Internet and library resources to find out other challenge facing the insurance industry that are not outlined in the poem.
3. Present your work to the class.

## Teacher instructions

- Guide learners to form small manageable groups. The size of the groups will depend on the total number of learners in class.

## Assessment strategy

- i) Observe learners as they work in groups.
- ii) Ask probing questions to learners as you converse with them about the task at hand.
- iii) Evaluate learners' output as you supplement accordingly.

## Possible responses

### Challenges facing the insurance industry in Uganda

**Low level of infrastructural development:** This limits access and mobilisation of potential customers.



Source: <https://www.eurekaafricablog.com>

**High premiums:** Most premiums are not affordable on some of the grants that pay for them unable to sustain the payments over a long period of time. This has left some customers only able to access cover policies when they are offered by employers.

**Limited payment methods:** Most of the available payment methods are through cash or via the bank. Customers sometimes endure queues or have to go to insurance outlets to make payments.

**Insurers do not follow up policyholders:** After purchasing a policy, there is no follow up from the insurance company and this makes it hard for customers to get updated information on their policies or receive a device on which alternative policies to purchase.

**Limited access to information:** Access to information and insurance services is mainly in urban areas. Customers from rural settings often must visit a branch centre to make payments or to inquire about their policies. Insurance field teams hardly reach out to rural locations to help potential customers especially farmers in understanding insurance and how to navigate its services.

**Poor customer care:** In some cases, brokers and agents have poor customer care when dealing with customers.

**Language barrier:** Most insurance documents are in English and not translated into local languages. This makes it difficult for customers that do not read English to understand these documents. Customers often have to involve brokers and agents to orally tell them about a policy of interest.

**Bureaucracy in the process of settling a claim:** The process of settling a claim is tedious and involves a lot of paperwork that makes the entire of it seem more of a problem and costly in regards to time.

**Some of the policies are not profitable especially those related to medical insurance:** Insurers sometimes end up making losses on some of the policies and this eventually affects their business.

**Sometimes payment of premiums for some clients is irregular:** Sometimes potential clients would like to purchase certain policies but propose payment terms that are not in line with the payment structure of the insurer. Although the insurer, in some cases, is able to accommodate some payment plans, other clients are lost because their payment plans may not be able to sit well with what the insurer proposes.

**Misuse of policy covers especially medical policies:** Customers sometimes connive with service providers and use the policy covers for other services that are later billed on the cover by the service provider, for example, a client may request for another medical service, or treat someone that is not covered by their policy and ask the service provider to bill the service on their policy.

**Service-related complaints that customers report to insurers:** While insurers enter into agreement with service providers to provide a certain service to clients at a required standard, sometimes the service providers either refuse to serve customers or offer poor services to them. The result is customers complaining about the policy and eventually not renewing it.

**Brokers and agents sometimes hold onto clients' premiums for a longer time than expected:** This sometimes affects the relationships insurers have with the brokers and sometimes the policy covers that clients hold.

**Seeming less important in insurance cover:** Most of the people in Uganda and East Africa are peasants who see less importance in insurance cover.

## 1.4.1 Possible solutions to challenges faced by the insurance industry

Government involvement is needed if challenges facing the insurance industry in Uganda are to be controlled. This is because a lot of legal procedures are involved in signing agreements and making compensations.

### Activity 1.15 *Finding out challenges faced by the insurance company and their solutions*

Guide learners in groups to:

1. Visit any nearby insurance company and find out:
  - a) The challenges the company is facing and compare them to those discussed in the previous activity (Activity 1.14).
  - b) How the company has minimised the challenges faced.
2. Write a report of the findings and present them to the class.

#### Teacher preparation

- Identify and visit the area in the nearby community where the activity will be conducted prior to learners' visit to verify existence of study interests.
- Inform the school administration, the local chairperson and the police about the visit.
- Engage learners in development of the interview guide or questionnaire.
- Prepare the flip charts with markers that will be used in the lesson. Request the administration to avail them in time to avoid short notices.

#### Teacher instructions

- Guide learners to come prepared for the field visit with the necessary requirements.
- Take learners to the community where the field study is going to be carried out.
- Guide learners in an orderly manner to ask relevant questions as designed on the questionnaire.
- Ensure the safety of the learners while in the field.
- Encourage learners to move with jackets, umbrellas depending on the weather conditions.
- Assign an able student to each special-needs learner for support in case they are there.

#### Assessment strategy

- i) Observe learners as they interact with the community in their study.
- ii) Ask probing questions to learners as you converse with them about the task at hand.
- iii) Ask learners to report their findings to the class.
- iv) Observe acquisition of knowledge, skills, values and attitudes in line with the learning outcomes.
- v) Evaluate learners' output as you supplement accordingly in a bid to harmonise their findings and presentations.

## Sample Activity of Integration

Fire outbreaks have of recent become so rampant in schools. Lukwata is a proprietor of Excellency Primary School in Kiboga district. He employs over fifty workers both in the teaching and non-teaching areas. The school owns two buses and three vans that are used for field trips and other transport needs. He is worried of how to secure his school from effects of fire outbreaks. At the same time, he owns a car garage where he keeps client's cars for repair especially when repair services are not complete. He is equally worried that with demonstrations which are so common these days, thugs might take advantage to vandalise the vehicles and even break and steal school property.



### Tasks

Guide learners to do the following:

- As a student of Entrepreneurship, in a write-up, advise Lukwata on the possible insurance policies that he can take up.
- Design a leaflet showing how Lukwata will benefit from taking up the relevant insurance policies, in (a) above.

### Evaluation Grid for the Sample Activity of Integration

Output	Basis of evaluation	Criteria 1: Relevance	Criteria 2: Accuracy	Criteria 3: Coherence	Criteria 4: Excellence
Write-up	<b>Insurance policies</b> <ul style="list-style-type: none"> <li>• Burglary insurance</li> <li>• Health insurance</li> <li>• Motor insurance</li> <li>• Cash-in-transit insurance</li> <li>• Goods-in-transit insurance</li> </ul>	7-10 connected policies (3) 4-6 connected policies (2)	7-10 correct policies (3) 4-6 correct policies (2)	7-10 systematically presented policies (3) 4-6 systematically presented policies (2)	Score (1) is given for exceptional presentation and cuts across the two bases of evaluation.

	<ul style="list-style-type: none"> <li>• Fire insurance</li> <li>• Motor comprehensive Insurance</li> <li>• Personal accident insurance</li> <li>• Loss of profits policy</li> <li>• Employers' liability policy</li> </ul>	1-3 connected policies (1)	1-3 correct policies (1)	1-3 systematically presented policies (1)	
	<p><b>Benefits of insurance</b></p> <ul style="list-style-type: none"> <li>• Lukwata will be provided with payment for covered losses when they occur.</li> <li>• Enables continuity of Lukwata's businesses.</li> <li>• Provides Lukwata with savings for future prosperity.</li> <li>• Controls and reduces losses that Lukwata would otherwise face.</li> <li>• Reduces the burden of loss that Lukwata would otherwise suffer alone. In this case, the losses are shared.</li> <li>• Lukwata can mobilise investment funds by borrowing from his insurance providers.</li> </ul>	6-8 connected benefits (3) 3-5 connected benefits(2) 1-2 connected benefits(1)	6-8 correct benefits (3) 3-5 correct benefits (2) 1-2 correct benefits (1)	6-8 logically presented benefits (3) 3-5 logically presented benefits(2) 1-2 logically presented benefits(1)	
	<ul style="list-style-type: none"> <li>• The insurance covers will provide Lukwata a legacy to leave behind</li> <li>• Lukwata gets a peace of mind due to assurance of protection provided by insurance</li> </ul>				
Total score		6	6	6	19

## Chapter Summary

In this chapter, the learner has learnt:

- Meaning of insurance
- Importance of insurance
- Basic terms used in insurance
- Principles of insurance
- Types of insurance
- Documents used in insurance
- Steps to take up an insurance policy
- Steps taken to settle a claim
- Challenges facing the insurance industry
- Possible solutions to the challenges faced by the insurance industry

## Sample assessment for learners

Task learners to do the following in their free time:

1. Visit any two businesses of your choice operating in your community and find out:
  - a) If they are insured. If insured, what benefits are they enjoying from being insured?
  - b) If not insured, find out why they are not insure and how it's affecting them.
2. In your community, there are many businesses that are not insured. In a write-up, interest the owners of those businesses to insure them.
3. Omule is a resident of Moroto town. He carries out many activities including trading and agriculture. He has a family with 4 children who still go to school, and elderly parents and a hotel near Kidepo National park. However, he is not using any insurance policy. Guide Omule on the possible insurance policies that he should take on explaining each for him to understand it.
4. The Ministry of Works and Transport has built new ferries and ships to improve inland water transport and business with neighbouring countries. Design a poster showing the different insurance policies that the ministry must undertake to mitigate losses that may occur to the new ferries and ships.
5. Team up with your classmate and design one insurance document needed for motor vehicle insurance.
6. Mrs Mukwaya Cash took up a comprehensive motor insurance policy in an insurance company in her neighbourhood. On one fateful evening, she got involved in an accident that left her car destroyed. On a leaflet, present the steps that Mrs Mukwaya Cash can follow to claim for compensation of her car.
7. The services of insurance companies are a requirement in the world of business and social safety; however, the products of insurance are still unknown and accessed by fewer people:
  - a) Prepare a write-up on the challenges that the insurance industry is experiencing in Uganda.
  - b) Advise the insurance industry on the possible solutions to the challenges they are facing.

**CHAPTER**

**2**

# **International Trade**

**(48 periods)**



## **Introduction**

In this chapter, learners are going to identify and exploit business opportunities on the international market. In order to achieve this, they will explore the meaning of international trade, identify forms of international trade, appreciate the need for international trade, explain the Incoterms, identify and explain the documents used in international trade, give the tools used to control international trade, explain the factors that limit international trade, describe export and import trade, and appreciate regional cooperation.

**Keywords**

- absolute advantage theory
- balance of payments
- comparative advantage theory
- exchange rates
- export trade
- import trade
- international trade
- invisible trade
- regional cooperation
- terms of trade
- visible trade

**By the end of this chapter, the learner should be able to:**

- a) understand what is meant by international trade.
- b) know forms of international trade, including e-commerce.
- c) understand reasons for international trade and the various challenges it presents.
- d) know international commercial terms (Incoterms).
- e) understand the documents used in international trade.
- f) know the commercial tools used to control international trade.
- g) understand the factors affecting international trade.
- h) understand the requirements for export and import trade.

**Teacher preparation for this subtopic**

- Prepare the flip charts, cards, and markers that will be used in the lesson. Request the administration to avail them to you in time to avoid short notices.

**Teacher instructions**

- i) Guide learners to form small manageable groups. Randomly form groups and avoid close friends in one group to minimise distractions. The size of the groups will depend on the total number of learners in class.
- ii) Brief learners about the activities they have to carry out and how long they should take.

**Resources needed**

- Masking tape
- Flip charts
- Notebooks
- Pens
- Markers

**Skills:** Critical thinking, cooperation, problem solving, and communication.

- . **Values:** Respect for humanity, hard work, respect for one another, creativity and innovation, and social harmony.

**Introducing international trade**

Ask learners to reflect on the label of a product they have ever bought from a shop or supermarket. Let them know that there is always an indication of the country of origin. This means some of the goods they use are produced domestically within the country while others are from outside the country. Equally, some of the goods produced in Uganda are sold to other countries.

Let learners realise that countries depend on each other for raw materials and goods for consumption. Additionally, different countries are gifted with different resources and can hardly produce all the goods they need to survive thereby necessitating international trade. Other times, countries produce beyond what citizens can consume. This, therefore, forces them to sell the excess to other countries to reduce wastage. This results into international trade.

## 2.1.1 Meaning of international trade

### Activity 2.1 Defining international trade

Guide learners in pairs to,

1. Brainstorm and agree upon a statement that clearly describes the meaning of international trade.
2. Write the statement on a card and display it on the class.
3. Share their statement with the whole class for discussion.

### Assessment strategy

- i) Observe learners as they work in groups.
- ii) Ask probing questions to learners as you converse with them about the task at hand.
- iii) Evaluate learners' output as you supplement accordingly.

### Bilateral and multilateral trade

During international trade, goods and services are moved across the boundaries of a country. In this case, some goods are brought into the country while others are leaving the country.

International trade can be between two countries and in that case it is known as **bilateral trade**. It can also involve more than two countries trading amongst themselves and this is called **multilateral trade**. Uganda internationally trades with a number of countries both within the region and overseas.

### Activity 2.2 Researching and brainstorming on Uganda's major exports and imports

Organise learners in groups and guide them to:

1. Research, brainstorm and identify:
  - a) Uganda's major exports
  - b) Uganda's major imports

	<b>Major exports</b>	<b>Major imports</b>
1.	Coffee	Petroleum products
2.		
3.		
4.		
5.		

2. Present their findings to the class.

### Teacher instructions

- i) Prepare the research tools for learners to use to research, brainstorm and identify Uganda's major exports and imports.
- ii) Guide learners to form small manageable groups. Randomly form groups and avoid close friends in one group to minimise distractions. The size of the groups will depend on the total number of learners in class.
- iii) Brief learners about the activity they have to carry out and how long it should take.

## 2.1.2 Forms of international trade

There are different forms of international trade involving goods bought from other countries (imports) or goods sold to other countries (exports). This gives rise to export trade and import trade.

### • Exports trade

Exports are goods or services produced locally and sold to citizens of other countries. Export trade is therefore the selling of locally produced products to other countries, for example, Uganda produces fish and sells it to Democratic Republic Congo (DRC), processes maize and sells it to South Sudan among others.

### • Import trade

Imports are goods and services legally bought by a certain country from other countries. Import trade is therefore the buying of products from another country, for example Uganda buys most of her cars from Japan.

### Note

International trade can also be visible or invisible.

### • Visible trade

This involves buying and selling of tangible goods, such as coffee, vehicles, drugs among others. These can be touched and seen.

### • Invisible trade

This refers to exchange of services among countries, for example insurance, transport, medical services and banking services.

Other forms of international trade include;

### • Entrepot

This is a type of trade where goods are imported by a country for the purposes of re-exporting them to another country, for example Uganda imports petroleum products from Saudi Arabia and re-exports products to Eastern DRC, South Sudan and in other countries in the region.

## E-commerce



**Figure 2.1** Modern technology used in international trade

In the modern day trade, so many innovations have come up and one of them is e-commerce or electronic commerce. In this case, modern communication technology, computer networks and electronic data transmission or Internet is used in all international trade transactions.

Electronic commerce draws on technologies, such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems.

Modern electronic commerce typically uses the World Wide Web (www) for at least one part of the transaction's life cycle, although it may also use other technologies, such as e-mail.

### Activity 2.3 Debating about e-commerce

1. In groups, guide learners to use the library or Internet resources to:
  - a) Research on the meaning of e-commerce.
  - b) Describe the tools and gadgets used in effecting e-commerce
2. In a class debate, guide learners to form two groups: one opposing and the other proposing and debate the motion:  
“E-commerce has done more good than bad in promoting international trade in Uganda.”
3. Task learners to make a report and present it in class.

#### Teacher instructions

- Guide learners to form two groups for the debate.
- Guide them further to choose the debate chairperson, secretary and timekeeper.

- Encourage learners to note down important points from the debate.
- Ensure to wrap up the debate by highlighting the key points from the debate and earlier presentation.

### Assessment strategy

Observe the debate session and you interact with both opposers and proposers by asking probing questions on the motion to trigger their thinking.

## 2.1.3 Reasons for carrying out international trade

Let learners reflect on why Uganda imports and exports goods? In this section, learners are going to find out the reasons why Uganda participates in international trade and some of them include the following:

- i) Differences in natural resource endowments
- ii) Need to dispose of the surplus output
- iii) Need for specialisation
- iv) Differences in tastes and preferences among citizens of different countries
- v) Need to import modern technology and capital
- vi) Difference in skills
- vii) Difference in the cost of production

### Activity 2.4 Discussing the reasons for international trade

Organise learners in groups and guide them to use the Internet and the library to:

1. Discuss the reasons as to why countries participate in international trade.
2. Present to the class.

### Teacher instructions

- Guide learners to form small manageable groups. Randomly form groups and avoid close friends in one group to minimise distractions. The size of the groups will depend on the total number of learners in class.
- Allow learners adequate time to discuss and present their work.

### Assessment strategy

- i) Observe learners as they work in groups to appreciate their ICT skills.
- ii) Ask probing questions to learners as you converse with them about the task at hand to allow critical thinking.
- iii) Evaluate the presentations as learners present their work and allow them critique each other.

### Challenges associated with international trade

Trading internationally has challenges. This is because trading countries sometimes are not in the same location, have different social cultural backgrounds and use different currencies. This makes it difficult to enjoy benefits of participating in international trade.

Majority of countries in the world largely participate in international trade. However, it comes with a number of challenges. Use the case study below to explore these challenges.

### **Activity 2.5      Studying the case study about challenges associated with international trade**

Stewart is an importer of electronic products and exporter of diary products. He operates his business along Jinja road where he stocks the products ready for sale and export. He shared his experience in international trade where he noted that benefits would be so big, however exchanging currencies is a problem.

Each country has its own currency and exchange rates sometimes are not favourable. He further explained that with the outbreak of Covid-19, all countries went under lockdown, making transportation of goods very difficult.

Similarly, he noted that there is a lot of paperwork that delays transactions in the process.

He also sadly shared that sometimes communication is difficult due to different languages used, and to make it worse, some countries restrict the coffee he wishes to sell to them.

However, on a happy note, he explained that the country at large gets the opportunity to expose her goods and services to other countries.

### **Tasks**

Organise learners in groups and guide them to:

1. Use Steward's experience to discuss the challenges faced during international trade.
2. Suggest solutions to the problems faced in (a) above.
3. Present their work to the class.

