

BUSINESS STUDIES

FORM ONE

CHAPTER ONE

INTRODUCTION TO BUSINESS STUDIES

Definition of terms used in business studies

Business – refers to any activity that is carried out by an individual or an organization concerned with provision of goods and services with the aim of making profits

Business studies– it is the study of the activities that are carried out in and around production, distribution and consumption of goods and services

Business environment – these are the business surroundings which may be internal or external

Goods – These are items which are tangible i.e. can be touched and felt e.g. furniture, buildings, bread. Etc

Services – These are actions or activities that may be sold. They are intangible e.g. teaching, banking, hairdressing etc

Production – It is the creation of goods and services or increasing their usefulness. Its done by producers e.g. farmers.

Distribution – It's the movement of goods and services from the producer to the user. Involves transport, communication etc

Consumption – Refers to using of goods/service mostly done by consumers

Disciplines in business studies

- **Economics** – it's the study of how human beings strive to satisfy endless wants using the available scarce resources. **Human wants** are the desires that people strive to satisfy using goods and services. **Resources** – Things that are required in order to satisfy human wants
- **Commerce** – Study of trade and aids to trade. Trade is the exchange of goods and services for other goods or services or for money.
- **Accounting** – It's a systematic way of recording business activities which are used for decision making.
- **Office practice** – these are activities carried out in the office e.g. communication, filling, reproduction of documents etc.
- **Entrepreneurship** – It's the study of activities involved in the process of identifying a business opportunity and acquiring necessary resources.

Importance of business studies in the society

- Assists members to relate the knowledge, skills and attitude acquired to day to day business activities.

- Equip members with knowledge and skills to start and run a business
- Assists individuals in appreciating the role of business studies in provision of goods and services
- Makes the members to appreciate the need of good business management practice.
- Assist individuals to acquire self discipline and positive attitude towards work.
- Equips individuals with abilities to promote cooperation
- Enables individuals to understand the role of government in business.
- Equips individuals with abilities to understand role of communication and modern technology to business management.
- Help individual develop positive attitude towards the environment
- Equips individuals with knowledge and skills required to evaluate business performance

CHAPTER TWO

BUSINESS AND ITS ENVIRONMENT

The main purpose of a business is to make profits. To achieve this, a business needs to

- Satisfy customer needs
- Reduce operating costs
- Strive to survive by competing favorably

Types of business activities

- **Extraction** – means obtaining goods from their natural setting e.g mining, farming, lumbering etc
- **Processing of raw materials** – it is changing the form of goods without combining it with other goods
- **Manufacturing** – combining different raw materials to come up with one final product e.g. table is made of wood, glue, nails and varnish
- **Construction** – Rails, road and buildings
- **Distribution of goods** – Spreading of goods from the manufacturers to the users. Done by distributors
- **Trade** – Buying and selling of goods with the aim of making profits. Done by traders
- **Provision of services** – Selling services to consumers e.g. hairstylist, car washers

Business environments and their effects

Internal and external

Internal environment

- May either be strengths or weaknesses of the business e.g. skilled man power.
- It is also called micro environment

They include :-

- **Business structure**

This is the formal arrangement of the activities carried out at various levels of the organization. A well laid business structure would lead to success because:-

- Each employee knows what is expected
- No conflict or confusions
- Team work is enhanced
- Proper control – promotes efficiency
- **Resources**

A resource is something that can be used to achieve an objective. The following are some of the resources to a business

- ***Human resource***

Employees in a business provide human resource. A business with qualified human resource is more likely to do well.

- ***Financial resources***

A business with adequate finances is more likely to do better than one lacking such aspects.

- ***Physical resources***

These are tangible facilities which belong to a business e.g. buildings, machinery, furniture and stock.

- ***Technology***

These are the skills and methods used in production. A business with the relevant technology is more likely to succeed.

- **Business culture**

Business cultures arise from the combination of employees expectations, beliefs and values within the business. A culture of involving employees in decision making always does better.

- **Owner**

He provides finances and makes decisions concerning operations of the business.

External Business Environment

- Also called macro environment – large in scale

They include:-

- **Economic environment**

These are factors that affect the buyers' ability to buy goods and services offered by a business e.g charges, taxes, rates etc

- **Demographic environment**
- Includes factors in population change – size, distribution, age, density, birth and death rates
- A growing population provides market for goods and services
- Age and sex distribution shape the line of business while better education and jobs for consumers would improve their taste and demand for quality goods services
- **Legal – political environment**

The government closely monitors and passes laws and policies to regulate activities. Traders may opt to invest in some areas because of lower taxes or no taxes

Manufacturers of foodstuffs are required to include expiry dates to their goods. Political stability also creates a conducive working business environment

- **Technological environment**

Technology refers to level of know-how, efficient use of tools and equipments and other resources. Advancement in technology would lead to better quality of goods being produced.

- **Cultural environment**

Culture is the norms that regulate the behavior of people in society. Includes customs, beliefs and values. Dictates how people live and products they consume e.g. Muslims and pork.

- **Competitive environment**

Firms trying to outdo each other in their endeavors to maximize profits. Competition can either be generic or enterprise.

Generic competition refers to competition where the products are used for the same purpose though the products are different. E.g. cinemas and discos are competing forms of entertainment.

Enterprise competition is found where products are similar to those of the other firm. E.g. a local shoe manufacturing company competing with imported shoes.

- **Physical environment**

Includes factors such as climate and infrastructure e.g. roads, water supply, electricity, banks etc

CHAPTER THREE

SATISFACTION OF HUMAN WANTS

Human wants

- These are desires that people have or strive to satisfy e.g. thirst is a desire for drink
- Goods and service provide by the business are intended to satisfy a human want.