### **Teacher instructions**

- Guide learners to form small manageable groups. Randomly form groups and avoid close friends in one group to minimise distractions. The size of the groups will depend on the total number of learners in class.
- Allow learners adequate time to discuss and present their work.
- Ensure that all learners have access to the case study.
- Guide learners on how long the activity should take.
- Facilitate learners to disclose challenges identified and suggest solutions to them.
- Ask learners to present their findings.
- Harmonise the learners' findings.

### **Assessment strategy**

- i) Observe learners as they work in groups.

- ii) Ask probing questions to learners as you converse with them about the task at hand.
- iii) Evaluate their products as they present their work.

## Possible responses

### Challenges associated in international trade

**Language differences:** There are many countries and various languages. This brings the problem of translating several documents involved.

**Distance:** The distance involved in foreign trade is far greater than in home trade. This contributes to high transport costs and the cost of maintaining representatives overseas.

**Currency differences:** All countries use different currencies from others. Price quotations in foreign trade are always in currency. This requires a trader to be knowledgeable about exchange rates of various currencies in the foreign exchange market.

**Documentation:** There is too much paperwork involved in foreign trade. These documents can be commercial or legal or both. Goods may not be permitted into another country without certain documents; export license is needed before one country's exports are permitted to enter another country.

**Risks:** There are many risks involved in foreign trade. These risks include damage of goods in transit, loss of goods along the way and some exporters/importers may fail to pay their bills.

**Tariff barriers among countries:** This makes some countries avoid dealing with countries imposing strict tariff barriers.

**Cultural differences and differences in tastes and preferences among citizens of different countries:** This determines which products to export or import from different countries.

**Long procedures involved in trade:** Many procedures, such as making inquiries, placing orders, getting license to import among others. All these delay international trade.

**Political instabilities and wars** in some parts of the world. Political instability and wars make acquiring imports and exporting to other countries difficult. Political instabilities increase the risk of trade due to risk of losing goods in transit from the importing and exporting country and loss of lives caught in the crossfire. This limits international trade.

### Solutions to the challenges faced during international trade

**Ensure political stability among trading countries:** Peace agreements should be made among countries to ensure peace and stability to allow smooth trading.

**Reduce bureaucracy** involved in meeting requirements for participating in international trade.

**Join regional cooperations** to reduce barriers to international trade.

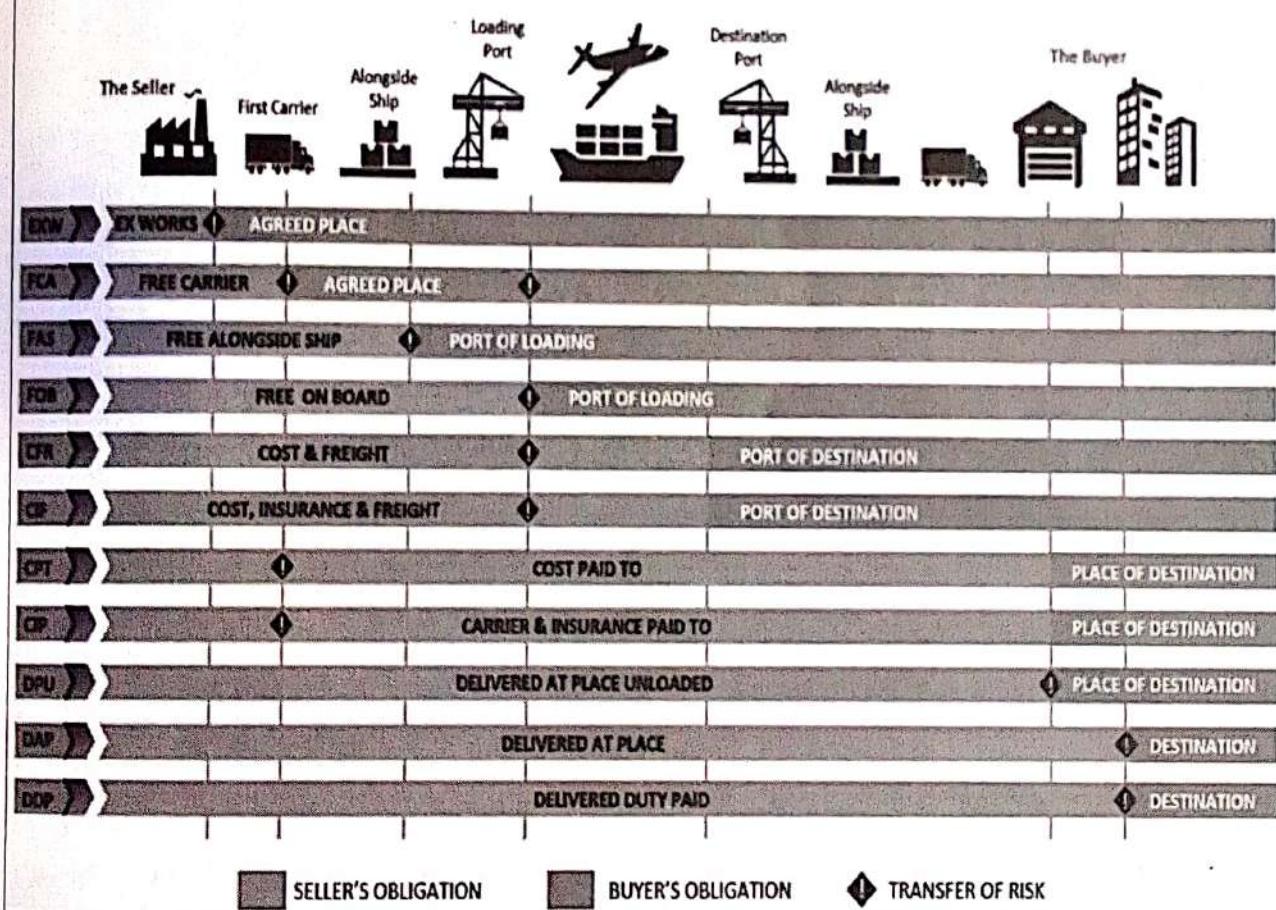
**Adopt a common language to be used by trading partners** and encourage its inclusion in the curriculum of trading countries, e.g Swahili for member countries in the East African Community.

**Develop and improve existing infrastructure** in terms of roads to ensure faster movement of goods.

## 2.1.4 Commercial terms used in international trade (Incoterms)

### INCOTERMS 2020

#### Point of Delivery and Transfer of Risk



Incoterms are an internationally recognised set of terms that define the responsibilities and obligations of the parties involved in the transport of goods. Incoterms are used to clearly communicate the division of the cost of carriage and risks associated with the international transportation and delivery of goods between the seller to the buyer.

Incoterms were first introduced in 1936 by the International Chamber of Commerce (ICC) as different practices and legal interpretations between traders around the world—necessitated a common set of rules and guidelines for interpreting the most commonly used terms in foreign trade. Incoterms are revised periodically, roughly every 10 years, by the ICC to conform to changing trade practices. In this book, we are going to consider the version of 2019. <http://tfig.unece.org/contents/icc-incoterms.htm>

Trade terms are used to indicate the division of tasks, costs, and risks in the delivery of goods from a seller to a buyer. Thus, through the use of Incoterms, the uncertainties of different interpretations of such terms in different countries can be mitigated. The best known Incoterms are indicated in the following table:

<b>Rules for any mode or modes of transport</b>	
EXW	Ex-Works
FCA	Free Carrier
CPT	Carriage Paid To
CIP	Carriage and Insurance Paid To
DAP	Delivered at Place
DPU	Delivered at place Unloaded
DDP	Delivered Duty Paid
<b>Rules for sea and inland waterway transport</b>	
FAS	Free Alongside Ship
FOB	Free On Board
CFR	Cost and Freight
CIF	Cost Insurance and Freight

These terms also fix the corresponding rights and liabilities of the seller and buyer to the trade contract.

### Activity 2.6 *Researching about commercial terms used in international trade*

Organise learners in groups and guide them to:

1. Use the Internet and business related books in the library to research and discuss the various Incoterms as displayed in the table above.
2. Present their findings to the class.

#### Teacher instructions

- i) Guide learners to form small manageable groups. Randomly form groups and avoid close friends in one group to minimise distractions. The size of the groups will depend on the total number of learners in class.
- ii) Guide learners on how to use the ICT lab or the library.
- iii) Guide learners on the different websites or textbooks they can use to do the research.
- iv) Prepare learners in groups to visit the ICT lab or the library.
- v) Guide learners to follow the instructions given in the activity tasks.
- vi) Facilitate learners to discover, explore, and explain where necessary (take care of the special-needs learners).
- vii) Ask learners to discuss and take note of their findings.
- viii) Ask learners to present their findings.

## Assessment strategy

- I) Observe learners as they work in groups to appreciate their cooperation and ICT skills.
- II) Ask probing questions to learners as you converse with them about the task at hand to encourage critical thinking.
- III) Evaluate the presentations while allowing learners to critique their responses and give a final wrap-up.

## Possible responses

### Commercial terms used in international trade

#### **EXW – Ex-Works**

This term spells out the seller's minimum obligation since he only has to place the goods at the disposal of the buyer. The buyer must carry out all tasks of export and import clearance. The seller is responsible for making goods available at its premises.

#### **FCA – Free Carrier**

This term means that the seller delivers the goods, cleared for export, to the carrier decided by the buyer at the named place. The seller pays for carriage to the named place but the risk is transferred once the goods are loaded on to the buyer's transportation.

#### **FAS – Free Alongside Ship**

This term means that the seller delivers when the goods are placed alongside the vessel at the named port of shipment. The seller is required to clear the goods for export. The buyer has to bear all costs and risks of loss or damage to the goods from that moment. This term can be used for sea transport only.

#### **FOB – Free On Board**

This term means that the seller delivers when the goods pass the ship's rail at the named port of shipment. This means the buyer has to bear all costs and risks to the goods from that point. The seller must clear the goods for export. This term can only be used for sea transport. If the parties do not intend to deliver the goods across the ship's rail, the FCA term should be used.

#### **CFR – Cost & Freight**

This term means the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination; but the risks of loss or damage, as well as any additional costs due to events occurring after the time of delivery, are transferred from seller to buyer. The seller must clear goods for export. This term can only be used for sea transport.

#### **CIF – Cost insurance & Freight**

The seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the cost and freight necessary to bring goods to the named port of destination. Risk of loss and damage are the same as CFR. The seller also has to procure marine insurance against the buyer's risk of loss/damage during the carriage. The seller must clear the goods for export. This term can only be used for sea transport.

**CPT – Carriage Paid To**

This term means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. The buyer bears all costs occurring after the goods have been delivered. The seller must clear the goods for export. This term may be used irrespective of the mode of transport (including multimodal).

**CIP – Carriage & Insurance Paid**

This term is the same as CPT with the exception that the seller also has to procure any mode of transportation.

**DAT – Delivered At Terminal**

This term means that the seller delivers when the goods once unladen from the arriving means of transport, are placed at the disposal of the buyer at a named terminal—at a named port or place of destination. "Terminal" includes any place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal. The seller bears all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination.

**DAP – Delivered At Place**

This rule may be used regardless of the mode of transport and may also be used where more than one mode of transport is utilised. DAP means the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of carriage ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.

**DDP – Delivered Duty Paid**

This term represents maximum obligation to the seller. This term should not be used if the seller is unable to directly or indirectly obtain the import license. This term means the same as the DAP term with the exception that the seller also will bear all costs and risks of carrying out customs formalities including the payment of duties, taxes and customs fees.

## 2.1.5 Documents used in international trade

Most transactions require documentation. Tell learners that some documentation has to be made if they are to receive a certain service or product be it in school settling, hospital among others.

Ask learners the documents they have ever filled or accessed in a bid to get a service or product.

Any international transaction involving trading has attached documents that are a requirement for trading. Such documents may be, but not limited to transfer of goods payments, transportation or shipment, insurance, to mention but a few.

**Activity 2.7*****Identifying the documents used in international trade***

Organise learners in groups and guide them to:

1. Use Internet or library resources to identify the features of the various documents used in international trade.
2. Present them to the class.

**An indent**

An indent is an order for goods placed through an agent of a foreign supplier under specified conditions of sale, the acceptance of which by the supplier (or the agent) involves a contract of sale.

**Imperial Stationary Ltd  
258, North Hampton Road, Manhasset NY 10847.**

January 4<sup>th</sup> 2022

Ms Mutebi Ann  
Mukono High School,  
P.O.Box 555,Mukono.

Dear Madam,

Thank you for ordering 15 cases of premium paper from Imperial stationary Ltd. Your order has been shipped and should reach you within the next five business days.

Find enclosed your total bill amounting to **\$794.85** and the cheque for **\$23.85** is your refund. Because you paid in advance, we are giving you 3 percent cash discount and we are also paying for shipping and handling.

Imperial stationary is pleased to add you on the list of its customers. We look forward to your next order.

Yours sincerely

*Orleans. S*

Customer Service

**Figure 2.2 A sample of an indent**

**Activity 2.8****Finding out about an indent**

Organise learners in groups and guide them to:

1. Use the Internet and any other source of information like the library and find out:
  - a) The features of an indent
  - b) Describe how an indent is used in trade
2. Present to the class

**Teacher instructions**

- i) Get samples of the indent from any clearing and forwarding agency to use in class.
- ii) Guide learners to form small manageable groups. Randomly form groups and avoid close friends in one group to minimise distractions. The size of the groups will depend on the total number of learners in class.
- iii) Guide learners on how to use the ICT lab or the library.
- iv) Guide learners on the different websites or textbooks they can use to do the research.
- v) Prepare learners in groups to visit the ICT lab or the library.
- vi) Guide learners to follow the instructions given in the activity tasks.
- vii) Facilitate learners to discover, explore, and explain where necessary (take care of the special-needs learners).
- viii) Ask learners to discuss and take note of their findings.
- ix) Ask learners to present their findings.

**Assessment strategy**

- i) Observe learners as they work in groups to note their teamwork spirit and cooperation.
- ii) Ask probing questions to learners as you converse with them about the task at hand to encourage critical thinking.
- iii) Evaluate the learners' products.

## Import clearance certificate

**UGANDA NATIONAL BUREAU OF STANDARDS**  
 The Uganda National Bureau of Standards (Import Inspection & Clearance) Regulations, 2015  
**IMPORTS CLEARENCE CERTIFICATE**

Certificate No.: Barcode

Name Of Importer:

Address:

Country of Origin United Arab Emirates

TIN:

Product Details:

No.	Product	Brand	Quantity	Unit
1				

Lot/Batch:

Customs Entry Number: TIN No:

Bill of Lading/Airway Bill/Certificate of Origin No.:

This is to certify that the product described above has been inspected by Uganda National Bureau of Standards and found to conform to requirements of the following Uganda Standard(s):

US: Other Standard(s):

Remarks:

Date:

Name of Authorized Officer : Signature and Stamp

**NOTE:**  
**THIS CERTIFICATE REMAINS THE PROPERTY OF UGANDA NATIONAL BUREAU OF STANDARDS AND IS VALID FOR ONLY THE CONSIGNMENT DECLARED ABOVE AT THE TIME OF ISSUANCE.**

**THIS CERTIFICATE SHALL BE AVAILED TO AUTHORITIES ON DEMAND**

Figure 2.3 A sample of an import clearance certificate

**Certificate of origin**

This document specifies where the goods imported are originating such that import duty may be calculated. It is necessary to know the country where goods come from because some countries have mutual understandings amongst themselves concerning free trade or reduced taxes.

EAST AFRICAN COMMUNITY CERTIFICATE OF ORIGIN HATI YA UASILI WA BIDHAH YA JUMUIYA YA AFRIKA MASHA			
1. Exporter (Name & Office address) Mafurishajji (Umoja na Arwani ya ofisi)	Serial No.: UD3403 Admission No.	Ref. No. Kumbu No.	<b>ORIGINAL</b>
2. Consignee (Name & Office address) Mpelekerwa (Umoja na Arwani ya ofisi)	EAST AFRICAN COMMUNITY		
3. Particulars of Transport Mawefu Kuhusu Usafiri wa kawaida	4. For official use Kwa muzungu za hifadhi za		
5. Marks and Numbers; number and kind of package, description of goods; Alama na Namba; namba na alama ya kifurusho, maelezo ya bidhaa	6. Customs Tariff No. No. Kumbu wa Fursa	7. Origin criterion (One section provided) Kuwa kwa... wa kifurusho	8. Gross weight or other quantity Umoja wa jumla na Islandi nyengine
10. DECLARATION BY EXPORTER/ PRODUCER/SUPPLIER Tumko la Mafurishajji/Mzalishi/Usafiri	11. CERTIFICATION OF ORIGIN Ushibikisha wa Umoja wa Bidhaa It is hereby certified that the above mentioned goods are of ..... Origin. Name: (Signature) Signature of Competent Authority (Saini ya Misimba/Usafiri)		
I, (name) ..... the undersigned, hereby declare that the above details and statements are correct; that all goods are produced in (country) ..... Place (Mashahid): ..... Date (Tarehe): ..... Signature of declarant (name): _____	Date (Tarehe): ..... STAMP/SEAL (Mukuri/Lakidi)		
(See overleaf for instructions)			

Source: <http://ugandaexports.go.ug/importfromuganda>

Figure 2.4 A sample of a certificate of origin

### Consular invoice

This is issued by the embassy of the importing country to the resident in the exporting country. A consular invoice builds trust between the buyer and seller and helps reduce the possibility that the seller (exporter) will overcharge the buyer (importer).

### Bill of lading

This is evidence of a contract between the sender and the shipping company arising out of carriage of goods. It contains all details of goods loaded on the ship like the type of goods, quantity, and destination of goods being carried. A bill of lading also acts as a shipment receipt when the carrier delivers the goods at a predetermined destination.