Classification of human wants

- **Basic/ primary wants/needs**
 - ✓ Are the necessities that are absolutely vital for the human survival
 - ✓ They include food, shelter and clothing
 - ✓ They must be satisfied first before one thinks of satisfying the rest
 - ✓ Lack of basic needs may lead to death
- **Secondary wants**
 - ✓ Are needs one can do without but are desired to make life more comfortable
 - ✓ They can be categorized into comforts and luxuries
 - ✓ Comforts improve ones living standards beyond the status of mere survival e.g. furniture, medication, education, utensils, transport etc.
 - ✓ Luxuries are goods that provide excessive comfort e.g. cars, watches. Luxuries are for prestige purposes

Characteristics of human wants

- ✓ **Unlimited-** Human wants are so many that they can never be satisfied. They are insatiable.
- ✓ **Varied.** They change with factors like age, gender, income, geographical location and social status.
- ✓ **Competitive.** They compete against each other for satisfaction using the limited goods and services
- ✓ **Complimentary.** Satisfaction of some wants automatically leads to creation of other wants e.g. when you purchase a cell phone, you will automatically need airtime.
- ✓ **Repetitive.** After some wants have been satisfied once, they recur thereby creating the need to satisfy them again.
- ✓ **Habitual.** Some wants result in the formation of certain habits e.g. use of certain brands of toothpaste, perfumes, body lotion and beverages based on habits .
- ✓ **Universal.** Human wants are experienced by every human being without exception whether they are satisfied or not

- ✓ **Vary in intensity.** Different wants have different priority

Challenges faced in the satisfaction of human wants

- ✓ Human wants are too many and varied to satisfy fully
- ✓ The resources needed for the satisfaction of human wants are never enough
- ✓ Resources are scarce
- ✓ People must continually look for fresh resources to satisfy recurring wants
- ✓ Human wants change with time, age and gender

Goods and services

- ✓ Goods are tangible visible objects that can be used to satisfy human wants
- ✓ Services are intangible efforts or acts that can satisfy human wants. Services cannot be seen i.e. not visible

Goods can be categorized as follows

- ***Free goods and economic goods***
 - ✓ Free goods are gifts of nature e.g. sunshine, rain, oceans
 - ✓ They have utility but no monetary value
 - ✓ Economic goods are scarce in supply and have money value e.g. TV, books, minerals etc
- ***Producer and consumer goods***
 - ✓ Producer goods are used in producing other. They are also known as capital goods e.g. machines, equipments and tools.
 - ✓ Consumer goods are readily usable by the final consumer. E.g. food, clothing, furniture, cosmetics, medicine etc
- ***Perishable and durable goods***
 - ✓ Perishable goods go bad easily unless stored using very special facilities e.g. meat, milk, vegetables, tomatoes.
 - ✓ Durable goods continue giving services for a long time and can be spoiled by agents such as wear and tear e.g. radio, furniture, buildings,
- ***Public and private goods***
 - ✓ Public goods belong to no one in particular but are owned by the government or by all of us collectively e.g. roads, airports, rivers, public hospitals, public parks, railways, churches etc.
 - ✓ Private goods are owned by private individuals in their private capacities either singly or as a group e.g. personal cars, private schools etc.

- **Intermediate goods and finished goods**

- ✓ Intermediate goods are used as inputs/raw materials to be processed into a more useful form. E.g sisal, sugarcane, wood, cotton etc.
- ✓ Finished goods are final products that come out of processing in the required form (output) e.g flour from maize or wheat, dress from cotton.

- **Material goods and non material goods**

- ✓ Material goods are commodities that are tangible e.g food, books, chairs, vehicles, shoes
- ✓ Non-material goods are intangible e.g. teaching, nursing etc

Differences between goods and services

Goods	Service
<ul style="list-style-type: none"> • Are tangible ie can be seen, touched or felt 	<ul style="list-style-type: none"> • Are intangible i.e. cannot be seen touched
<ul style="list-style-type: none"> • Not always exhausted during use 	<ul style="list-style-type: none"> • Always used up or exhausted after every act
<ul style="list-style-type: none"> • Identical goods can be created through mass production 	<ul style="list-style-type: none"> • Are difficult to make identical since they vary over time and provider
<ul style="list-style-type: none"> • The price paid is for the possession or ownership of the good • Surplus goods can be stored for latter use • Are easily separable from the producers 	<ul style="list-style-type: none"> • Price paid is the effect of the act or the effort • Cannot be provided in excess and once provided cant be stored later • Are inseparable cant be

Economic resources

- ✓ These are inputs needed in the production process in order to produce what is required to satisfy human wants.
- ✓ They are the means by which production and provision of goods and services is made possible.

Types of economic resources

Natural resources – Are gifts of nature e.g. land, natural forests, rivers, oceans and minerals

Artificial resources – Are man made resources e.g. machinery, tools, tarmac roads, dams, railways lines etc

Human resources – Refers to mental and or physical efforts rendered by people to organizations or to other human beings in producing goods and providing services e.g. nurses, teachers, painters, drivers.

Economic resources can be divided into

- ✓ Renewable resources
- ✓ Non-renewable resources

Renewable resources are those whose supply can be restored and if not, creating goods and services is reduced and it may stop altogether

Non-renewable resources are those whose supply cannot be stored after use. Using these resources leads to their exhaustion sooner or latter

Example of renewable and non renewable resources

Renewable resources	Non-renewable resources
Wood	Coal
Natural rubber	Building stones
Wool	Gravel
Silk	Iron
Leather	Aluminium
Solar energy	Gold
Hydro-electric power	Lead
Wind power	Natural gas
Soda ash	
Vehicle	

Characteristics of economic resources

- ✓ They are scarce
- ✓ They have monetary value
- ✓ They are unevenly distributed
- ✓ They can be used to create goods and service
- ✓ They can be combined together in different proportions to create goods and services
- ✓ They can be transformed from one party to another

Scarcity, choice and opportunity cost

- ✓ Scarcity is used to describe the limited nature of economic resources
- ✓ Choice is the act of deciding what wants to satisfy first with the scarce or inadequate resources available. Choice is made with a list of scale of preference which is a list of unsatisfied wants arranged in order of priority
- ✓ Opportunity cost is the value of the best foregone alternative. The real cost of satisfying any want is the alternative that has to be foregone in order to do so

CHAPTER FOUR

PRODUCTION

It's the creation of goods or provision of services to satisfy human wants

It involves activities of transforming of materials into finished goods, transportation and storage

Utility

Utility_-is the ability of a good or services to satisfy human wants.

Types of utility

Form utility -this is changing the form of a commodity by converting raw materials to finished goods .e.g. sugarcane may be converted into sugar

Time Utility-this is created when a good is stored until it is appropriate time to use it. Example, storing food stuff in the school store during the holiday to use when the school opens.

Place Utility- this is bridging the geographical gap between the producer of commodity and its consumers through transportation. Example, transporting books from a bookshop to the school

Possessive Utility-this refers to the transfer of ownership of good and services from one person to another it maybe done through trade. Example, ownership of bread may be transferred from a canteen owner to a consumer when the customer buys it.

Types of production

Direct and Indirect Production

Direct production (subsistence production)

Is type of production from ones own personal consumption

Characteristics of Direct Production

- Goods and services are of low quality and quantity
- Leads to low standards of living.
- Encourages individualism
- Can very tiring
- Does not encourage invention and innovation
- No one has the ability to provide all that he/she requires

b) Indirect production

Production of goods and services for sale

Characteristics of Indirect Production

- Lead high quality and quantity goods.
- Production with a view of exchange.

- It results in surplus production of goods and services

Level of Production and Related Occupation

Primary Level

- This level is also called extractive level, involves extraction of goods from their natural setting.
- The products can be used in the state they are or can be processed to make them more useful. example water, mining, fishing. Lumbering e.t.c

Secondary Level

- Involves transformation of raw materials into finished products or more useful products including; manufacturing e.g. food processing, Construction e.g. house and roads

Tertiary Level

- Involves provision of services. Divided into commercial and direct

Commercial services

Activities either trade or consist trade to take place e.g wholeselling,retailing,banking .

Direct Personal Service

Service rendered by individual direct to the consumer e.g nursing teaching and legal service.

Factors of Products and Their Rewards

Are resources/agents required in production e.g

- Land
- Labour
- Capital
- Entrepreneurship

Land

- Natural resource e.g. minerals, soils etc
- They are all the natural resources below or above the earth surface.
- The rewards are rent, rate or royalty

Characteristics of Land as a Factor of Production

- It is a basic factor of production, that is, production can't take place without it.
- Its supply is fixed that is, we cannot add more earth service on to what nature has provided.

- It lacks geographical mobility i.e it cannot be moved from one geographical to another.
- Quality is not homogeneous .Productivity of one piece of land will have different levels of fertility, mineral deposits, soil textures and varying climate conditions
- Productivity of land can be increased by increasing quality and quantity of capital
- It's subject to the law of diminishing return.
- It's a natural resource

Labour

- Human efforts are applied in production either physical or mental
- Not all human effort is labour. For it to become labour it must be aimed at production and be paid for.
- Rewards are wages and salary.
- Labour may be skilled, semi skilled or unskilled. Which is determined by the level of education, training and experience

Capital

- Refers to all the artificial resources used in the production of goods and services
- There are two types of capital namely fixed and operating /circulating capital
- Fixed capital are things that stay in a business almost permanently e.g. machinery, buildings, vehicle, furniture etc
- Working/circulating capital gets used up every time its applied in the production process e.g. raw material and money.
- Capital is rewarded in form of interest

Entrepreneur

- This is an individual who identifies a business opportunity, devotes the factors of production and starts a business venture which may involve the creation of goods and service
- The entrepreneur pays for the services of all the other factors of production
- He makes important decisions in business e.g s/he decides what to produce or sell, how much to produce or sell and what methods to apply in the production process.
- The reward for entrepreneur is profit

Division of labour and specialization

Division of labour

- This occurs when the production process is split into many stages or operations
- Each stage involves a special task performed by one or group of workers. For example, in clothe making factory, the production process is organized in such a way that each worker performs only a small part of the whole operation. Some cut the cloth material, others join or sew them together, others fixing buttons etc

Specialization

- This occurs when one worker performs certain specific tasks of a job
- It ensures that workers concentrate on doing those jobs which they are best suited in terms of skills, qualification and experience

Advantages of division of labour and specialization

- Workers skills are enhanced because of performing repetitive tasks, resulting in creation of experts.
- Workers suffer less fatigue as they concentrate on doing one task in one place
- New talents and inventions are developed as workers perform repetitive tasks hence one can detect and correct weaknesses in the techniques used
- Work is done at a faster rate due to repetitive nature of tasks and reduced movement of workers from one station to another
- Goods and services produced are usually of high quality since skills of workers are matched with tasks
- Use of machines is made possible leading to standardization of products and lower production cost, which in turn leads to higher profits
- Overall output increases because work is done at faster rate
- Planning and management of workers becomes easy which increases efficiency in organization

Disadvantages of division of labour and specialization

- Workers may suffer from boredom due to monotony of doing the same thing repeatedly
- Individual workers cannot identify themselves in the final products since workers perform only small part of the whole process
- In case of loss of jobs, such workers find it difficult to get new jobs because they are specialized in a particular field only.
- Leads to interdependence between countries, businesses or individuals which may lead to shortage of goods and services especially in times of conflict or natural calamities
- Use of machines may reduce employment opportunities by replacing manual labour.
- Workers eventually lose skills owing to the over-dependence on machines
- Due to specialization, problem at one stage can disrupt the whole production process.

Mobility of factors of production

- This is the movement or the transfer of a factor of production from one geographical area to another or from one occupation to another
- Horizontal mobility is the movement from one office to another in the same capacity
- Vertical mobility is the movement from one grade to another in the same occupation
- **Land** lacks geographical mobility but is highly occupationally mobile
- **Capital** – fixed capital lacks geographical mobility and occupational mobility. Equipments, tools and money may be geographically and occupationally mobile
- **Labour** – it's the most highly mobile factor of production whether geographically, occupationally, horizontally or even vertically.

Factors hindering mobility of labour

- Natural talent and ability differ from one individual to another
- Training involved for one to acquire skills in new occupations can be lengthy and expensive
- Some organizations have strict regulations barring new entrants from joining these professions e.g. law, medicine and architecture
- Some jobs though not well rewarding have better terms of service and pension schemes
- Adverse climatic conditions cause discomfort and disease discourage people from changing geographical locations
- Ignorance by workers on available job opportunities
- Geographical transfer involves transport costs, changing residence and school of one's children
- Security and political stability of given region
- Social ties that bind one to his/her community
- Language rules on immigrations

CHAPTER FIVE

ENTREPRENEURSHIP

The process of identifying a business opportunity and getting necessary resources to start and run a business.

ENTREPRENEUR- A person involved in entrepreneurship

Importance to the economy

- creation of employment
- formation of capital
- reducing rural urban migration
- raising standards of living
- saving import
- improving infrastructures
- reducing foreign dominance
- making use of local resources
- promotion of technology
- promotion of entrepreneurial culture

Characteristics of an entrepreneur

1. Desire to archive
2. Ability to solve problems
3. Readiness to take risk
4. Initiative
5. Time consciousness
6. Creativity and innovation
7. Independence
8. Self confidence
9. Persistence and patience
10. Seek information
11. Concept before high quality products
12. Commitment to work
13. Desire for feedback

Business Idea

Is what is cooking in the mind of an entrepreneur concreting on prospective business concept;

1. Product
2. Market
3. Location
4. Management
5. Objectives

Sources of ideas

- news papers
- shows and exhibitions
- magazines altitude
- hobbies

- vocational training\ experience
- surveys
- waste products
- listening to what people buy
- spotting a market gap

Business opportunity

A favorable chance that entrepreneur concepts for investments. Exist were there is a gap.