### Note

The goods which are accepted on the ship while damaged, get a dirty bill and goods delivered to the ship in good conditions get a clean bill.

Date:	<b>BILL OF LADING</b>						Page 1 of _____	
SHIP FROM								
Name:						Bill of Lading Number: _____		
Address:						BAR CODE SPACE		
City/State/Zip:								
SID#:						FOB: <input type="checkbox"/>		
SHIP TO								
Name:						Location #: _____		
Address:						CARRIER NAME: _____		
City/State/Zip:						Trailer number: _____		
CID#:						Seal number(s): _____		
THIRD PARTY FREIGHT CHARGES BILL TO:						SCAC: _____		
Name:						Pro number: _____		
Address:						BAR CODE SPACE		
City/State/Zip:						Freight Charge Terms: (freight charges are prepaid unless marked otherwise)		
SPECIAL INSTRUCTIONS:						Prepaid <input type="checkbox"/> Collect <input type="checkbox"/> 3 <sup>rd</sup> Party <input type="checkbox"/>		
						<input type="checkbox"/> Master Bill of Lading: with attached underlying Bills of Lading		
(check box)								
CUSTOMER ORDER INFORMATION								
CUSTOMER ORDER NUMBER		# PKGS	WEIGHT	PALLET/SKID (CIRCLE ONE)		ADDITIONAL SHIPPER INFO		
				Y	N			
				Y	N			
				Y	N			
				Y	N			
				Y	N			
				Y	N			
				Y	N			
				Y	N			
<b>GRAND TOTAL</b>								
CARRIER INFORMATION								
HANDLING UNIT		PACKAGE		WEIGHT	H.M. (X)	Commodities requiring special or additional care or attention in handling or stowing must be so marked and packaged as to ensure safe transportation with ordinary care. See Section 2(a) of NMPC Item 360	LTL ONLY	
QTY	TYPE	QTY	TYPE				NMFC #	CLASS
RECEIVING STAMP SPACE								
<b>GRAND TOTAL</b>								
Where the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property as follows: The agreed or declared value of the property is specifically stated by the shipper to be not exceeding _____ per						COD Amount: \$ _____ Fee Terms: Collect: <input type="checkbox"/> Prepaid: <input type="checkbox"/> Customer check acceptable: <input type="checkbox"/>		
<b>NOTE Liability Limitation for loss or damage in this shipment may be applicable. See 49 U.S.C. § 14706(c)(1)(A) and (B).</b>						The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges.		
						Shipper Signature		
RECEIVED, subject to individually determined rates or contracts that have been agreed upon in writing between the carrier and shipper, if applicable, otherwise to the rates, classifications and rules that have been established by the carrier and are available to the shipper, on request, and to all applicable state and federal regulations.			Carrier acknowledge receipt of packages and required placards. Carrier certifies emergency response information was made available and/or carrier has the DOT emergency response guidebook or equivalent documentation in the vehicle. Property described above is received in good order, except as noted.					
SHIPPER SIGNATURE / DATE <small>This is to certify that the above named materials are properly classified, packaged, marked and labeled, and are in proper condition for transportation according to the applicable regulations of the DOT.</small>			Trailer Loaded: <input type="checkbox"/> By Shipper <input type="checkbox"/> By Driver Freight Counted: <input type="checkbox"/> By Shipper <input type="checkbox"/> By Driver/pallets said to contain <input type="checkbox"/> By Driver/Pieces			CARRIER SIGNATURE / PICKUP DATE <small>Carrier certifies emergency response information was made available and/or carrier has the DOT emergency response guidebook or equivalent documentation in the vehicle. Property described above is received in good order, except as noted.</small>		

Figure 2.5 A sample of a bill of lading

## Packing list

Packing list is a document that includes details about the content of a package. In international trade, it is a description of the goods being exported or imported.

The packing list is intended to let transport agencies, government authorities, and customers know the contents of the package.

<b>Company Name/Logo</b>		<b>PACKING LIST</b>				
<b>SHIP FROM</b>						
Company Name Street Address City, ST ZIP Phone: 000-000-0000 Fax: 000-000-0000 Email: name@company.com		SHIP DATE: 6/11/2021 SALES ORDER #: 12345 ORDER DATE: ORDER EMAIL: PO #: <b>CARRIER:</b> FEDEX FREIGHT, INC TRACKING #: 1234567890				
<b>SHIP TO DESTINATION</b>		<b>BILL TO</b>				
Name Company Name Street Address City, ST ZIP Phone		Name Company Name Street Address City, ST ZIP Phone				
<b>PALLET #</b>		<b>CONTENTS</b>	<b>WEIGHT (LB)</b>	<b>LENGTH (FT)</b>	<b>WIDTH (FT)</b>	<b>HEIGHT (FT)</b>
123456789		18 Packages	454	4	4	3
		<b>TOTAL WEIGHT:</b>	<b>454</b>			
<b>PACKING LIST SUMMARY</b>						
<b>PACKAGE #</b>	<b>DESCRIPTION</b>	<b>SKU</b>	<b>QTY</b>	<b>WEIGHT (LB)</b>	<b>LxWxH (IN)</b>	
1-9	Product A Product B	A-001 B-001	10 140	240.00	12x12x20	
10-16	Product C	C-001	42	176.42	12x12x12	
17	Product D	D-001	2	22.36	12x12x12	
18	Product E	E-001	1	15.22	12x12x12	
		<b>TOTAL WEIGHT:</b>	<b>454</b>			
<b>SHIPPING INSTRUCTIONS</b>						
RESIDENTIAL DELIVERY - LIFTGATE REQUIRED						
For questions about this shipment, please contact Name, Company, Phone #, E-mail <i>Thank You!</i>						

Figure 2.6 A sample of a packing list

### Activity 2.9 Identifying the features of a packing list

Organise learners in groups and guide them to:

1. Study the sample packing list above and
  - a) Identify the key features of it.
  - b) How does a packing list help the importer and exporter?
2. Present their findings to the class.

## Teacher instructions

- Download samples of the packing list or visit any clearing and forwarding company for a sample.
- Guide learners to form small manageable groups. Randomly form groups and avoid close friends in one group to minimise distractions. The size of the groups will depend on the total number of learners in class.
- Guide learners to follow the instructions given in the activity tasks.
- Facilitate learners to discover, explore, explain, and analyse the document features
- Ask learners to discuss and take note of their findings.
- Ask learners to present their findings to the class.
- Harmonise the learners' findings.

## Assessment strategy

- i) Observe learners as they work in groups to recognise their cooperation and problem solving skills.
- ii) Ask probing questions to learners as you converse with them about the task at hand to allow critical thinking.
- iii) Evaluate the group presentations.

## Possible responses

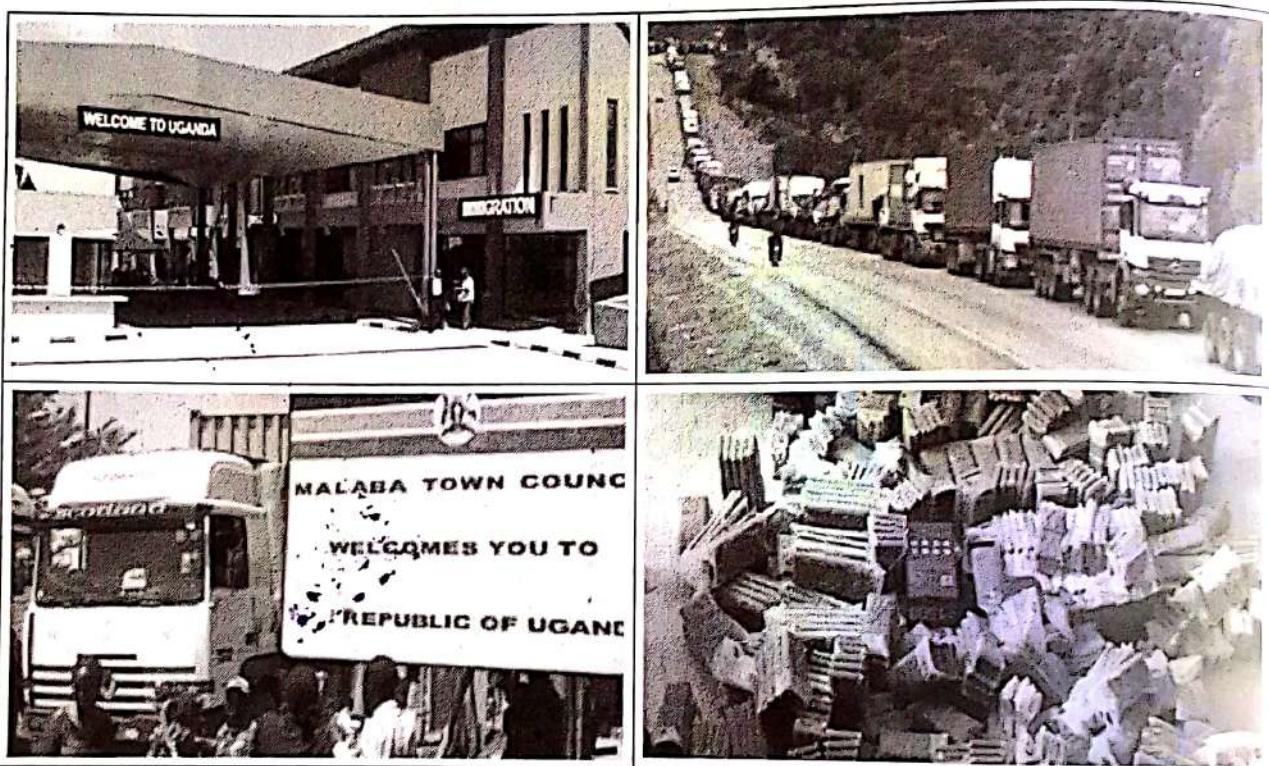
- a) Key features of a packing list
  - date
  - shipper and exporter contact
  - consignee contact information
  - the origin address of cargo
  - the destination address of cargo
  - total number of packages within this shipment
  - a detailed description of each package
  - the volume and weight of each package
  - commercial invoice number for this shipment
- b) How a packing list helps the importer and exporter
  - It helps in identifying lost cargo, especially for carrier and insurance claims.
  - They permit selective inspection by customs authorities.
  - They make it easy for the buyer to unpack and stock the shipped goods.
  - It also helps the customer to check what has been shipped against the proforma invoice.
  - It informs transportation companies about what they are transporting.
  - It serves as a supporting document for reimbursement under a letter of credit.
  - It serves as a guide for the receiver or sender when counting the products that they received.
  - It helps the customs broker when entering the listed goods in their country's import database.

- It's used to make a booking with the international carrier, as well as obtaining an international bill of lading.
- It provides count of the product that is being shipped.

### Inspection certificate

Just like locally produced commodities, products exchanged in international trade are supposed to be inspected by an independent body before entering into the country. A legal document which provides guarantee on the part of the exporting country, stating that the products under shipment have been thoroughly checked and contain no danger is known as an inspection certificate.

Therefore, after an inspection, which confirms whether or not the goods in question confirm with the specifications stated on the sales contract, an inspection certificate is issued.



Source: <https://www.eurekaafricablog.com>

**Figure 2.7** Inspection point at Malaba border

### Airway bill

Airway bill is a required shipping document that provides shipment details including destination, shipper and type of delivery service, and is part of the shipping contract.

001		001 -						
Consignor's Name and Address		Shipper's Reference Number						
		<b>Air Waybill</b> Issued by American Airlines Cargo P.O. Box 1342 Dallas/Ft. Worth Texas 76101-1342 United States International Air Transport Association <b>AmericanAirlines Cargo</b> Member of International Air Transport Association www.aacargo.com						
Consignee's Name and Address		Consignee's Reference Number						
		Conditions 1, 2 and 3 of this Air Waybill are incorporated and form part of this waybill.						
Consignor's Agent Name and City		Consignee's Agent Name and City						
Agent's IATA Code		Account No.						
Agent or Consignee (Name of First Carrier) and Frequency of Franchising		Preference Number						
T.S. By First Carrier <input checked="" type="checkbox"/> Building and Construction		10	11					
Airport of Origin/Point of Loading		Country	City					
Amount of Insurance		Declared Value for Coverage						
Amount of Insurance		Declared Value for Coverage						
Handing instructions - These instructions, methodology of delivery were adopted from the United States in accordance with the Export Administration Regulations. Deviations contrary to U.S. law prohibited.								
Nos of Pieces F.O.B.	Gross Weight	Net Weight	Freight Class Commercial Name	Chargable Weight	Postage	Total	Nature and Quantity (Ind Dimensions 20x20x20)	
Fees		Weight Charge		Collect		Other Charges		
		Valuation Charge						
		Tax						
Total Other Charges Due Agent						I hereby certify that the particulars on the Face hereof are correct and that in so far as any part of the consignment contains dangerous goods, I hereby certify that the contents of this consignment are fully and accurately described above by proper shipping name and are classified, packaged, marked, and labeled, and in proper condition for carriage by air according to applicable national governmental regulations.		
Total Other Charges Due Carrier								
Total Postage		Total Collect				Signature of Shipper or his Agent		
Currency Conversion Factor		U.S. Charges in Local Currency						
For Carrier's Use Only at Destination		Charges at Destination		Excluded on (Specify)		at (Specify)	Signature of Issuing Carrier or its Agent	
				Total Collect Charges				

ORIGINAL 3 (FOR SHIPPER)

001 -

**SAMPLE**

BUNYA SECONDARY SCSC  
P.O.BOX 1342, MAYUREE,  
LIBRAF, DATE

American Airlines Cargo and the Flight Symbol  
are marks of American Airlines, Inc.

Figure 2.8 A sample of an airway bill

## Declaration forms

A declaration form is an official document that lists and gives details of goods that are being imported or exported.



## RCYC INSURANCE DECLARATION FORM

RCYC Bye-law (par 2.9 – Moorings Insurance) dated 30 August 2011 refers.

This RCYC Insurance Declaration Form (IDF) must be completed and delivered to the RCYC Mooring Secretary by all vessels making use of RCYC moorings.

This IDF must be completed by:

1. All vessels visiting RCYC in a temporary capacity;
2. All vessels undergoing Certification of Fitness;
3. All member vessels renting a mooring on a permanent basis;
4. All members entering into a Mooring Rights Agreement with the Club;

Name of insured

Name Vessel Insured

Insurer/s



Policy number/s

Own damage sum/s insured

Third Party/Public Liability Limit

(minimum limit of indemnity required R2,000 000.00)

Renewal date of policy

Confirmation that policy is in force

YES

NO

I, \_\_\_\_\_, hereby confirm that the information supplied above is correct and current in all aspects and that I will advise the RCYC of any changes to these details.

\_\_\_\_\_  
(Signature of Vessel Owner)

\_\_\_\_\_  
(Date)

Figure 2.9 A sample of a declaration form

### Activity 2.10 Identifying the features of a declaration form

Organise learners in groups and guide them to:

1. Identify and discuss the features of a declaration form.
2. Present to the class.

## Assessment strategy

- i) Observe learners as they work in groups to note their teamwork ability.
- ii) Ask probing questions to learners as you converse with them about the task at hand to encourage critical thinking.
- iii) Evaluate Learners' output—allow them present, and critique themselves—and give a final wrap-up while supplementing their responses.

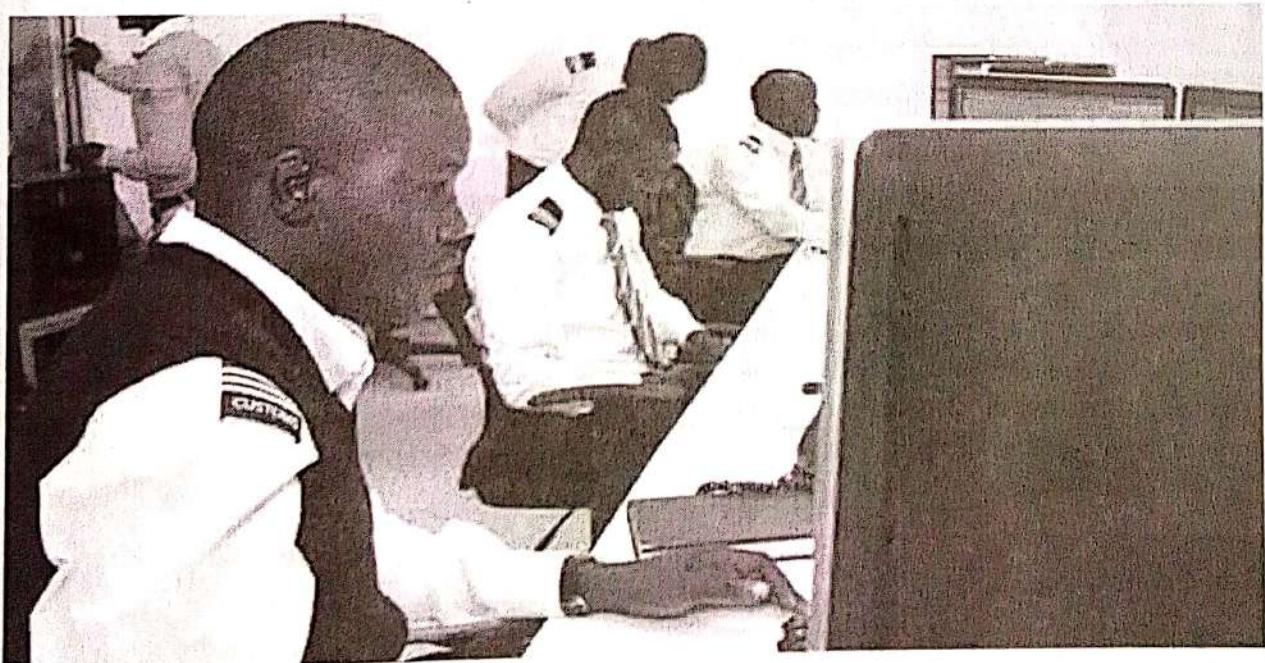
## Possible responses

Features of a declaration form

- Name and complete address of the sender
- Complete address and name of the receiver
- Date of sending
- Package and description of goods if there are several different products in the same package—note them all separately
- Quantity of items
- Value of each item
- Weight and dimensions of each package
- Invoice number
- Terms of payment
- Procedure to follow for non-deliverable parcels

## Customs specification

This is a letter from the exporter sent to customs and excise department so as to help customs office to value, charge goods and compile statistics of exports living the country. This in Uganda is done by the Uganda Revenue Authority.