- In availability of products
- Quality product
- Insufficient quantities
- un affordable prices
- poor services

Personal Considerations

- Objectives
- Skills
- Commitment
- Interests

Business Considerations

- Availability of market
- Technology –appropriation
--Cost

- Suffering in case of out dated

C. Raw materials –quality and quantity prices

D. Government policy –requirement before starting the business

E. Others –amount of capital

- Level of competition
- Difficulties in marketing
- Expansion possibilities
- Security
- Level of development

Business Plan

A document that highlights the objectives of the business and steps to be followed in order to achieve the objectives

- Name of business
- product to be sold
- personal to manage

- capital needed
- market to be served
- type of employees
- projection
- summary of plan

Need for a business plan

- Avoid mistakes
- identifying strength and weakness
- requirement by financials
- determination of amount of finance
- Allocation of resources
- motivating factors
- adoptability

Tools For Control

Factors influencing entrepreneur practices

- Government policies
- infrastructure
- levels of education and skills
- availability of market
- availability of resources
- culture
- competition
- political stability
- natural factors

Causes of Business Success

- Ability to manage people
- Hiring – Process of acquiring new employees to take up new positions or to be replaced employees who left the business
- Assigning duties – allocating employees duties accordingly
- Proper location – availability of customers
- Availability of raw materials.
- Adequate finance
- lack of competition
- commitment of the business
- proper management of resources / finances
- proper debt management

Ethical Issues in Business

Ethics – set of values and principles which influence how individual groups of people and society behave

Business Ethics – deals with how such values affect business operation

Why should we have business ethics?

- Create fairness in competition
- ensure fair play
- ensures no discrimination in business
- ensures protection of the environment
- ensures employees rights are upheld
- avoid pollution
- avoid consume exploitation

CHAPTER SIX

THE OFFICE

An office is a place, a room or a building set aside in an organization where communication, secretarial, accounting, administration and clerical work take place

Functions of an office

- Receiving and recording information

The office receives information by such means as letters, telephone calls, orders, invoices, face to face conversation and reports. Information may be recorded and stored

- Distribution of information

This is passing information to the officers concerned for implementation or action.

- Mailing

It is an office where out-going correspondence and parcels from various departments are processed and dispatched

- Reproduction of document. done through:-

Carbon copying

It's a method used to obtain copies using carbon. Convenient when getting a limited number of copies

Advantages of carbon copying

- Convenient especially where few copies are required
- Cheap
- No special training required

Disadvantages

- Not convenient for many copies
- Copies could be misaligned
- Poor quality
- Difficult to produce different colours copies of photographs cannot be reproduced

Duplicating

- Process of reproducing as copy or as succession of copies from a master copy
- Used when many copies are to be produced
- Can be through ink duplicating or spirit duplicating

Ink duplicating

- Reproducing using ink duplication

Advantages

- Cheap when many copies needed
- Errors can be corrected
- Permanent copies of good quality
- Fast
- Stencil can be stored to be reused

Disadvantages

- Expensive when few copies required
- Time consuming
- Only coarse absorbent paper is used hence not suitable for quality copies
- Separated runs required if two or more colours are needed

Spirit duplicating

- Method of duplicating where a spirit duplicator is used

Advantages

- Economical when few copies needed
- Copies can be produced in several colors

Disadvantages

- Not suitable for many copies
- Copies fade out with time
- Expensive
- Photocopying
- Reproduction of an exact copy of an original document by use of photocopier

Advantages

- Cheap if few copies needed
- Quicker than duplicating or printing
- No special training need
- Copies produced of high quality

- Colored copies also available
- No need for comparison with original
- No pollution

Disadvantages

- Expensive for large number of copies
- Copies fade over time
- Only selected colour can be copied
- Convenient hence easily misused
- Cannot be used without electricity
- ***Printing***

Method of producing documents using either printing machine or mechanical means. The methods of printing can be classified on the type of printing machines and the type of documents to be produced as follows:-

Computers

- Copies can be produced using a printer attached to a computer information is just fed and the computer is instructed to print

Advantages

- High quality copies
- Different colors can be produced
- Convenient for many copies
- No pollution

Disadvantages

- Expensive
- Trained personnel required
- Electricity is required to operate

Stencil (screen) printing

- Method of printing where a screen is used
- The screen is cut mechanically or by use of machine
- The method is used to print large and irregular surfaces that cannot be fed in a machine widely in textile industries

Advantages

- Cheap
- Little training required
- Adaptable
- Can be used to produce variety of colours

Disadvantages

- Poor quality
- Mass production is difficult

Offset lithography

Where documents are reproduced using a printing machine. The document to be reproduced is filmed using a camera. Lithography is mainly used for printing documents such as books, files forms, certificates and also to print on plastic, metals and cloth

Advantages

- Documents produced are of high quality
- Appropriate for mass production
- Different color can be produced

Disadvantages

- Initial and maintenance costs of machines are high
- Trained manpower is required
- Pollutes the environment
- Printing is mainly done on paper which is obtained from trees. This may lead to deforestation

Filing

- Filing is the process of classifying and arranging of documents and records for easy retrieval by office staff
- Information received in an organization is stored mainly in files. This ensures that information/documents are safe, neat and tidy.
- Filing enables office staff to locate documents which they may need easily, conveniently and quickly.

Characteristics of good filing system

- Simplicity – Should be simple to understand and operate
- Compactness- should occupy little space
- Suitability – Appropriate to the needs of the business
- Classification – files should be named and numbered to make it easy to keep and retrieve them
- Elasticity – system should be flexible, that is cater for future changes and expansion
- Safety – Documents should be safe
- Economical – Filing system should not be expensive to start and to maintain

Role of filing

- Documents are protected from loss and damage
- It aids in office tidiness and efficiency
- It's an important aid to memory
- Ensures information is stored systematically and thus can be retrieved easily

Safeguarding and controlling organizations property

The office formulates systems and policies regarding assets, keeping records of their movement or usage, issuing directives on their use etc.

Communication

Communication is the passing of information from one person to another. Communication from within and out of the organization goes through the office.

Office layout

- Refers to the outlook, arrangement and positioning of furniture and equipment in an office.