**Figure 2.10 At the customs department**

Customs is the official department that administers and collects the duties levied by a government on imported goods. Customs Authorities play key functions for the country's development in international trade.

They are the following:

- Revenue collection (perhaps one of the most important and certainly the oldest function of Customs)
- Collection of trade statistics
- Preventing illegal exports and imports (interdiction of prohibited substances and protection of cultural heritage)
- Processing of cargo, including documentary checks and physical examination
- Surveillance of coastal and land borders to prevent smuggling activities
- Protection of external borders from illegal aliens, drugs and other criminal activities

### **Activity 2.11 Getting a customs specification**

Aceng, a business woman in Kampala, wants to import goods from Xang textiles company in China. She intends to transport the goods from China through Mombasa port by water.

1. Task learners to help Aceng get a supplier of goods and contact a shipping company.
2. Guide them to make reports and share them among each other.

#### **Teacher instructions**

- Prepare a contact of a shipping company and a supplier of goods for learners.
- Facilitate learners to be able to get a supplier of goods and contact of a shipping company.
- Guide learners on the requirements of making a good report.
- Let them share their reports among each other.

#### **Assessment strategy**

- i) Ask probing questions to learners.
- ii) Evaluate their reports.
- iii) Allow them critique each other's reports.

### **2.1.6 Commercial tools used in international trade**

Make it known to learners that many countries limit the amount of goods that enter or leave their economies. Sometimes, they completely stop importation and exportation of particular commodities, especially when allowing importation causes a danger to the economy or exportation creates a shortage in the domestic market. This act of regulating international trade, therefore, is termed as **protectionism**, and several tools are employed to effect it.

### **Activity 2.12 Finding out the restricted commodities**

Guide learners in groups to:

1. Use the Internet, newspapers and interviews with Ministry of Trade and Industry officials and find out:
  - a) Commodities that Uganda restricted or stopped from being imported.
  - b) Commodities that are restricted exports from Uganda.

2. Present their findings to the class.

Commodities banned from importation	Commodities banned from exportation
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

### Teacher instructions

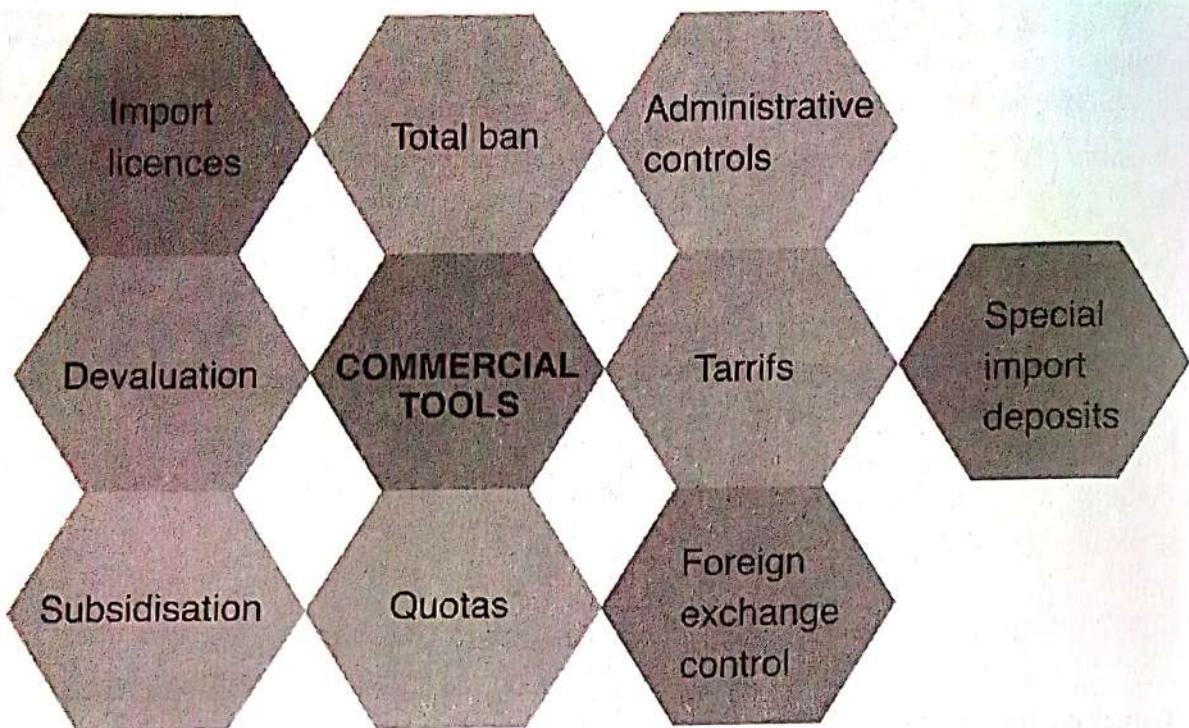
- Guide learners to form small manageable groups. Randomly form groups and avoid close friends in one group to minimise distractions. The size of the groups will depend on the total number of learners in class.
- Facilitate learners to discover, export and analyse commodities banned from importation/exportation.
- Ask learners to present their findings.
- Ask learners to take notes.

### Assessment strategy

- i) Observe learners as they work in groups.
- ii) Ask probing questions to learners as you converse with them about the task at hand.
- iii) Evaluate learners' presentations.

### Possible responses

Commodities banned from importation	Commodities banned from exportation
1. Pornographic materials	Beef, fat/oil of wild animals, their parts and products
2. Used motor vehicle tyres	Specified seashells
3. Used computers and appliances	Exotic birds except for a few specified ones



**Figure 2.11** Commercial tools used to control international trade

### Activity 2.13    *Discussing the tools used to control international trade*

Organise learners in groups and guide them to:

1. Study the illustration above and discuss how the tools shown can be used to control international trade.
2. Present a report of what they have discussed to the class.

#### Teacher preparation

- Make copies of the illustration/flowchart above.
- Check the library materials to confirm that the required references for the task are available.

#### Assessment strategy

- i) Observe learners as they work in groups to realise their teamwork, communication, and problem solving skills.
- ii) Ask probing questions to learners as you converse with them about the task at hand to encourage critical thinking.
- iii) Evaluate the presentations and wrap up.

#### Possible responses

##### Tools used to control international trade

**Tariffs:** A tariff refers to the tax imposed on imports (import tariff) or exports (exports tariff) of the country. If the country wants to reduce imports, it increases import tariff (duties), and if the country wants to encourage exports, it reduces the export duties.

**Quotas:** These are physical or quantitative restrictions on the amount of a commodity imported into or exported from the country at a given period. Import quotas restrict the amount of imports to the country and export quotas restrict the amount of exports.

**Foreign exchange control:** This is where the government restricts the supply of foreign exchange for import purposes, for example it can allocate foreign exchange at lower rates to importers of essential commodities and at high rates to importers of non-essential and luxurious commodities to reduce on their importation.

**Trade embargoes:** This is where the government prohibits the importation of commodities from certain countries and exportation of commodities to certain countries in form of economic sanctions. Such sanctions are aimed at promoting peace, harmony, and human rights, for example the economic sanctions imposed on Iran, North Korea, Zimbabwe etc. by U.S.A and EU.

**Total ban:** This is where the government completely prohibits the importation of a certain commodity from a given country. This is done when the commodity is either harmful; when there is political crisis between the two countries; or when the commodity is a security risk to the country.

**Administrative controls:** This is where the government sets bureaucratic formalities or procedures which the importers or exporters must follow in the process of international trade. These procedures tend to be lengthy and costly such that it becomes uneconomical to import or export certain products, hence controlling international trade.

**Subsidisation:** This is where the government gives assistance to the producers of certain products. Such economic assistance can be in form of soft loans and subsidised inputs particularly to the domestic producers of essential products. This lowers the production costs and enables the home producers to sell their commodities at fair prices in order to compete favourably with the imported products.

**Import licenses:** The government can restrict licenses given to importers and exporters of certain commodities, hence controlling international trade.

**Devaluation:** This refers to the deliberate government policy of reducing the value of domestic currency in terms of other currencies. Devaluation discourages imports and encourages exports. This is because it makes exports cheap to the foreigners and imports expensive to the locals. However, this policy can be effective if imports and exports have elastic demand.

**Special import deposits:** This is where the government requires the importers of certain commodities to first deposit a given amount of money with the central bank before being licensed to import. This reduces on the number of importers hence discouraging imports in the country.

### 2.1.7 Factors affecting international trade

Let learners realise that for international trade to be effective, there are underlying factors that influence it. In this section, they are going to look at the factors that affect international trade. Such factors either encourage or discourage it.

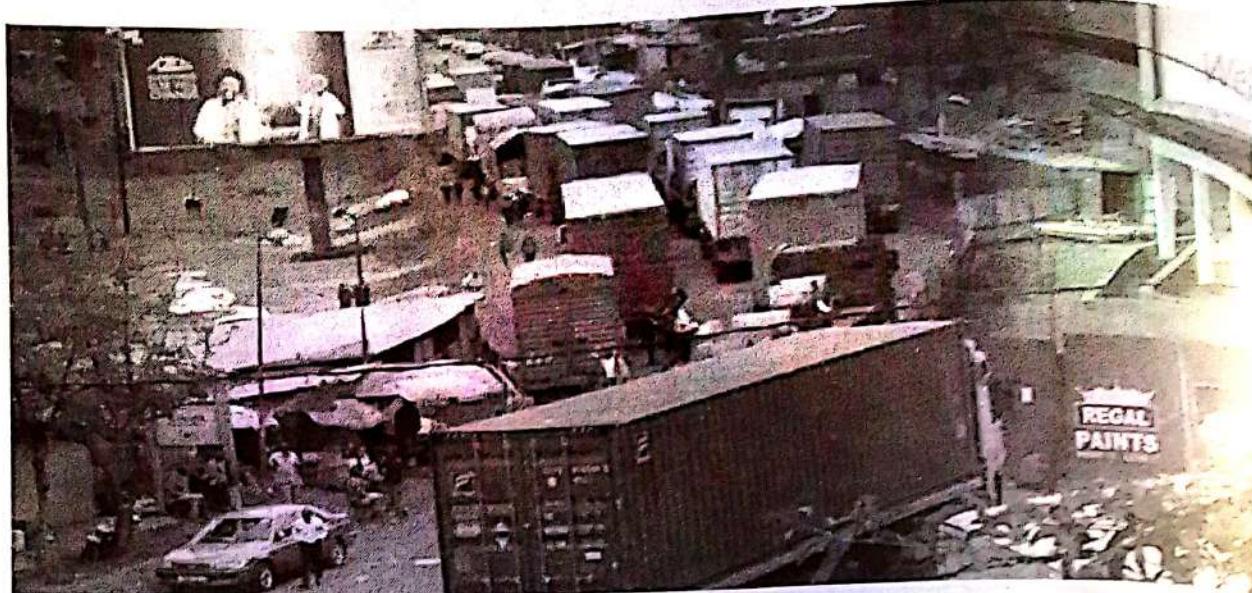


Figure 2.12 Cargo vehicles waiting to be cleared at Katuna border

#### Activity 2.14 **Finding out about factors affecting international trade**

Organise learners in groups and guide them to:

1. Use the Internet and other library resources to find out and discuss the factors affecting international trade.
2. Present their findings to the class.

#### Teacher preparation

- Visit the ICT lab or library to ensure availability of computers and Internet or relevant books in the library.
- Arrange for the right time when learners will be able to access the resources.

#### Teacher instructions

- Guide learners on how to use the ICT lab or the library.
- Guide learners on the different websites or textbooks they can use to do the research.
- Prepare learners in groups to visit the ICT lab or the library.
- Guide learners to follow the instructions given in the activity tasks.
- Facilitate learners to understand the instructions where necessary (take care of the special needs learners).
- Ask learners to discuss and take note of their findings.
- Ask learners to present their findings.

#### Assessment strategy

- i) Observe learners as they work in groups.
- ii) Converse with learners about the task while asking probing questions. This will help you build rapport with them and make learners understand the concepts better.
- iii) Observe learners as they present their findings to assess KUSVA.
- iv) Evaluate and supplement learners as they present their findings.

**Possible responses****Factors that affect international trade**

**Geographical location:** Countries that share coasts find it more convenient and cheaper to transport goods, both exports and imports, compared to countries that are distant.

**Existence of natural resources:** Countries that are rich in natural resources have higher chances of producing exports leading to international trade, while those that are not endowed with natural resources have lower chances of involving in international trade.

**The rate at which prices increase overtime:** If prices of a country's commodities increase in relation to those of the country it trades with, its value of money will reduce leading to increase in local prices. This will cause a reduction in its exports.

**Availability of transport and communication facilities**

Countries located along the coastal lines and those ones with an average altitude easily develop transport and communication routes which is key to improving trade among countries. On the other hand, high altitude and land, having no coastal line, slow down international trade as they hinder free movement of goods among countries since they cause natural and artificial barriers.

**Restrictions on imports and exports:** Restrictions on imports and exports reduce the volume of international trade amongst countries unlike free trade.

**Government policies:** Policies like subsidisation of exports and restriction of imports by a country's government encourage and limit international trade respectively.

**The rate at which currencies are exchanged:** If the rate is favourable, it will encourage international trade unlike when the rate is unfavourable.

**2.1.8 Requirements for import and export trade****Requirements for export trade**

The illustration below clearly explains the entire process and requirements for products being sold to other countries from Uganda (export trade). In your group, study it carefully.

# THE EXPORT PROCESS

Understanding the export process is key to getting your products and/or services to foreign markets

## 0 ARE YOU READY TO EXPORT?

- Make sure the exporting entity is fully registered
- Ensure that you have the right product for the market and a plan on how you will execute the business
- Have in place sufficient resources (human, financial etc) to enable you ship your products abroad
- Open a bank account with a reputable bank to facilitate international financial transactions

## 2 NEGOTIATE FOR AN EXPORT CONTRACT

BUSINESS OFFER

SENDING OF SAMPLES

EXPORT ORDER IS CONFIRMED

## 1 IDENTIFY FOREIGN BUYER

HOW & WHERE?

- UEPB
- Importers Directories
- Trade Fairs & Expos
- Trade Missions
- Market Visits etc



## 3 PREPARE TO EXPORT

- UNDERSTAND THE MARKET ENTRY REQUIREMENTS RELATED TO THE PRODUCT
- GRADE, PACK, LABEL & MARK
- ARRANGE FOR MOVEMENT OF GOODS - LOGISTICS ETC



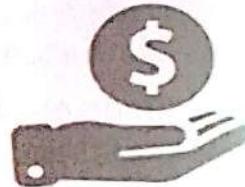
## 4 PROCESS EXPORT DOCUMENTS & TRANSPORT THE GOODS

Quality Certifications  
Export Declarations  
Certificates of Origin  
Bill of Lading etc



## 5 GET PAID

- SUPPLY THE RIGHT PRODUCT
- SUBMIT EXPORT (Invoice etc) DOCUMENTS FOR PAYMENT
- PAYMENT EFFECTED ACCORDING TO AGREED TERMS OF CONTRACT



### Activity 2.15 Interviewing about import and export trade

Guide learners as a class to:

1. Listen to the official from the Ministry of Trade and Industry who is going to explain the process of import and export trade.
2. Interact with him or her and write a report on:
  - a) The process of importing and exporting goods in Uganda.
  - b) The requirements for importing and exporting goods in Uganda.
3. In groups, write a report and present it in class.

## Subtopic 2.2 Regional Cooperation

(24 periods)



### Keywords

- member countries
- non-member countries
- regional cooperation
- trade creation
- trade diversion

By the end of this subtopic, the learner should be able to:

- a) know regional cooperation and give examples.
- b) appreciate the benefits of regional cooperation.
- c) understand the challenges faced by regional cooperation.

### Teacher preparation for the subtopic

- Prepare the flip charts, cards, and markers that will be used in the lesson. Request the administration to avail them in time to avoid short notices.
- Get copies of old newspapers and magazines where regional cooperation are written about.

## Teacher instructions

- Guide learners to form small manageable groups.  
The size of the groups will depend on the total number of learners in class.
- Ensure active participation of learners.
- Make learners alternate groups and roles.
- Guide learners on different websites or textbooks they can use.
- Prepare learners in groups to visit the ICT lab or the library.
- Facilitate learners to discover, explore and analyse their findings.
- Ask learners to present their findings.
- Harmonise learners' findings

## Resources needed

- Notebooks
- Markers
- Pens
- Flip charts
- Masking tape

## Teaching/Learning methods

- i) Guided discussion
- ii) Research
- iii) Question-and-answer
- iv) Exploration

**Skills:** Teamwork and cooperation, problem solving, and communication.

**Values:** Social harmony, honesty, hard work, respect for one another, and creativity and innovation

## Assessment strategy

- i) Observe learners as they work in groups to note their communication and cooperation skills.
- ii) Ask probing questions to learners as you converse with them about the task at hand to allow critical thinking.
- iii) Evaluate learners' presentations and supplement accordingly.