Types of office layout \

Open layout

This is a large room where all staff work, but are grouped according to the type of work they do for example as found in many banks.

Advantages of open office layout

- Easy supervision of workers
- Construction cost is low because partitions are few
- Easy location of workers

- Staff movement is minimized thus saving time on passing communication
- Workers make good use of office machinery and equipment since close supervision discourages them from misusing them
- Maintenance cost is low
- Floor space is saved
- Its cheap to decorate

Disadvantages

- Disruption from colleagues
- Senior workers not placed in areas of privacy and it becomes difficult to communicate with juniors
- Untidy and un-business like appearance
- Overcrowding, air conditioning, lighting and heating in the room may not be conducive to all.
- There is noise from machines

Enclosed office

This office is normally occupied by one person or two usually having their names and designation pinned on the door

Advantages

- There is privacy for confidential discussion
- There is less noise
- Conducive working environment
- Confer status on top level status
- Easier to maintain than open office.

Landscape office layout

- Similar open office layout but of higher standards in terms of look, furniture and other equipments
- Senior officers occupy higher platforms for easy supervision of junior officers

Advantages

- Promotes team work
- Promotes sharing of office equipments
- Easy supervision of workers

- Low maintenances cost
- Easy location of workers
- Discourages absentees of employees
- Decorations provide attractive and conducive working environment

Office equipment

These are facilities used in an office to make work easier and efficient

Role of office equipment

- Speed up and simplify work that is time and labor saving
- Enhance neatness and accuracy
- Ensure security of documents
- Provides comfortable working environment

The following are some of the office equipment

- **Guillotine** – Used for trimming documents to the required shapes
- **Paper punch** – To make holes in papers for filing
- **Stapling machine** – For pinning papers together
- **Staple remover** – To remove pins from paper
- **Folding machine** – Folding letters and sealing envelopes
- **Franking machine** – For printing postage impression on envelopes
- **Addressing machine** – For printing addresses on mail
- **Sorting machine** – For sorting letter
- **Letter opener** – For opening letters
- **Composite** – To fold documents, place them in envelopes and seal the envelope
- **Typewriter** – For typing letters, reports
- **Dictating machine** – For making short hand dictations and recording information on tapes
- **Paper shredders** – Cutting unwanted documents into tiny pieces to avoid them getting into wrong hands
- **Duplicating machine** – Reproducing documents from a master copy
- **Telephones** – Used to send and receive verbal messages between two people

- **Tele printer** – For printing messages which are telexed
- **Facsimile** – Used to transmit printed messages such as letters, maps, diagrams and photographs
- **Photocopiers/ Printing machines/ Stencil duplicator** – Used to reproduce documents
- **Cash register** – Preparing cash receipts
- **Calculating machines** – Calculating
- **Computers** – for performing complex calculation/ document processing
- **Money counting machines** – for counting coins and notes

Advantages of office machines

- They are labor saving
- They are much faster and thus save time
- Accurate
- Produce presentable output
- Machines assist in reducing fraud
- Provides uniformity of output

Disadvantages of office machines

- Initial cost and maintenance cost is high
- Breakdown may lead to stoppage of the production process
- Machine contribute to unemployment
- Machines may become outdated forcing the organization to acquire new machines
- Some require trained manpower who may be difficult to recruit, and at times training unskilled staff can be expensive
- Special stationary and other material may be necessary
- Carelessness of workers may result into enormous wastage of resources

Office staff

Is a team of employees who work to achieve the organizations goals.may be divided into thre groups namely: managerial, junior and subordinate

Managerial staff

They re involved in formulating, implementing policies and supervising the activities of the organization

Junior staff

Are either skilled or semi skilled.

Subordinate

Unskilled employees who perform non-specialized duties such as cleaning and delivering messages

Office staff and their duties

Manager

- This is a senior employee in an organization

The duties of a manager are:-

- Controls all the activities of the organization
- Responsible for coordinating of all the activities of the organization
- Responsible for staffing
- Provision of resources required by the organization
- Planning the work and the time schedule in an organization

Company secretary

This is senior employee of the organization.

Duties

- Responsible for legal matters of a company
- Takes down minutes at annual general meetings

Accountant

A senior officer who deals with all financial matters of the organization

Duties

Keeping books of account

Collecting, banking and making payments on behalf of the firm

Making out financial returns to the managing director

Preparing financial reports

Personal secretary

A senior employee usually attached to one senior officer

Duties

- Filing information for the boss

- Attending meetings and recording minutes
- Supervising junior secretarial staff
- Receiving and making telephone calls for the boss
- Taking dictations from the boss
- Making travel arrangements for the boss
- Keeping the petty cash

Typist

Junior employee usually in the typing pool

Duties

- Typing information from original documents
- Filing documents
- Duplicating
- Clerk
- Duties
- Handling mails
- Duplicating and operating various office machines
- Filing and indexing
- Helps in store keeping or record keeping
- Ordering, receiving, storing and issuing of stationary

Telephone operator

A junior employee who runs a switchboard

Office messenger

A subordinate employee who performs unskilled office duties such as collecting and delivering mails

Receptionist :Duties

- Supervision of messengers and porters
- Receiving and directing visitors to their respective destinations
- Taking and passing of messages
- Making, renewing and canceling appointments

- Keeping a reliable visitors record book

Qualities of office staff

Personal attributes

- Refers to the general appearance of a person and includes
- Physical appearance such as respectable style of dressing, moderate hair cuts and styles and use of make-ups
- Hygiene – they must maintain high level of hygiene, for example, general and body cleanliness
- Posture – they way of working and sitting
- Neatness – Personal tidiness and organization of work.

Office etiquette

It may be defined as the prescribed or accepted code of behavior in an office

Includes

- Respect
- Punctuality
- Courtesy
- Loyalty
- Honesty
- Diplomacy- Ability to convince others tactfully
- Judgment
- Initiative

Personal knowledge and skills

- **Knowledge** – Refers to the relevant academic and professional qualification that enable a worker to perform their duty effectively
- **Skills** – Refers to the capability of the worker to perform his duties accurately and easily

Trends in office management

Refers to the current changes in office management such as computerization.

Computers

A computer is an electronic device that is used to process data and information and storing information for future use

Uses of computer

- Data storage and inventory control
- It can be used to process accounting transactions and write-ups and update ledger and payroll
- Keep records of sales to particular customer and enter in any new transactions
- Computerized filing
- Used for word processing

Advantages of using computers

- It economizes on space and material
- It speeds up operation
- Its output is presentable
- It can store a large volume of information
- Its accurate

Disadvantages

- Leads to unemployment
- Inhibits innovation
- Monotony
- Require one to have a backup system for storage which is an extra expense

Uses of computers in communication

- **Internet**

Refers to inter-connection of several computers over a wide area facilitating the flow of information from one place to another.

- **Intranet**

Inter-connection of computers within a small geographical location for example different departments in an office

- **Website**

A virtual location in the internet where the information can be posted for other parties to access. It can be used to get information

- **Teleconferencing**

This is holding a conference through the computer while the participants are in different geographical areas

Advantages of the internet, intranet and websites

- They are fast
- Low cost incurred compared to travelling
- Convenient as you get information at the touch of a button
- Information can be stored for future reference

Disadvantages

- High initial cost of equipment
- Maintenance cost is high
- Users require training which may be expensive
- Suffers from occasional breakdown for example virus attack
- Facilities are prone to misuse

THE OFFICE

- **Define the term an office**

An office is a building, room or a place set aside for administrative, communication or clerical work of an organization.

- **Outline the functions of an office**

- Receiving of information in various forms such as calls, personal visits or documents such as letters
- Recording and sorting of information received.
- Storing of information for future reference
- Distribution of information within and outside the organization to the various sections, departments or personnel for necessary action
- Reproduction or making of copies of document by use of various methods, such as photocopying, duplicating and carbon copying
- Protecting or safeguarding the organization's property

- **State the various reprographic techniques that can be carried out in an office**

- Carbon copying
- Stencil duplication
- Photocopying
- Spirit duplicating
- Ink duplicating

- **Your school would wish to use photocopying as a method of making copies of exams. State the advantages and disadvantages of using this method**

Advantages of photocopying.

- It is a fast method of reprography
- It is a simple method and require little training of the users
- One will obtain the exact copies of the original document
- The method is not expensive if the copies to be made are few
- It is environmental friendly

Disadvantages of photocopying

- The copies that are made fade in the cause of time
 - Photocopying can be costly if the copies being made are many
 - The employees may misuse the method due to its convenience
 - Photocopying machine requires electricity which may be expensive
 - Few colours in a document may be obtained by use of this method
- **State the types of office layout**
 - Enclosed office layout
 - Open office layout
 - Landscape office layout
 - **Suggest reasons why an organization should use landscape office layout**
 - It creates a relaxed atmosphere for the workers
 - It is more attractive and beautiful
 - The image of the organization/firm is enhanced
 - It promotes good working relations and co-operation among the workers
 - Equipment and office facilities may be shared among the employees
 - The flowers or plants used break the monotony of open spaces
 - **State ways in which landscape office layout can be created**
 - By placing plants/flowers in an office
 - By having paintings of animals or plants on the wall
 - By placing fish aquariums in an office
 - Through shaping of office furniture in form of animals, birds and concrete shapes
 - Creating miniature physical features such as waterfalls and mountains in the office
 - **State why you will advice an office manager to use an open office layout instead of an enclosed office layout**

- In an open office layout it is easier to supervise workers than in an enclosed office
- An open office discourages absenteeism which may be common in an enclosed office
- It is cheaper to maintain an open office than an enclosed office
- Equipment, facilities and machines can be shared in an open office which may not be possible in an enclosed office
- Floor space is saved in an open office than in an enclosed office
- There is enhanced attraction and framework in open office
- It is cheaper to light an open office than an enclosed office
- It is easy to locate employees in an open office
- **State the advantages of enclosed office layout**
 - It is ideal for work that is confidential in nature
 - It is more secure than an open office layout
 - The office is ideal where high level of concentration is required
 - It is prestigious for the occupant of such an office as they are recognized
 - The worker is not disrupted by noise or movement of other employees
- **Highlight the disadvantages of an open office layout**
 - There is a lot of noise and disruption from other employees
 - Contagious diseases may spread easily among the employees
 - The top ranked workers may feel belittled being placed among other workers
 - It is not very conducive for work that is confidential or secretive in nature
 - Property within the office is not very safe
 - Due to use by many people the office may not be very tidy
- **Outline the factors that have to be taken into consideration when deciding on a type of office layout to use**
 - The cost of construction and maintenance
 - The number of staff to be accommodated in the office

- The climatic condition of the area
- Government directive if any
- The nature of work to be carried out in that particular office
- The nature and rank of staff to be accommodated in that particular office
- The floor space available for the office
- The need to maintain a good work flow among the workers
- **State the disadvantages of an enclosed office layout**
 - It can encourage absenteeism
 - It is not easy to supervise the employees
 - It is expensive to construct and maintain
 - Facilities and office equipment cannot be shared among the workers
 - Workers can misuse office equipment such as the telephone
 - The office layout takes up more space
 - A lot of time is wasted when moving from one office to another
 - It may promote individualism as some employees are isolated from others
- **Enumerate the factors you will advice Mr.Mwajuma to consider when buying office machines for his company**
 - The effect of the machine on the workers
 - **The cost of the machine or equipment**
 - The suitability of the machine for the task that is intended for
 - The availability of after sales services provide by the seller
 - Presence of office staff with the skills required to operate the machine
 - One has to consider space or room to keep the machine or equipment
 - The likelihood of the machine being outdated absolute or out of date
 - One has to consider whether that machine can adopt to future changes

- **State the best type of machine one would use to perform the following tasks:**

(a)	Functions To create postage impressions on envelopes	Type of machine Franking machine
(b)	To fold documents put them in envelope and seal them	Composite machine
(c)	To destroy sensitive but unwanted documents	Paper shredder
(d)	To store large volumes of data	Computer
(e)	To run 300 copies of an exam for students in a school	Printing machine
(f)	To make exam copies of a certain original document	Photocopier
(g)	To trim papers to the required sizes	Guillotine machine

- **Highlight the disadvantages of using office machine**
 - They can be very costly/expensive to buy and operate
 - They occupy space which can be used for other tasks
 - Machines may replace labour causing unemployment
 - Some may require electricity which may be expensive
 - **Any breakdown of the machine may delay work**
 - The machine may become obsolete(out of date)
 - They are subject to wear and tear(depreciation)
 - Some may require specialized or trained personnel to operate
- **State the three categories of office staff**
 - Managerial staff
 - Junior staff
 - Subordinate staff
- **Outline the advantages of using office machines**
 - Machines are labour saving and can be cost effective in the long run