### 2.2.1 Understanding regional cooperation

Let learners reflect on the fact that countries world over participate in international trade with a view of getting products they do not produce or in order to get foreign exchange. Therefore, for countries to increase their benefits from international trade, they come together, work with one another, and remove trade barriers to make it easy to trade.

Uganda, Kenya, Tanzania, Rwanda and Burundi reached an understanding to freely trade amongst themselves without much restrictions. These countries allow commodities to cross their boarders at reduced or no charges. These countries are therefore under a regional cooperation.

Therefore, the coming together of several countries in the same geographical location with the aim of reducing or removing barriers to trade and increasing social and economic benefits among themselves is called **regional cooperation**.

Guide learners to brainstorm on the following questions:

Have you ever heard of a regional cooperation?

Do you know of one within the region?

### **Activity 2.16    Finding out about regional cooperation**

Organise learners in groups and guide them to:

1. Use the Internet or library resources to find out;
  - a) Examples of regional cooperations
  - b) Member states of East African community, COMESA and European Union
  - c) Differences and similarities between EAC and EU
2. Present their findings to the class.

### **Possible responses**

#### **Examples of regional cooperations**

- East African community (EAC)
- Common Market for East and Southern Africa (COMESA)
- Economic Community of West African States (ECOWAS)
- European Economic Union (EEU)
- African Continental Free Trade Area (AfCTC)
- The Arab Maghreb Union (AMU/UMA) in the north
- The Intergovernmental Authority on Development (IGAD)
- The Southern African Development Community (SADC)

#### **Member states of East African community**

- |                                                                                                                                           |                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Uganda</li> <li>• Tanzania</li> <li>• Burundi</li> <li>• Democratic Republic of Congo</li> </ul> | <ul style="list-style-type: none"> <li>• Kenya</li> <li>• Rwanda</li> <li>• Southern Sudan</li> </ul> |
|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|

#### **Member states of COMESA**

Burundi, Comoros, D.R. Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe.

## 2.2.2 Benefits of regional cooperation

Let learners realise that for countries to benefit from regional cooperation, member countries should be geographically close to each other; should be relatively at the same level of development so that benefits are equally shared; should possess the same ideology which may be political, economic, or social; should preferably be relatively of equal size and should be politically stable. When all the above conditions are in place therefore, countries will extensively benefit from their cooperation.

### Activity 2.17 Researching about the benefits of regional cooperation

Organise learners in groups and guide them to:

1. Research about the benefits of regional cooperation to Uganda.
2. Discuss the disadvantages of regional cooperation.
3. Write a report about their findings and present to the class.

### Possible responses

#### Benefits of regional cooperation

1. Market expansion
2. Trade creation effect
3. Increase in bargaining power
4. It promotes healthy competition among member countries
5. It promotes economic interdependence among member countries
6. It facilitates technological transfer
7. Joint establishment of expensive and complex projects is possible
8. Employment opportunities
9. It promotes political cooperation and stability within the region
10. It facilitates trade especially where countries adopt a common currency

#### Disadvantages of regional cooperation

**It encourages trade diversion:** Trade diversion refers to the movement of production activities and trade from low cost non-member countries to high cost member countries within the integrated region. This discourages production and consumption within the region.

**Loss of government revenue:** Under economic integration, tariffs are eliminated which would otherwise contribute to government tax revenue in form of import and export duties.

**Uneven distribution of economic benefits:** Within the integrated region, some countries which are well endowed with resources benefit more than others because of the wide market created. This brings about regional imbalances.

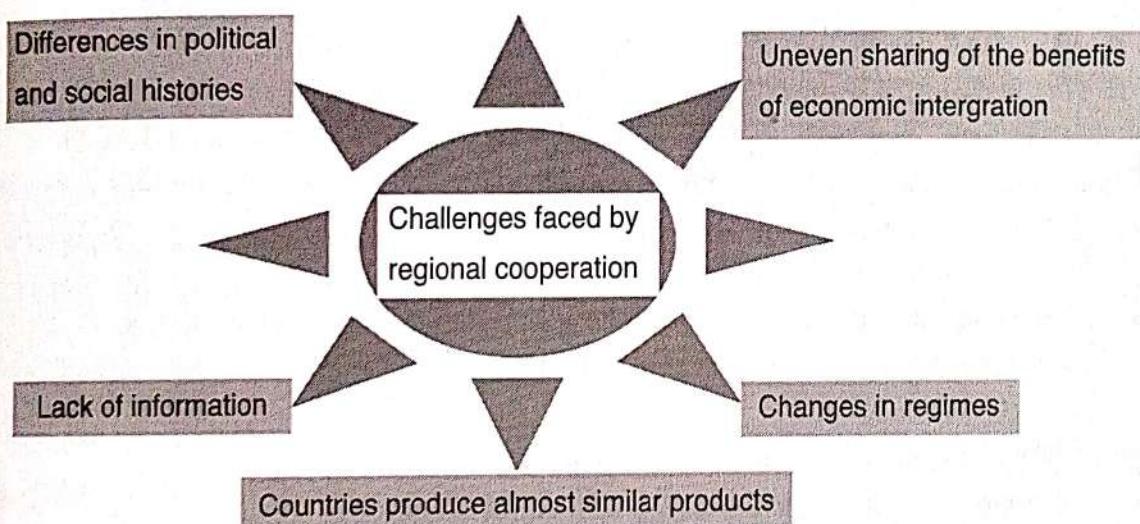
**It undermines the natural sovereignty of member countries:** This is because it interferes with the political, social, and economic policies of countries whereby individual countries may not be in a position to pursue independent policies.

**It encourages dependency syndrome:** Member countries greatly depend on other countries within the region for economic purposes. This undermines the countries' need to be self-reliant and independent.

**It leads to problems in implementing and harmonising the social economic policies discussed upon by member countries:** This is true especially if countries have different political ideologies.

**Most developing countries produce similar commodities which are agricultural in nature:** Therefore, countries may not benefit as they need to trade with developed countries so as to acquire capital goods and other raw materials which are essential for production.

### 2.2.3 Challenges faced by regional cooperation



#### Activity 2.18 Discussing the challenges faced by regional cooperation

Organise learners in groups and guide them to:

1. Discuss the challenges faced by regional cooperations on the chart above.
2. The initial East African Community (EAC) was formed in 1977, however after 10 years, it failed. Using the Internet, archived newspapers, and any other material, find out why the first East African Community failed and relate their findings to the challenges in (a) above.
3. Write a report about their findings and present it to class.

### Teacher instructions

- Divide learners into groups based on the class number.
- Guide learners on how to use the ICT lab or the library.
- Guide learners on the different websites or textbooks they can use to do the research.
- Prepare learners in groups to visit the ICT lab or the library.
- Guide learners to follow the instructions given in the activity tasks.
- Facilitate learners to understand the instructions where necessary (take care of the special-needs learners).
- Ask learners to discuss and take note of their findings.
- Ask learners to present their findings.

### Assessment strategy

- i) Observe learners as they work in groups to appreciate generic skills and values exhibited.
- ii) Ask probing questions to learners as you give them direction on the task given to allow critical thinking.
- iii) Evaluate learners' presentations and supplement as they present their findings.

### Possible responses

#### Challenges facing regional cooperation

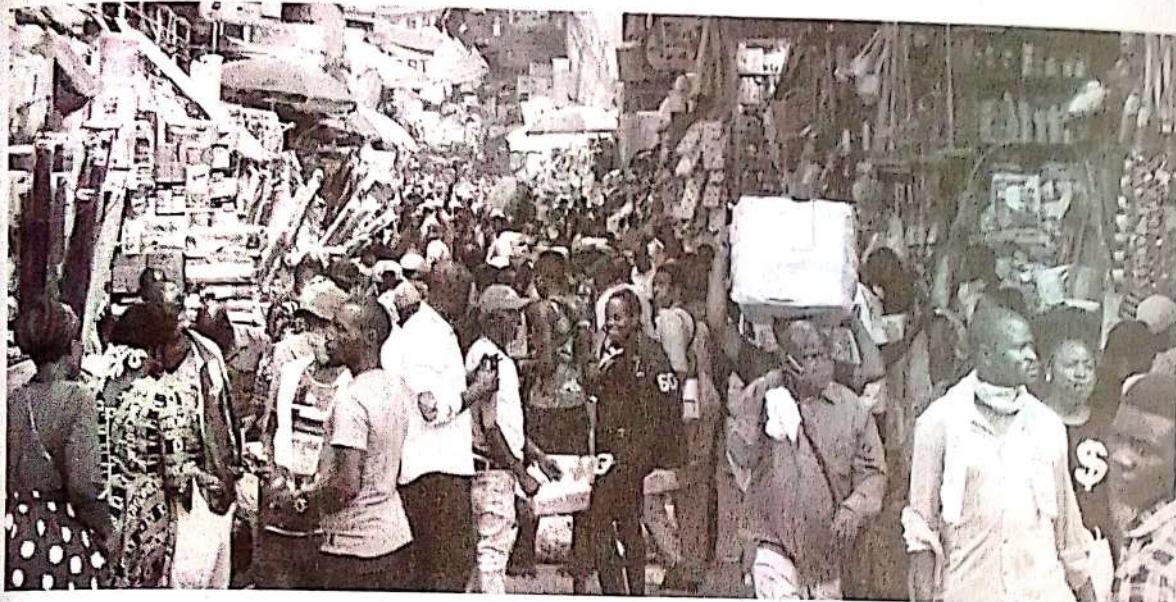
- Different political, social, and cultural systems
- Different economic systems
- Uneven distribution and sharing of the benefits of economic integration
- Countries produce almost similar products
- Lack of information
- Differences in political and social histories
- Changes in regimes affect policy and commitment

#### Reasons for failure of the East African Community

- Difference in level of development among member countries, for instance Kenya had better infrastructure compared to other member countries thus Kenya benefiting more than the rest
- Difference in cultures
- Difference in resource endowment
- Political instabilities in some countries, like Uganda.

## Sample Activity of Integration

Traders in Mukono town for the longest time have been purchasing imported goods from wholesalers in Kikuubo market in Kampala capital city. This meant that they were receiving less profits from their sales. This is because they bought the products at relatively higher prices. The association of traders in Mukono district therefore advised them to make arrangements to directly import the products from Kenya and China. The big concern was that they hardly knew the procedure and requirements for importation of goods in Uganda.



At the time they were debating on how to do the importation, Uganda joined Tanzania, Burundi, Kenya and Rwanda to expand the market for the local produce and also make importation much easier. This meant that while Uganda is trading with these countries, it will be at a relatively lower cost.

### Tasks

Guide learners to do the following:

1. Design a flow chart showing the procedure that the traders in Mukono will follow.
2. In a write-up, explain how Uganda will benefit from this relationship.

## Evaluation Grid for the Sample Activity of Integration

Output	Basis of evaluation	Criteria 1: Relevance	Criteria 2: Accuracy	Criteria 3: Coherence	Criteria 4: Excellence
Flow chart	<p><b>Import procedure</b></p> <ul style="list-style-type: none"> <li>• Obtain an import permit</li> <li>• ensure that all goods to be imported meet Ugandan standards</li> <li>• Send information to the supplier clearly describing the following: good description, technical specifications, quantity, price, delivery period, regulatory requirements, confirm that the goods are not on the prohibited list.</li> <li>• Check to make sure that the goods do not attract anti-dumping duties.</li> <li>• Determine the cost, organise funding, and obtain advice from your bank.</li> <li>• Discuss with the supplier, sign a contract, and make payment as agreed.</li> <li>• Obtain the commercial invoice, packing list, bill of landing, and certificate of conformity.</li> <li>• Appoint a clearing agent.</li> <li>• Obtain the relevant quality certificates.</li> <li>• Clear the goods through customs.</li> <li>• Obtain a release order.</li> <li>• Get compliance certificate.</li> <li>• Pay transport charges, collect goods and transport to your premise.</li> </ul>	9-13 connected procedure (3) 5-8 connected procedure (2) 1-4 connected procedure (1)	9-13 correct procedure (3) 5-8 correct procedure (2) 1-4 correct procedure (1)	9-13 logically presented procedure (3) 5-8 logically presented procedure (2) 1-4 logically presented procedure (1)	1 is given for exceptional presentation as judged by the teacher.

Write-up	<b>Benefits of regional cooperation</b> <ul style="list-style-type: none"> <li>• Market expansion</li> <li>• Trade creation effect</li> <li>• Increase in bargaining power</li> <li>• It promotes healthy competition among member countries</li> <li>• It promotes economic interdependence among member countries</li> <li>• It facilitates technological transfer</li> <li>• Joint establishment of expensive and complex projects is possible</li> <li>• Employment opportunities</li> <li>• Promotes political cooperation and stability within the region</li> <li>• Facilitates trade especially where countries adopt a common currency</li> </ul>	7-10 connected benefits (3) 4-6 connected benefits (2) 1-3 connected benefits (1)	7-10 correct benefits (3) 4-6 correct benefits (2) 1-3 correct benefits (1)	7-10 logically presented benefits (3) 4-6 logically presented benefits (2) 1-3 logically presented benefits (1)	
<b>Total score</b>		6	6	6	19

## Chapter Summary

**In this chapter, the learner has learnt:**

- What is meant by international trade
- Forms of international trade
- Reasons for international trade
- Challenges faced by international trade
- International Commercial Terms (Incoterms)
- Documents used in international trade
- Commercial tools used to control international trade
- Factors affecting international trade
- Requirements for export and import trade
- Regional cooperation and its examples
- Merits and demerits of regional cooperation
- Challenges faced by regional cooperation

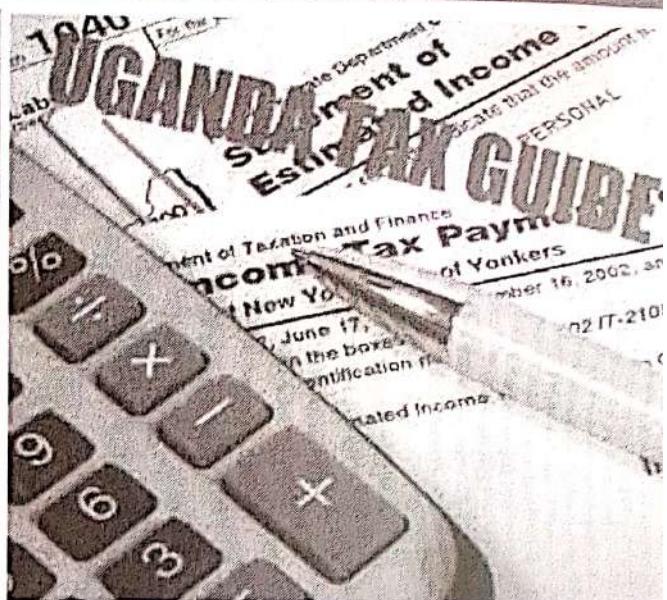
## Sample assessment for learners

Task learners to do the following in their own free time:

1. Kazimugi is a young entrepreneur in Luwuka town. He has been dealing in buying and selling of toilet paper rolls and sanitisers, purchasing them from Kikuubo in Kampala. He is choosing to import them by himself so that he can make more profits. Help Kazimugi to know the procedures to follow while importing these products.
2. Uganda is a partner to several regional cooperation, for example ECOWAS, EAC, African Continental Free Trade Area (AfCFTA) among others.
  - (i) In your opinion, why do you think regional cooperation are established?
  - (ii) How do citizens of member countries benefit from belonging to a regional cooperation?
3. Mr Nalugoda is a trader in Jinja city. He deals in importing of oil from Dar es-salaam through Mutukula border to Jinja where he supplies it to other dealers. Design any three documents that Mr. Nalugoda will use to move his oil from Dar-es-salaam to Jinja
4. In groups, use the Internet and also other materials available at your school to make research about international trade barriers, and answer the following questions:
  - (i) What economic term is given to international trade with restrictions?
  - (ii) Why do you think countries need to restrict their trade with others?
  - (iii) What commercial tools can countries use to restrict trade with other countries in international trade?

# Tax Compliance

(40 periods)



## Introduction

In this chapter, learners are going to identify and exploit business opportunities in the local and international market and comply with tax regulations. Many people pay taxes to Uganda Revenue Authority and the local government authorities as one of the compulsory charges imposed on them to finance public utilities. However, while some willingly pay the taxes assessed on them, others wait to be coaxed into paying them.

## Subtopic 3.1 Tax Compliance (20 periods)

### Keywords

- corporation tax
- income tax
- non-tax compliance
- rental income tax
- tax
- tax compliance
- Value Added Tax (VAT)

**By the end of this subtopic, the learner should be able to:**

- a) know tax compliance.
- b) appreciate factors affecting tax compliance.
- c) understand the elements of tax compliance.
- d) know the advantages of tax compliance.
- e) know the disadvantages of non-tax compliance.
- f) suggest ways of improving tax compliance.
- g) calculate basic tax.

### Teacher preparation for the subtopic

- Be certain of the number of learners you have in class and design a way to randomly group them. Avoid an obvious grouping style that will put friends in the same group to avoid distractions.

### Teacher instructions

- Divide learners into groups based on the class number.
- Provide them with cards where they will write their responses.
- Prepare learners in groups to visit the ICT lab or the library.
- Guide learners on how to use the ICT lab or the library.
- Guide learners to follow the instructions given in the activity tasks.
- Guide learners on the different websites or textbooks they can use to do the research.
- Facilitate learners to discover, explore, and analyse their findings (take care of the special-needs learners).
- Ask learners to take note of their findings.
- Ask learners to present their findings.