- The output of machines is of good quality
- They can be used to minimize fraud or theft
- Machines can be very fast saving on time
- They can produce uniform work
- Machines can be very accurate as compared to human labour
- Some machines can be adapted to multiple task such as a computer
- **Highlight the role played by a good filing system in an organization**
 - Filing provides security/safety of documents
 - It facilitates easy retrieval or access of documents
 - Good filing enhances orderliness and tidiness of an office
 - It guarantees confidentiality of information since it cannot get to the wrong hands
 - Good filing promotes good communication
 - Filing guarantees that documents are protected from damage
 - Good filing guarantees good future reference in case the information is required
- **Outline the various categories of office equipment giving examples in each case**

	Category	Example
(a)	Typing office machine	(i) Typewriter
(b)	Mailing office machine	(ii) Dictating machine (i) Franking machine (ii) Composite machine (iii) Folding machine
(c)	Communication office machine	(i) Telephone (ii) Telex (iii) Cell phone
(d)	Duplicating/reprographic machine	(i) Photocopier (ii) Duplicator (iii) Printing machine

- **Distinguish between centralized and decentralized filing system**

In centralized system one department is given the responsibility of keeping and managing all the files in the whole organization. This department is referred to as a registry. Decentralised filing

- **State the characteristics of a good office worker with office etiquette**

- Courtesy i.e dealing with people politely
- Punctuality-keeping time at all times
- Honesty-telling the truth
- Co-operation with other employees
- Tactical or being diplomatic when dealing with others
- Good judgement and coming up with the best decision
- Neatness and orderliness in terms of work arrangement
- Dedication or loyalty towards the organization

- **Highlight personal attributes that Bakari should have as an office worker**

- He should be presentable
- He should maintain high standard of morality
- He should have a good sitting posture
- He should maintain high standards of hygiene
- He should be neat and accurate in the organization of his work
- He should maintain good health and physical fitness through having proper diet and exercising

- **Define the roles played by the following office workers**

(a)Departmental manager

- Maintaining the books of accounts
- He/she may prepare the budget for his/her department
- Submitting reports to the senior manager about performance of the department
- Monitoring and supervising workers in the department
- Assigning roles and duties to employees in the department

(b)Personal secretary

- Receiving and filing information

- Booking appointments for the boss
- Taking and writing minutes during meetings
- He/she can maintain small amount of money for making small or petty purchases in the office
- He/she receives and makes calls for his seniors
- **Highlight trends in office management**
 - Use of modern computers enhances efficiency
 - Introduction of customer care desks or offices to address customers concerns
 - Movement toward open and landscape office plan to enhance more interaction among the workers
 - Outsourcing for some task that can be done by other firms instead of employing workers to do the same e.g. having external cleaners or security
 - Use of the cell phone for communication
- **E-Commerce is a recent trend in business. Outline the advantages of using this method in carrying out business activities.**

Advantages

- One can have a wide variety of goods and services from all over the world
- It reduces the cost of travelling to the market or in search of product
- It is fast as deals can be made within a short period of time
- A seller can advertise goods to many consumers over a wide area
- Paper work and the many document used on other trade are removed or reduced as selling and buying is on-line
- A lot of information about the market can be accessed on the internet

CHAPTER SEVEN

HOME TRADE

Trade is the buying and selling of goods and service with the aim of making profit

Importance of trade

- Avails a variety of goods and service
- Helps producers to dispose their surplus produce
- Creates employment
- It encourages specialization and division of labor
- Promotes social relations and understanding in the parties involved
- Ensures steady supply of goods and services
- Helps one to acquire what one may not be able to produce

Classification of trade

Trade is divided into *home trade* and *foreign trade*.

Home trade is the one which is carried within a country's boundaries while foreign trade is carried out between two or more countries.

Foreign trade may be bilateral (between two countries) or multi lateral (among many countries)

Home trade may further be classified into wholesale and retail trade

Wholesale trade

This is the buying of goods and services from producers and manufacturers in large quantities and selling them to retailers in relatively smaller quantities

The person who does this is a wholesaler

Functions of retailers

They can be discussed based on the service they render to the wholesaler, producer and consumers

Services rendered to consumers

- Credit facilities – since retailers are in personal contact with their customers, they may give credit to the customers they trust
- After sale services - These services include transport, installation, repair and maintenance
- Offer advice to consumers on choice and use of products

- Make goods available to consumers at the right time and place
- Breaking bulk. I.e. reducing of the size quantity to a convenient requirement

Services rendered to wholesalers

- Assist in distributing goods to consumers
- Relieve the wholesaler the burden of transportation
- Retailers relieve wholesaler the burden of storage
- Retailers are a good source of valuable information on market which assist wholesalers in anticipating consumers demand

Services rendered to the manufacturer

- Providing valuable information on consumer demand
- Marketing the manufacturers products
- Advertise goods on behalf of the manufacturer

RETAIL TRADE

Retailers can either be small scale or large scale retailers

Small scale retailers

- They form majority of the retail traders
- They are found in most parts of the country
- In most cases they are operated as one-man business
- They are easy to start because they require little capital

Classification of small scale retailers

Classified into two main groups i.e.

- Small scale retailers without shops
- Small scale retailers with shops

SMALL SCALE RETAILERS WITHOUT SHOPS

Itinerant traders

- They carry goods about with them on bicycles, motor-cycles or on their heads.
- They move from town to town, village to village and from door to door selling their goods
- They can sell clothes, plates, cups, vegetable etc
- They are persuasive and as a results customers sometimes buy goods they do not need
- Examples of itinerant traders are hawkers and peddlers
- Hawkers use bicycles or motorcycles but peddlers walk around

Characteristics of hawkers and peddlers

- Are found mostly in densely populated regions
- Move from one shopping center to another, village to another and door to door in search of customers
- They are persuasive
- Their prices are not controlled

Advantages of itinerant traders

- Flexible in that they move from one place to another
- Require little capital to start and operate their business
- Convenient in that they take goods to the customer
- Don't suffer bad debt because they sell in cash

- Few legal formalities required

Disadvantages

- Affected by weather changes because they operate in open air environment
- Difficult to transport business wares to various places
- Do not offer guarantee, in case the items are found defective

Roadside sellers

- They sell goods at places where other people pass such as in busy roadsides, streets, bus stages, road junctions and entrance to schools and public buildings
- They deal with fast moving goods like sweets, roasted maize and fruits
- Place their goods on trays, card boards, empty sacks or mats