### Resources needed

- |                                                                                                      |                                                                                     |
|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>● Notebooks</li> <li>● Pens</li> <li>● Flip charts</li> </ul> | <ul style="list-style-type: none"> <li>● Masking tape</li> <li>● Markers</li> </ul> |
|------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|

### Teaching/Learning methods

- i) Group discussion
- ii) Guided discovery
- iii) Brainstorming

**Skills:** Teamwork and cooperation, problem solving, and communication.

**Values:** Creativity, patriotism, and unity.

## Paying taxes

Taxpayers who fulfil their obligations to the tax authorities without being forced are said to be compliant, while those who are not compliant avoid taxes. Paying taxes on time, thus being compliant, comes with a number of benefits to an entrepreneur, while failure to meet tax obligations by an entrepreneur affects one's business negatively as will be discussed. A number of measures to ensure that taxpayers fulfil their tax obligations have been put in place.

### 3.1.1 Know tax compliance

#### Activity 3.1 Defining tax compliance

Organise learners in groups and guide them to:

1. Brainstorm the meaning of tax compliance.
2. Write it on a card and display it in class for presentation under guidance of the teacher.

#### Assessment strategy

- i) Observe learners as they work in groups to note their ability to cooperate and work in teams.
- ii) Ask probing questions to learners as you give them direction on the task given to encourage critical thinking.
- iii) Encourage learners to critique each other to build their communication skills.
- iv) Compliment and supplement learners as they present their findings.

#### Possible responses

**Tax compliance** refers to taxpayers' decision to meet legal obligations imposed by the tax system by paying taxes timely and accurately.

### 3.1.2 Factors affecting tax compliance

Tax compliance keeps varying. It can be low or high depending on factors that you are going to look at in this section.

**The nature of tax system in form of being equitable or not:** Equitable tax system encourages tax compliance because it is fairer compared to inequitable tax system that discourages tax compliance.

**Simplicity of the tax system:** Where tax laws and the tax regulatory framework is easy to understand, tax compliance is high unlike where the tax system is not easy to understand especially in form of how and how much to pay.

**The extent to which the laws and rules are applied consistently and fairly:**

Consistency in application of tax laws and rules promotes tax compliance while inconsistency leads to non-tax compliance.

**The quality of tax administration:** Tax administration which involves professionalism, integrity, honesty and good customer care as shown by the tax collectors encourages tax compliance than one that is not.

**Popularity of the government:** A popular government encourages tax compliance than one that is hated by the citizens of the country.

**The quality of business management by the taxpayers:** A business which practices proper record keeping, business ethics promotes tax compliance than one that does not.

**Availability of funds:** Firms with financial problems tend to have low tax compliance but a business which has enough funds promotes tax compliance.

**Level of tax rates:** Low tax rates imposed on Taxpayers encourage tax compliance unlike high tax rates that discourage tax compliance.

**Distribution of tax burden:** A big tax burden on people and less distributed limits tax compliance unlike where the tax burden is distributed to all potential Taxpayers.

**Awareness about benefits of tax:** Where people are well informed about the need to pay taxes tax compliance is higher compared to when there is high level of ignorance.

**Level of employment and economic activities:** Tax compliance is higher where people are employed and are steadily earning unlike where people are unemployed and thus not earning.

### Activity 3.2    *Role-playing the factors affecting tax compliance*

Organise learners in pairs and guide them to:

1. Role play two characters: first character will be a taxpayer and the second character will be a tax collector.
2. The tax collector will convince the taxpayer to realise the importance of respecting the obligation of tax compliance and the taxpayer will show the tax collector what to improve to motivate him/her to comply.
3. One of the pairs will move to the front of the class and act their dialogue.

#### Teacher instructions

- Organise learners in pairs and guide them to role-play the factors affecting tax compliance.
- They should role-play two characters: first character as a taxpayer and second character as a tax collector.
- Task one of the pairs to move to the front of the class and act their dialogue.

**Assessment strategy**

- i) Observe learners as they role-play to realise their communication and cooperation skills.
- ii) Ask probing questions to learners as you give them direction on the task given.
- iii) Evaluate and supplement learners as they present their findings.

### 3.1.3 Elements of tax compliance

**Activity 3.3***Explaining the elements of tax compliance*

You will invite a URA official from tax education department. Let learners listen to his presentation on tax compliance, statistics of tax compliance and its elements. Organise learners in groups and guide them to:

1. Write a report on the presentation and explain the different elements of tax compliance as shown on the flow chart below.
2. Present their report to the class.



### 3.1.4 Advantages of tax compliance

The advantages of tax compliance originate majorly from proper bookkeeping in the business and understanding that paying taxes is a civic obligation.

**Activity 3.4*****Debating about the advantages of tax compliance***

1. Guide learners as a class to:
  - a) Visit the nearby community and interview business people and individuals on how they have benefited from tax compliance and also ask them to share their experiences on non-tax compliance.
  - b) Use the information obtained in the field to participate in the debate under the motion; "Entrepreneurs benefit more from tax compliance than non-tax compliance"
2. Organise learners in groups and guide them to make a report and present it to the class.

**3.1.5 Disadvantages of non-tax compliance**

The following are the disadvantages of non-tax compliance:

**Court cases may result that affect the image of the business:** This is because tax authorities are forced to take tax defaulters to courts of law.

**Leads to temporary or permanent closure of the business:** Failure to pay taxes can attract government authorities to close the business.

**Shows a bad image for the business to the public:** When an entrepreneur does not comply with paying taxes his or her business gets a bad reputation.

**Leads to forceful payment of tax arrears at short notice:** This makes the victim to divert finances. The entrepreneur uses personal resources to pay tax arrears to government authorities.

**The business may meet penalty for non-tax payment:** Non tax compliance leads to prosecution from the courts of law and imprisonment of the entrepreneur.

**Such businesses are denied public tenders:** A Non- tax compliant business can be black listed by tax authorities and denied opportunity for tenders from government.

**Non-tax compliants are denied business support from government, for instance security:** The local government can deny security to the business because of being non-compliant.

**Extra costs** in additional tax and penalties that may negatively affect cash flows.

**Activity 3.5*****Discussing the ways to improve tax compliance***

Organise learners in groups to:

1. Discuss and agree on a list of ways to improve tax compliance and explain their reasons for suggesting these improvements.
2. Read and discuss the ones provided below in comparison to the ones that they agreed upon.
3. Make a report of all that they have discussed and present it in class.

### **3.1.6 Suggested ways of improving tax compliance**

The following are some identified ways through which Uganda Revenue Authority can improve tax compliance:

#### **Promoting cashless transactions**

Uganda Revenue Authority must work together with Bank of Uganda and the ministry of finance to create policies and infrastructures which will encourage adoption of cashless transactions, for example promote Mobile banking, online banking, use of Point of Sell payments etc. This will help URA to track all transactions effectively for tax assessment.

#### **Improving on URA's public image through public relations department**

This will enable taxpayers and the general public to be aware of the tax environment and purpose. This acts as a catalyst to enhance tax compliance.

#### **Tax education**

Several initiatives aimed at educating taxpayers on their tax obligations must be increased to improve tax compliance, for example sensitising the public on the importance of asking EBM receipts whenever they buy products.

#### **Increased percentage of goods tracked under the Regional Electronic Cargo Tracking System (RECTS)**

URA must purchase more electronic seals to increase on the proportion of electronically monitored goods in transit. This will reduce costs on transit monitoring and reduce on instances of tax evasion.

#### **Creating more service centres and providing conducive service environment**

This will increase tax compliance in the country. URA must, for example, open more service centres to bring its services near the taxpayer and will manage to assess all types of taxes.

#### **Promoting the use of Electronic Billing Machines (EBM) to issue out receipts for every transaction with the customers**

This will help improve on domestic taxes and more yield from VAT will be achieved. This can include sectors, like transport, agriculture, fishing, hotels, entertainment among others.

## Guidance on bookkeeping

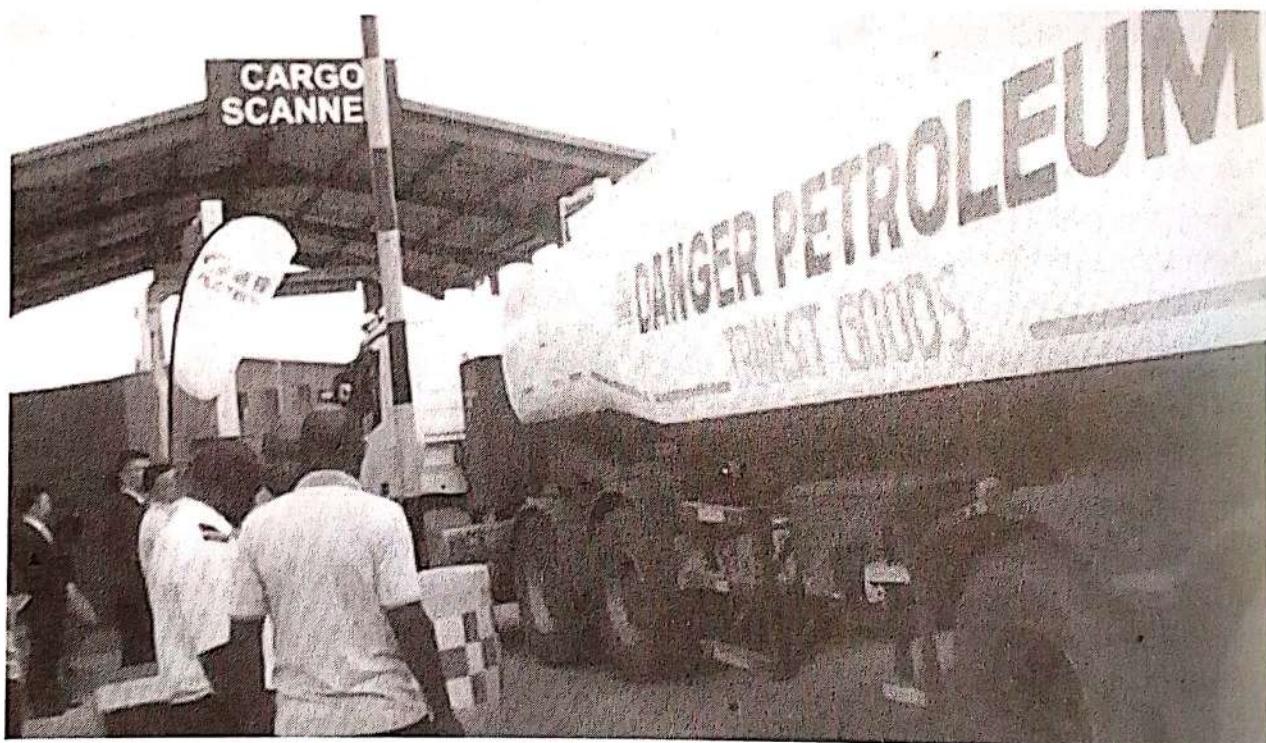
To improve on taxpayers' compliance, URA must prioritise giving guidance to taxpayers depending on their education levels and the nature of their businesses on how to improve their bookkeeping. Bookkeeping is key in tax assessment. Therefore, URA must encourage all business owners and managers to have quality records of their business transactions.

### Increasing the use of customs valuation control

This is when URA get data about the actual value of the imported products right from their countries of origin and uploaded in the data base of customs staff to safeguard against undervaluation and misdescription of products.

### Increasing the use of scanners at key customs/border points

In a bid to reduce smuggling and other customs offences, URA should increase deployment of scanners in all major boarder points of Busia, Malaba, Mutukula, Katuna, Elegu, Bunagana and Entebbe as a non-intrusive inspection technique of cargo to reduce on revenue loss due to tax evasion.



**Figure 3.13** Cargo scanning machine at Malaba border

## Subtopic 3.2 Basic Tax Computations (20 periods)

### Keywords

- corporation tax
- income tax
- threshold
- Value Added Tax (VAT)

By the end of this subtopic, the learner should be able to calculate basic taxes.

### Resources needed

- Reading questions
- Calculators
- Learner's Book
- Pens
- Markers
- Flip charts

### Teaching/Learning methods

- i) Group discussion
- ii) Demonstration

**Skills:** Mathematical computation, teamwork and cooperation, critical thinking and problem solving.

**Values:** Integrity, hard-work for self-reliance, and honesty.

### Collection of taxes in Uganda

In Uganda, the collection of taxes and their assessment is mainly done by Uganda Revenue Authority. Taxes are paid as a percentage of income, profits, or value of the tax base.

### Basic taxes and their calculations

In Uganda, income tax applies generally to all types of persons who derive income—whether an individual, bodies of individuals, or corporate entities.

Income tax is imposed on three broad categories of income but for now you will concentrate on two, namely;

- Business income from companies and individuals operating business in the country.
- Employment income from all employed persons.

Tax computations are done in order to find out the correct amount of tax to be paid by the taxpayer. The taxpayer should know how to compute these taxes to avoid misunderstandings with the tax assessors. Therefore, taxes imposed should be simple to understand for clear and easy computation.

Taxpayers are required to calculate their taxable income and the tax due on that income. The taxpayer's calculations may however be reviewed by URA officials when returns are filed and may be subject to further audit.

### Basic terms used in tax computation

#### ① A person

A person in tax computation includes an individual, a partnership, a company, a government and a listed institution.

**● Gross Income**

This is the total amount of business income, employment income and property income of a person for a year excluding exempt income, i.e. Gross Income = Total Income - Exempt Income

**● Exempt Income**

This is the income an individual earns during the course of the financial year but not taxed by the law.

### Activity 3.6 / Finding out examples of exempt incomes

Organise learners in groups and guide them to:

- Find out and discuss examples of exempt incomes in Uganda.
- Present their findings to the class.

**● Chargeable income (taxable income)**

This is the gross income of a person for the year less total deductions allowed under the Income Tax Act these may include business expenses and losses for the year.

**Chargeable income = Gross income – business expenses.**

**● Withholding tax**

Withholding tax is a form of income tax that is deducted at source by one person effecting payment to another person. The person making payment is obliged to withhold tax and is referred to as a withholding agent and the person receiving payments from which tax is required to be withheld is the payee.

### Calculating basic taxes

This section concentrates on calculation of individual income tax, corporation tax, rental income tax and Value Added Tax.

#### 3.2.1 Individual income tax

The individual income tax or personal income tax is a tax levied on the wages, salaries, dividends, interests, and other income a person earns throughout the year.

Resident individuals enjoy a tax free annual income threshold of Sh 2,820,000 per annum. The balance is taxed at 10%, 20% or 30% depending on the income bracket. Individuals who earn above Sh 120,000,000 per year pay an additional 10% on the income above Sh 120,000,000.

#### Trial Activity

Opio's gross income for the year 2019/2020 was Sh 14,000,000 and his allowable expenses were Sh 10,000,000.

Calculate Opio's:

- Chargeable income
- Income Tax payable  
(Use the tax rates in the table below).

**Table used as reference to calculate individual income tax.**

Annual chargeable Income	Tax rate (bracket)
1. Not exceeding Sh 2,820,000	NIL
2. Exceeding Sh 2,820,000 but not exceeding Sh 4,020,000	10% of the amount by which chargeable income exceeds Sh 2,820,000.
3. Exceeding Sh 4,020,000 but not exceeding Sh 4,920,000	Sh 120,000 plus 20% of the amount by which chargeable income exceeds Sh 4,020,000.
4. Exceeding Sh 4,920,000	(a) Sh 300,000 plus 30% of the amount by which chargeable income exceeds Sh 4,920,000. (b) Where the chargeable income of an individual exceeds Sh 120,000,000 an additional 10% charged on the amount by which chargeable income exceeds Sh 120,000,000.

## RESPONSE

### Step 1: Determine chargeable Income

Chargeable income = Gross income – allowable expenses

$$\text{Chargeable income} = 14,000,000 - 10,000,000$$

$$\text{Therefore chargeable income} = \text{Sh } 4,000,000$$

### Step 2: Compute individual income tax payable

Tax payable = Chargeable income x Individual income tax rate.

Note that Opio's chargeable income falls in the second category (in the table above) of exceeding Sh 2,820,000 but not exceeding Sh 4,020,000 and the applicable rate is 10% of the amount by which chargeable income exceeds Sh 2,820,000.

$$\text{Tax payable} = (4,000,000 - 2,820,000) \times 10\%$$

$$\text{Tax payable} = 1,180,000 \times 10\%$$

$$\text{Tax payable} = 118,000$$

$$\text{Therefore individual income tax payable} = \text{Sh } 118,000$$

### Activity 3.7 Calculating the chargeable income and tax payable

Tumwine's gross income for the year 2018 amounted to Sh 50,000,000. Her allowable expenses were Sh 30,000,000.

The learner is required to calculate Tumwine's chargeable income and tax payable using the tax rates in the table above.

### Teacher's instructions

- Put learners into small manageable groups to calculate for individual income tax.
- Observe learners as they work to ensure participation of all.
- Encourage every learner to participate actively.
- Guide learners about the tax rates that are provided in the Learner's Book.
- Guide learners to do their computations on a manila paper for display and presentation later.

- Evaluate the presentations and supplement accordingly.
- Guide learners to make their own notes based on presentations.

### Assessment strategy

- i) Observe learners as they work in groups to appreciate their communication and cooperation skills.
- ii) Converse with learners by asking them probing questions on the task for deeper understanding.
- iii) Evaluate the presentations and supplement accordingly.

### Possible responses

#### Step 1: Determine chargeable income

$$\begin{aligned}\text{Chargeable income} &= \text{gross income} - \text{allowable expenses} \\ &= \text{Sh } 50,000,000 - \text{Sh } 30,000,000 \\ &= \text{Sh } 20,000,000\end{aligned}$$

#### Step 2: Compute income tax payable

Tumwine's chargeable income falls in the category of exceeding Sh 4,920,000

$$300,000 + (\text{Sh } 20,000,000 - \text{Sh } 4,920,000) \times 30\%$$

$$300,000 + (15,080,000 \times 30\%)$$

$$300,000 \times 4,524,000$$

Therefore, tax payable = **Sh 4,824,000**

## 3.2.2 Employment Income Tax (Pay As You Earn – PAYE)

Are you aware that just like other countries on the globe, Uganda gets most of her revenue from taxes paid by people employed and earning income whether in private sector or employed by government. Among the many taxes paid by employed people is Employment Income Tax.

Employment income tax is collected on a monthly basis through a system known as Pay As You Earn (PAYE). It is paid at the time the income is being earned. While making payment of employment income, employers are required by law in any month to withhold tax at the prescribed time.

### Common terms used in employment tax

#### ① Employer

This is a person (individual or corporate) who offers a job to an individual in need of it and remunerates or pays he/she/them.

#### ② Employee

This is an individual engaged in a job offered by the employer at a given wage rate and term.

#### ③ Employment income

This is any earning on which tax is imposed. Employment income includes wages, salary, leave pay, payment during official leave, overtime pay, fees, commission, gratuity, bonus, allowances (entertainment, duty, utility, welfare, housing, medical, or any other allowances).

The table below is used as a reference to calculate employment income tax in Uganda:

Monthly income	Tax rate (bracket)
1. Not exceeding Sh 235,000.	Nil
2. Exceeding Sh 235,000 but not exceeding Sh 335,000.	10% of the amount by which chargeable income exceeds Sh 235,000.
3. Exceeding Sh 335,000 but not exceeding Sh 410,000.	Sh 10,000 plus 20% of the amount by which chargeable income exceeds Sh 335,000.
4. Exceeding Sh 410,000	a) Sh 25,000 plus 30% of the amount by which chargeable income exceeds Sh 410,000 b) Where the chargeable income of an individual exceeds Sh 10,000,000, an additional 10% charged on the amount by which chargeable income exceeds Sh 10,000,000.

### What happens if the tax is not paid?

An employer who fails to withhold and pay the tax as required by law is personally liable to pay the tax together with any penal tax and interest thereon. He may however recover it from the employee.

#### Trial Activity 1

Gingo is employed as a Baseball Coach at Pearl Baseball and Softball Foundation Ltd. He earns a monthly salary of Sh 225,000 as a Baseball Coach at Pearl Baseball and Softball Foundation Ltd. Is it obliged to deduct PAYE tax liability from Gingo?

#### Solution

Gingo's monthly salary is less than the threshold, so his salary does not attract PAYE.

#### Trial Activity 2

Nafula Auma is an employee of Mayero Millers Ltd. She earns the following monthly income: a salary of Sh 320,000; travelling allowance of Sh 51,000 and medical allowance of Sh 30,500. Compute her monthly PAYE tax liability.

Employment income	Amount (Sh)
Salary	320,000
Travelling allowance	51,000
Medical allowance	30,500
<b>Total</b>	<b>401,500</b>

Use rates in the third bracket, i.e.

Exceeding Sh 335,000 but not exceeding Sh 410,000	Sh 10,000 plus 20% of the amount by which chargeable income exceeds Sh 335,000.
---------------------------------------------------	---------------------------------------------------------------------------------

	Sh
<b>Step 1</b> Shs. 401,500-335,000.....	66,500
<b>Step 2</b> 20% x 66,500.....	13,000
<b>Step 3</b> 10,000 + 13,000.....	23,000
<b>Nafula Auma's PAYE.....</b>	<b>23.000</b>

**Activity 3.8****Calculating PAYE**

Emojong is employed by Rupa gold mining company in Karamoja. He earns a monthly salary of Sh 2,800,000. Emojong is entitled to a travelling allowance of Sh 300,000 per month, housing allowance of Sh 200,000, Medical insurance of Sh 150,000 per month, lunch allowance of Sh 90,000. Calculate for Emojong's tax liability that the Rupa gold mining company must pay to URA in 12 months using PAYE rate table.

**Teacher's instructions**

- Put learners into small manageable groups to calculate for employment income tax.
- Observe learners as they work.
- Encourage every learner to participate actively.
- Guide learners about the tax rates that are provided in the Learner's Book.
- Guide learners to do their computations on a manila paper for display and presentation later.
- Evaluate the presentations and supplement accordingly.
- Guide learners to make their own notes based on presentations.

**Assessment strategy**

- Observe learners as they work in groups.
- Converse with learners by asking them probing questions on the task for deeper understanding.
- Evaluate the presentations and supplement accordingly.

**Possible responses****Step 1. Compute total chargeable income**

$$\begin{aligned}\text{Total chargeable income} &= \text{Sh } 2,800,000 + \text{Sh } 300,000 + \text{Sh } 150,000 + \text{Sh } 90,000 \\ &= \text{Sh } 3,540,000\end{aligned}$$

**Step 2: Use rates in the bracket of 4(a).**

$$= \text{Sh } 25,000 + 30\% (\text{Sh } 3,540,000 - \text{Sh } 410,000)$$

$$= \text{Sh } 25,000 + (30\% \times \text{Sh } 3,130,000)$$

$$= \text{Sh } 25,000 + \text{Sh } 939,000$$

$$= \text{Sh } 964,000$$

$$\text{Monthly tax liability} = \text{Sh } 964,000$$

$$\text{Therefore, Annual tax liability} = \text{Sh } 964,000 \times 12$$

$$\text{Payable to URA} = \text{Sh } 11,568,000$$

### 3.2.3 Corporation tax



**Corporation Tax** = Net Profit Obtained as Per Specific Country's Tax Rules  $\times$  Corporate Tax Rate as Applicable



This is a direct tax charged on either net or gross profits of the company. It is usually charged as a percentage of profits.

Corporate tax is computed on the net revenue or net income of a company. A net income/net revenue of a company is the total amount left with the company after making necessary deduction of various expenses. There are a variety of expenses that a company incurs when carrying out business and may include salaries and wages, transport, motor vehicle repairs and expenses on utilities.

#### Rate of tax applicable to companies

The current rate of tax applicable to companies in Uganda is 30%. The chargeable income for both resident and non-resident companies is taxed at this rate.

#### Trial Activity

The gross income of Peace Publisher's Ltd. for the year 2020 was Sh 4.000.000.

The company's allowable expenses amounted to Sh 1.400.000

Calculate the following:

1. Chargeable income
2. Corporation tax payable,  
(Given corporation tax rate of 30%)

#### Step 1: Determine chargeable income.

Chargeable income = Gross income – allowable expenses

Chargeable income = 4.000.000 – 1.400.000

Therefore, Chargeable income = Sh 2.600.000

#### Step 2: Computing tax payable

Tax payable = Chargeable income  $\times$  Corporation tax rate of 30%.

Tax payable = 2.600.000  $\times$  30%

$$= 780.000$$

Therefore tax payable = Sh 780.000

**Activity 3.9 Calculating chargeable income and tax payable**

Blessing Confectionary's gross income for the year, 2019, amounted to Sh 6,000,000. The operating expenses were as follows:

Salaries .....	Sh 900, 000
Travelling .....	Sh 300, 000
Rent .....	Sh 400, 000
Water .....	Sh 160, 000
Electricity .....	Sh 460, 000

Given 30% as the tax rate, calculate the following:

- Total allowable expenses
- Chargeable income
- Corporation tax payable.

**Teacher's instructions**

- Put learners into small manageable groups to calculate corporation tax.
- Observe learners as they work.
- Encourage every learner to participate actively.
- Guide learners about the tax rates that are provided in the Learner's Book.
- Guide learners to do their computations on a manila paper for display and presentation later.
- Evaluate the presentations and supplement accordingly.
- Guide learners to make their own notes based on presentations.

**Assessment strategy**

- Observe learners as they work in groups to appreciate their cooperation computation ability.
- Converse with learners by asking them probing questions on the task for deeper understanding.
- Evaluate the presentations and supplement accordingly.

**Possible responses**

- a) **Total allowable expenses**

$$\text{Sh } 900,000 + \text{Sh } 300,000 + \text{Sh } 400,000 + \text{Sh } 160,000 + \text{Sh } 460,000 \\ = \text{Sh } 2,220,000$$

- b) **Chargeable income = Gross income – allowable expenses**

$$= \text{Sh } 6,000,000 - \text{Sh } 2,220,000 \\ = \text{Sh } 3,780,000$$

- c) **Tax payable = Chargeable income x 30%**

$$= \text{Sh } 3,780,000 \times 30\% \\ = \text{Sh } 1,134,000$$

### 3.2.4 Rental income tax

Rental income is income earned by an individual from letting out immovable property in Uganda (land and buildings). For income tax purposes, it does not matter whether the building is let out as a residence or for commercial use.

#### Computation of tax

In computing the tax, the following are considered:

Determine the gross rental income.

Less the expenses (maintenance)

Apply the tax rate of 30%

#### Trial Activity

Mr Omojong earned annual rent of Sh 2,500,000 from a house in Tororo town, Sh 900,000 from a house in Koboko and Sh 600,000 from a house in Bugiri, expenses on maintenance Sh 2,200,000 on all houses. Calculate the rental tax due.

#### Response

The rental tax is computed as follows: Gross rental income ( $2,500,000 + 900,000 + 600,000$ ) = 4,000,000

Less provision for expenses (2,200,000)

**Chargeable rental income**  $4,000,000 - 2,200,000 = 1,800,000$

**Chargeable rent:** Chargeable rental income  $\times$  30%, i.e.

$$(1,800,000 \times \frac{30}{100}) = \text{Sh } 540,000$$

**Rental tax due: Sh 540,000**

#### Activity 3.10 Calculating income tax

In 2019, Mrs Nabwire earned annual rent of Sh 5,000,000 from a house in Malaba town, Sh 180,000 from a house in Moroto, Sh 8,000,000 from a house in Lira and Sh 1,200,000 from a house in Ishaka and incurs expenses of 10% of rental income collected from each house.

Calculate for Mrs Nabwire's rental income tax.

#### Teacher's instructions

- Put learners into small manageable groups to calculate for rental income tax.
- Observe learners as they work.
- Encourage every learner to participate actively.
- Guide learners about the tax rates that are provided in the Learner's Book.
- Guide learners to do their computations on a manila paper for display and presentation later.
- Evaluate the presentations and supplement accordingly.
- Guide learners to make their own notes based on the presentations.

#### Assessment strategy

- Observe learners as they work in groups to note their computation skills and ability to cooperate and work in team.

- ii) Converse with learners by asking them probing questions on the task for deeper understanding.
- iii) Evaluate the presentations and supplement accordingly.

### Possible responses

$$\begin{aligned}\text{Gross rental income} &= \text{Sh } 5,000,000 + \text{Sh } 180,000 + \text{Sh } 8,000,000 + \text{Sh } 1,200,000 \\ &= \text{Sh } 14,380,000\end{aligned}$$

Less provision for expenses; 10% of Rental income from each house

$$\begin{aligned}500,000 + 18,000 + 800,000 + 120,000 \\ &= \text{Sh } 1,438,000\end{aligned}$$

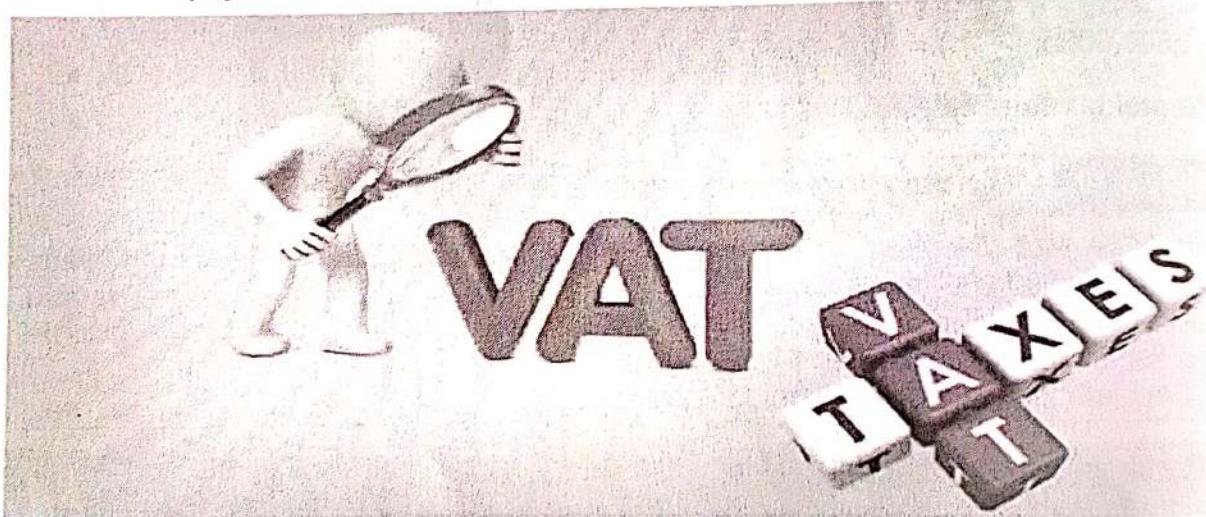
$$\begin{aligned}\text{Chargeable rental income} &= \text{Sh } 14,380,000 - \text{Sh } 1,438,000 \\ &= \text{Sh } 12,942,000\end{aligned}$$

Therefore, Rental tax due = Sh 12,942,000 × 30%

$$= \text{Sh } 3,882,600$$

### 3.2.5 Value Added Tax

This is the tax imposed on the value of the commodity added at each stage of production. It is a consumption tax paid by anybody who purchases a commodity on which VAT is liable for payment.



SOURCE: <https://www.independent.co.ug>

#### Terms used in VAT

##### ① Exempted supply

These are goods on which no VAT is imposed. Examples are: unprocessed foodstuffs, postage stamps, life jackets, life saving gear, head gear and speed governors.

##### ② Zero rated supplies

These are goods on which VAT is charged at a rate of 0%, but the rate can be increased any time. Examples include; drugs and medicines manufactured in Uganda, supply of seeds, fertilisers, pesticides and hoes.

### ② Taxable person

A person who is registered or is required to be registered under provisions of the law to pay VAT. In other words, for one to qualify as a taxable person, the turnover should exceed Sh 150 million per annum whether registered or not.

### ③ VAT threshold

This is the turnover above which one is required to register for VAT. For example, in Uganda, the current VAT threshold is Sh 150 million of taxable supplies.

### ④ Taxable Supply

This is supply of goods or services other than an exempt supply made by a taxable person for consideration as part of his/her business activities.

### ⑤ Goods

These include all kinds of movable and immovable property but does not include money.

### ⑥ Movable property

This includes stock in trade and the capital goods of a business.

### ⑦ Immovable property

This includes land with developments on it and any real right to such property.

### ⑧ Services

These are intangible assets. They include intellectual and industrial property rights, for example copyrights, trademarks among others.

### ⑨ Taxable value

This is the price of a taxable good or supply excluding VAT. It is also known as the tax base.

### ⑩ VAT rate

This is the percentage used to calculate VAT for example; Standard rate at 18% and Zero rate at 0%.

### ⑪ Output tax

This is the VAT a taxable person charges on selling taxable supplies. It is charged upon selling taxable goods and services.

### ⑫ Input tax

This is the VAT a taxable person is charged on taxable purchases and expenses incurred for business purposes. The purchases could be from local sources or imported.

## Computation for VAT

Computation of VAT occurs at levels of:

- VAT on a transaction, i.e. a sale or a purchase
- VAT payable or claimable by the taxpayer, i.e. VAT collectable or refundable by URA. When a commodity is supplied, VAT is already included on the price charged.

## Computation of VAT on transaction, that is to say a sale or purchase

For example, if the consideration or taxable value is Sh 20,000 and the VAT rate is 18%, then

$$\text{VAT} = 20,000 \times 18\% = \text{Sh } 3,600$$

### Computation of VAT payable or refundable

VAT = output tax – input tax. Where output tax is greater than input tax, the taxpayer pays the difference.

Where input tax is greater than the output tax, the taxpayer claims the difference.

#### Trial Activity

- If output tax = 100,000 and input tax = 77,000, then VAT payable = 100,000 – 77,000 = 23,000 Shillings.
- If output tax = 100,000 and input tax = 140,000, then VAT claimable = 140,000 – 100,000 = 40,000 Shillings.
- Consider the transactions below:

A timber merchant pays Sh 1,000,000 on which an 18% rate is imposed as VAT. At the next stage, the furniture manufacturer purchases the timber from the timber merchant at a cost of Sh 2,000,000. The furniture manufacturer makes doors and sells them to the healthy centre at a cost of Sh 2,950,000.

#### Solution

Stage	Supplier	PURCHASE PRICE (Sh)	INPUT VAT (18%)	SELLING PRICE (Sh)	OUTPUT VAT (18%)	VAT PAYABLE
3.	Timber merchant	1,000,000	180,000	2,000,000	360,000	180,000
4.	Furniture manufacturer	2,000,000	360,000	2,950,000	531,000	171,000
5.	Consumer/ Healthy centre	2,950,000	531,000			531,000

#### Activity 3.11 Calculating VAT

Muhammad and family importers LTD imported goods worth Sh 70,000,000 and sold them to Mutale, a distributor, at Sh 75,000,000. Mutale sold the goods to Wattu, a wholesaler, at Sh 82,000,000. Wattu also sold the goods to Cleopatra, a retailer, at Sh 86,000,000. Musa the retailer sold the goods to a final consumer at Sh 92,000,000.

Given that all prices are exclusive of VAT, calculate:

- VAT payable at each stage
- Total VAT collected by URA
- Final price the consumers will pay with VAT inclusive.

#### Teacher's instructions

- Put learners into small manageable groups to calculate VAT.
- Provide materials required, like manila papers, markers etc.
- Observe learners as they work.
- Encourage every learner to participate actively.
- Guide learners about the tax rates that are provided in the Learner's Book.

- Guide learners to do their computations on a manila paper for display and presentation later.
- Evaluate the presentations and supplement accordingly.
- Guide learners to make their own notes based on the presentations.

### Assessment strategy

- i) Observe learners as they work in groups to appreciate their ability to cooperate and exhibit computation skills.
- ii) Converse with learners by asking them probing questions on the task for deeper understanding.
- iii) Evaluate the presentations and supplement accordingly.

### Possible responses

Stage	Supplier	PURCHASE PRICE (Sh)	INPUT VAT	SELLING PRICE (Sh)	OUTPUT VAT	VAT PAYABLE
1.	Muhammad	70,000,000x18%	12,600,000	75,000,000	13,500,000	900,000
2.	Mutale	75,000,000 x18%	13,500,000	82,000,000	14,760,000	1,260,000
3.	Wattu	82,000,000x18%	14,760,000	86,000,000	15,480,000	720,000
4.	Cleopatra	86,000,000x18%	15,480,000	92,000,000	16,560,000	1,080,000
5.	Musa	92,000,000x18%	16,560,000			16,560,000

4. VAT payable at each stage

$$12,600,000 + 900,000 + 1,260,000 + 720,000 + 1,080,000$$

$$= \text{Shs.} 16,560,000$$

5. Total VAT collected by URA.

$$12,600,000 + 900,000 + 1,260,000 + 720,000 + 1,080,000$$

$$+ \text{Sh} 16,560,000$$

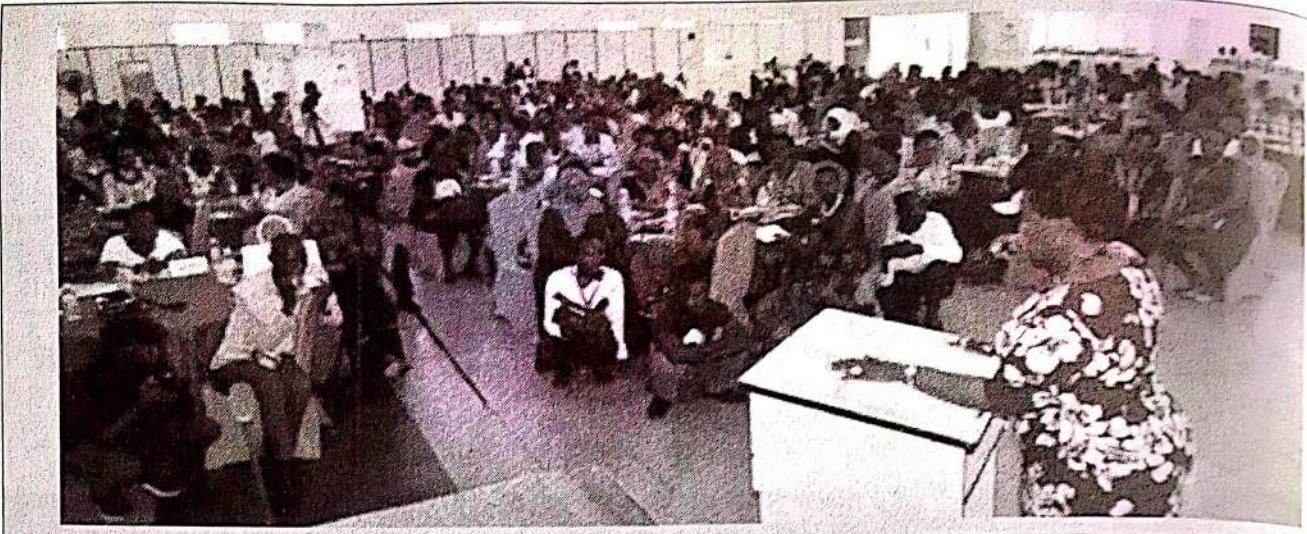
$$= \text{Sh } 33,120,000$$

6. Final price the consumers will pay with VAT inclusive.

$$92,000,000 + 16,560,000 = \text{Sh } 108,560,000$$

### Sample Activity of Integration

Tax revenue collected in Uganda is too low as per reports from Uganda Revenue Authority. This implies that many people countrywide dodge paying taxes. The rate of compliance is too low, even the taxpayers are ignorant of the elements of compliance. Last month, traders in Kisaasi, a Kampala suburb, woke up only to find their shops sealed off because of non-tax compliance to payment of taxes assessed on them. This is a big concern to Uganda Revenue Authority because it implies that the government will find it difficult to finance its budget. In view of this concern, Uganda Revenue Authority has organised a workshop for traders in Kisaasi to sensitise them on the benefits of tax compliance.



## Tasks

Task learners to do the following:

- As a member of the URA tax awareness team, prepare a speech to be delivered in the workshop.
- Design a flyer to be used by URA in different regions of the country where they will hold similar workshops showing these elements.

## Evaluation Grid for the Sample Activity of Integration

Output	Basis of evaluation	Criteria 1: Relevance	Criteria 2: Accuracy	Criteria 3: Coherence	Criteria 4: Excellence
Speech (Interest in the speech will be on the subject content of benefits of tax compliance)	<b>Benefits of tax compliance</b> <ul style="list-style-type: none"> <li>Tax compliance promotes social recognition</li> <li>Taxpayers can avoid these unnecessary penalties</li> <li>Businesses are able to make good decisions</li> <li>Easy access to government tenders, grants and subsidies</li> <li>A way of practicing corporate social responsibility</li> <li>Tax compliance is a way one must exercise his/her patriotism to the country</li> </ul>	6-8 connected benefits (3) 3-5 connected benefits (2) 1-3 connected benefits (1)	6-8 correct benefits (3) 3-5 correct benefits (2) 1-3 correct benefits (1)	6-8 systematically presented benefits (3) 3-5 systematically presented benefits (2) 1-3 systematically presented benefits (1)	1 is given for exceptional presentation

	<ul style="list-style-type: none"> <li>• It makes one law-abiding</li> <li>• Reduces the cost of tax administration by government</li> </ul>				
Flyer (Let the flyer take any design; interest is on the subject content of Elements of tax compliance)	<b>Elements of tax compliance</b> <ul style="list-style-type: none"> <li>• Tax registration</li> <li>• Filling tax returns</li> <li>• Declaration</li> <li>• Payment of tax</li> <li>• Record keeping</li> </ul>	5 connected elements (3) 3-4 connected elements (2) 1-2 connected elements (1)	5 correct elements (3) 3-4 correct elements (2) 1-2 correct elements (1)	5 logically presented elements (3) 3-4 logically presented elements (2) 1-2 logically presented elements (1)	
<b>Total score</b>		6	6	6	19

## Chapter Summary

In this chapter, the learner has learnt:

- Tax compliance
- Factors affecting tax compliance
- Elements of tax compliance
- Advantages of tax compliance
- Disadvantages of non-tax compliance
- Ways of improving tax compliance
- Basic taxes and their computations

## Sample assessment for learners

1. Kasumba owns a real estate business on which rental income tax is reliable. However, he has taken 5 years without filing any tax returns to Uganda Revenue Authority.
  - a) Advise Kasumba of the advantages of tax compliance.
  - b) How do you think Kasumba's tax compliance may be increased?
2. Given that Soroti fruit factory purchases input in form of fruits to process its popular Teju juice at a value of Sh 120,000,000.
  - a) If Soroti fruit processing factory used that input to produce and market Teju juice generating sales of Sh 300,000,000, calculate for the Value Added Tax (VAT) that the factory must pay to Uganda Revenue Authority.
  - b) If a trader from Elegu purchased all the juice from the factory and exported it to the Juba market in South Sudan thereby receiving revenue from sales of Sh 340,000,000, how much will this trader pay to URA for VAT?
3. Solar Now is one of the companies that promote green energy access. Such companies help in conserving the environment and encouraging innovation. Assuming that this

company made a profit of Sh 980,000,000, calculate for Solar Now corporate tax liability.

4. Kaliro Sugar factory employees earn different levels of income according to their responsibilities and expertise.

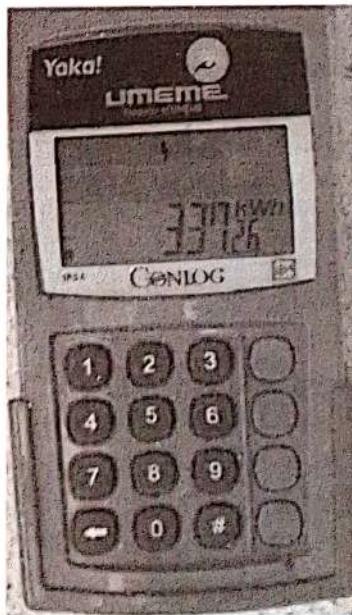
Calculate for PAYE tax for the following workers:

Position	Payment (Gross)
Supervisor of worker whose apply manure for newly planted sugarcane	Sh 250,000
Sugarcane loader	Sh 221,000
Human resource manager	Transport allowance Sh 70,000 Stationary allowance Sh 20,000 Housing finance Sh 400,000 Salary Sh 1,460,000

5. If the taxable value is Sh 200,000 and VAT rate is 18%, calculate for VAT payable to URA.  
 6. If output tax is Sh 200,000 and input tax is Sh 154,000, calculate for VAT payable.  
 7. If output tax is Sh 200,000 and input tax Sh 280,000, calculate for VAT refundable  
 8. Consider the process of making doors for a new health centre:

A bakery pays Sh 8,000,000 for purchase of wheat flour on which an 18% rate is imposed as VAT. The bakery bakes bread, cakes, and cookies that it supplies to wholesalers generating a revenue of Sh 12,000,000. The wholesalers being profit oriented; they distribute these products to retailers generating a revenue altogether of Sh 16,000,000. Calculate for the value of tax payable.

9. YAKA metre reading for Ms Nalubale



Assuming that Ms Nalubale is a domestic consumer of electricity and that the average price is sh760.2 per unit (KWh) and assuming that on every unit consumed, one must pay VAT at a rate of 18% on purchase. Read the Yaka metre provided in the photo above and calculate for VAT payable to UMEME by the customer.

# Glossary

<b>actuaries</b>	specialised persons who compile and analyse statistics and use them to calculate insurance risks and premiums
<b>agricultural insurance</b>	a form of insurance that protects against losses or damages to crops or livestock
<b>airway bill</b>	a required shipping document that provides shipment details including destination, shipper and type of delivery service, and is part of the shipping contract
<b>balance of payments</b>	the difference between the country's total receipts from exports and total expenditure on imports in a given time
<b>balance of payments account</b>	is a systematic record of all country's economic transactions with the rest of the world in a given time
<b>balance of payments problems</b>	occurs when a country persistently faces a balance of payments deficit and has exhausted all the means to finance the deficit
<b>balance of trade</b>	balance of visible trade/the difference between visible and invisible imports
<b>bill of lading</b>	evidence of a contract between the consignor (sender) and the shipping company arising out of carriage of goods
<b>broker</b>	an independent professional person who is registered under the Insurance Act and advises customers on insurance
<b>bureaucracy</b>	excessively complicated administrative procedure
<b>certificate of origin</b>	specifies where the goods imported are originating from such that import duty may be calculated
<b>challenge</b>	a limitation to do something
<b>claim form</b>	the document filed by an insured while making a claim from the insurance company, after incurring a loss for anything insured
<b>common market</b>	the stage where member countries eliminate all trade barriers amongst themselves and charge a common tariff structure on commodities from non-member countries. In addition, they allow free mobility of factors of production within the integrated region, such as capital and labour
<b>Comparative advantage theory</b>	states that given two countries producing two commodities using similar resources, a country should specialise in the production of the commodity where it can produce more units at less costs than the other country
<b>corporation tax (taxation of companies)</b>	the tax charged on either net or gross profits of the company. It is usually charged as a percentage of profits
<b>cover note</b>	a temporary document issued by an insurance company that provides proof of insurance coverage until a final insurance policy can be issued
<b>customs union</b>	the stage where member countries eliminate all trade and non-trade barriers amongst themselves. In addition, they adopt a common tariff structure on commodities from non-member countries
<b>declaration form</b>	an official document that lists and gives details of goods that are being imported or exported
<b>disability insurance</b>	provides financial coverage if something happens to you
<b>East African Community (EAC)</b>	a regional intergovernmental organisation of seven partner states: The Republics of Burundi, Kenya, Rwanda, South Sudan, the

**United Republic of Tanzania, Democratic Republic of Congo and the Republic of Uganda**

**economic union**

the stage where member countries eliminate all trade barriers among themselves, charge a common tariff structure on commodities from non-member countries and they allow free mobility of factors of production within the region. In addition, member countries jointly own certain enterprises like banks, railways, roads, dams etc. They also adopt common economic policies and strategies, and they use a common currency, for example the European Economic Community

**electronic commerce e-commerce** the trading in products or services using electronic networks, such as the Internet

**entrepot**

a type of trade where goods are imported by a country for the purposes of re-exporting them to another country

**exchange rate**

the value of a country's currency in terms of other currencies

**exports**

goods and services produced locally and sold to citizens of other countries

**exports trade**

the selling of goods and services legally to other countries

**free trade**

occurs when there are no trade barriers in international trade

**Free Trade Area (FTA)** the stage where member countries eliminate all tariffs and other non-tariff barriers among themselves, but each member country maintains its own tariff structure on commodities from non-member countries

**general insurance** insurance contracts that do not come under the nature of life insurance

**health insurance**

a type of insurance cover that covers the costs of an insured individual's medical and surgical expenses

**home insurance**

a packaged policy specially designed to comprehensively cover residential premises against various risks

**import**

goods and services legally bought by a certain country from other countries

**import trade**

the buying of goods and services from another country

**Incoterms**

an internationally recognised set of terms that define the responsibilities and obligations of the parties involved in the transport of goods

**indemnity**

the compensation paid to the insured after they have suffered a loss. It restores the insured to his/her previous financial position before he/she incurred the loss

**individual income tax (or personal income tax)** a tax levied on the wages, salaries, dividends, interest, and other income a person earns throughout the year

**informal sector**

unstructured, or unorganised economic activities which earn income to participants but not liable to paying taxes, e.g. hawkers

**insurable interest**

that one must insure something in which he/she has interest such that when a loss occurs to their property insured, the owner is bound to suffer that that conforms to the norms and specifications of the insurance policy in such a way that the criterion for insurance is fulfilled

**Insurable risks**

an arrangement by which a company or the government takes to provide a guarantee of compensation for a specified loss, damage, illness, or death in return for payment of specified premium

**Insurance**

a document that acts as a contract between the insured and the insurer

**Insured**

the person who has taken insurance against various risks

<b>insurer</b>	a person or company that underwrites an insurance risk/ the party in an insurance contract undertaking to pay compensation
<b>invisible trade</b>	the exchange of services between countries for example electricity
<b>life insurance</b>	covers costs associated with dying, such as burial and mortuary fees
<b>marine insurance</b>	the insurance of water vessels, cargo and passengers involved against damage, injury, or loss due to water body disasters like storms
<b>motor vehicle policy</b>	insures risks that happen to vehicles and motorcycles against accidental losses
<b>non-insurable risks</b>	a risk that the insurance company deems too hazardous or financially impractical to take on
<b>packing list</b>	a document that includes details about the content of a package
<b>Preferential Trade Area (PTA)</b>	the stage where countries reveal the need for integration. They reduce tariffs among themselves on selected commodities
<b>premium</b>	the amount of money paid by an individual or organisation for insurance (cover/protection) to an insurance company
<b>principle of contribution</b>	states that if a person insures his/her property with more than one insurance company, in case of loss, each of these companies contribute to the loss but not exceeding the value of property
<b>principle of insurable risk</b>	states that one should take up a policy against risks whose loss can easily be calculated with fear of currency both in form of premiums and compensation
<b>principle of proximate cause</b>	states that before any composition is made, the cause of the loss must be close to the actual risk insured
<b>principle of subrogation</b>	states that after the insured is compensated for the loss due to damage to property insured, then the right of ownership of such property passes on to the insurer
<b>principle of utmost good faith</b>	states that a positive duty voluntarily to disclose, accurately and fully, all facts material to the risk being proposed, whether requested or not is required
<b>proposal form</b>	given by the insurer to a prospective client proposing to take up an insurance policy
<b>protectionism</b>	the measures employed by the government (country) to regulate international trade
<b>regional cooperation</b>	the coming together of different countries in carrying out economic activities to benefit from the economies of scale
<b>rental income</b>	income earned by an individual from letting out immovable property in Uganda (land and buildings)
<b>tax compliance</b>	the taxpayers' decision to meet legal obligations imposed by the tax system by paying taxes timely and accurately
<b>tax leakages</b>	a situation which occurs when a taxpayer pays more tax than he/she is legally required to pay
<b>terms of trade</b>	the ratio of export prices to the import prices.
<b>trade</b>	the buying and selling of goods and services in order to satisfy the need and wants of consumers
<b>Value Added Tax (VAT)</b>	the tax imposed on the value of the commodity added at each stage of production / a consumption tax paid by anybody who purchases a commodity
<b>Visible trade</b>	the exchange of goods between countries

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## Entrepreneurship

for Uganda Secondary Schools Teacher's Guide Book 4

This Guide has been carefully developed to enable you to effectively handle the teaching and learning process. The structure of the Guide is aligned with that of the Learner's Book. The instructional approach in schools in Uganda is now learner-centred. As a facilitator, you are thus expected to use learner-centred methods when handling the class. All the activities have been provided with possible responses for you to build on.

The book guides you on methodology, developing competences among the learners, promoting clear understanding, and imparting practical and cognitive skills as well as values and attitudes. The book equips you with tools to groom and nurture Ugandan learners to develop a positive outlook and become relevant in their community and the broader society.

This Guide enables you to focus on helping the learners develop holistically. It presents procedures for handling learners with varying levels of cognitive ability. You are encouraged to guide and facilitate them in doing the varied activities presented in the Learner's Book. Emphasis is put on how you can guide learners to carry out activities based on various approaches and to share knowledge with fellow learners.

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