Open air market traders

- Found in convenient places which are normally centrally located, where people meet to buy and sell goods.
- Traders pay entrance fee to be allowed to bring in goods
- Market is under the administration of the local authorities
- They are open on particular days of the week

Automatic vending machines

- These are coin operated depending on what you want to buy
- They are used for selling commodities like cigarette, drinks and stamps.
- Juke boxes and telephone coin boxes are also vending machines where you buy services

SMALL SCALE RETAILERS WITH SHOPS

Single shops (unit shops)

- They have fixed premises
- They are usually run by one person who gets assistance from his family or employed attendant
- Some specialize in one line of commodities such as clothes, groceries etc

Tied shops

- They sell exclusively the products of one particular manufacturer
- They are owned and controlled by the manufacturer who designs the shop and its appearance, e.g in painting.
- The manufacturer offers goods on credit to the trader

- E.g. Bata Shops, Petrol stations like Shell, Kenol

Kiosks

- Usually small shops or simple structures which sell fast-moving goods like newspapers, sweets and soft drinks
- Located in strategic places like corners of busy street roads, residential areas

Market stalls

- These are permanent stands found in market
- They are open daily
- Constructed and owned by the local authorities
- Each stall deals with a particular good or service
- They are rented or leased by individuals from the local authority
- Examples Kariokor and City Markets in Nairobi.

Canteens

- These are retail shops found in institutions such as schools, colleges, hospitals and army barracks.
- They sell goods mainly to the people working in the institution
- They may be run by the institutions management or by individuals on rental basis
- Can offer tea, sodas, sugar and other foodstuffs

Mobile shops

- They move from village to village town to town selling their goods.
- They have a converted van, lorry or bus arranged as a shop from which customers can buy their goods

Advantages of small scale retailers

- Its easy to raise capital to start the business
- Retailer is in close contact with consumers and may give credit to credit worthy customers
- The risks involved in the business is small
- The business is simple to operate and manage
- Few legal formalities required
- Trader can easily change from one product to another

Disadvantages

- Trader has limited access to loan facilities
- They do not hire specialist or technical staff
- May suffer bad debt
- They do not enjoy economies of scale
- They have a low turnover because of the little capital invested

LARGE SCALE RETAILERS

- They normally operate in urban areas
- May occupy a single big building or several premises scattered in various areas of the same town or different towns
- They require large amount of capital to start
- They buy goods from wholesalers and manufacturers in large quantities
- They are allowed trade discounts and other favorable credit facilities
- The services of specialist like salesmen, storekeepers, accountants and managers are required
- Management is centralized, stock purchases are made at the head office
- Branches are required to submit monthly returns to the headquarters

Types of large scale retailers

- ***Supermarkets***
- It's a large self-selection store that deals mainly with house hold goods such as utensils, foodstuffs and clothes
- Goods are well displayed on shelves and each article carries a price tag.
- The buyer walks around picking the goods one wants to buy and placing them in a trolley or a basket.
- The goods are paid to one of the cashier stationed near the exit

Features of supermarkets

- Require large capital to start
- Stocks variety of goods
- Offer self service facilities
- Goods have price tags on them
- Prices of goods are fixed
- No credit facilities offered
- Sell comparatively low prices

Advantages of supermarkets

- They buy goods in large quantities which enable them to obtain good trade discount. They are therefore able to offer lower prices
- Customers get all the goods they want under one roof. This saves time

- Supermarkets employ few attendants therefore reducing their monthly wage bill
- Impulse buying leads to more sales because customers have access to the goods which they pick from the well displayed shelves
- They don't sell on credit thereby avoiding bad debts

Disadvantages

- They don't offer credit facilities to the customer
- They don't deliver goods to customers premises
- They don't give personal services to the customers
- They incur many losses due to pilferage of goods
- Impulse buying leads the customer to buy goods they may not want

Chain stores (multiple stores)

- Chain stores are large scale businesses with separate branches which are managed and organized centrally. The branch managers are accountable to the head office
- E.g. the Deacons and African Retail Traders (ART)
- They have standard prices for their products no matter where the branches are located
- They have similar shop fronts appearance and displays.

Characteristics of chain stores

- Purchases are centralized
- Standard prices for all products in all their branches
- Sales are centralized
- All branches deal in same type of product
- They are uniform in outward appearance and interior layout

Advantages of chain stores

- They buy goods in large scales which enables them to obtain good trade discounts.
- The cost of running a chain store is controlled and managed at the head office. The headquarters advertises on behalf of the branches
- Slow-moving goods in one branch can be transferred to another branch where demand for them is higher

- The identical sold by chain stores and the similar shop fronts and window displays publicize the business
- Chain stores serve a wider market because they are spread all over the country
- Goods are sold on cash basis, hence reducing the cost of managing bad debts

Disadvantages of chain stores

- Large amount of capital are required to run a chain store
- People tend to shy away from buying identical products such as clothes
- Chain stores do not offer credit facilities, except those operating exclusively on hire purchase scheme
- Lack of personal touch with customers

Departmental stores

- Comprises many single shops under one roof and one management.
- Each department deals in a different line of goods and is controlled by a departmental manager
- Departmental manager is responsible for buying in his department although this may be centralized
- They are located in town centers
- In Kenya we have no departmental store

Advantages of departmental stores

- Customers can buy a wide variety of commodities from different shops under one roof
- Departmental stores buy goods in large quantities at lower prices and hence these goods are sold at lower prices
- Generally open for long hours
- Offer adequate parking facilities to customers
- The store is able to employ qualified staff thus providing high quality services

Characteristics of departmental stores

- They offer a wide variety of goods at lower prices
- They are attractive and convenient to shop in
- They are usually situated in town centers
- They provide services such as restaurants, reading rooms and post office to attract customers

- Each department is managed by departmental manager dealing in a different line of goods

Disadvantages of departmental stores

- Large amount of capital is required to run the store
- A departmental store may run one department at loss to attract customers to other profit making departments
- Cater mainly for the urban communities in which they are located
- Lack personal contact with their customers
- Their big sizes poses management problems related to coordination and control of the activities on the different departments
- **Hypermarkets**
- It's a large shopping centre in one building comprising a variety of business under one roof and managed by different people.
- They are located away from the city centre and have good access roads and ample parking
- E.g. in Kenya is the Sarit Centre in Nairobi's Westlands

Characteristics of hypermarkets

- Good access roads
- Ample parking space
- Many business in one building
- Attractive and convenient to shop in
- Located in the outskirts of town
- Offer a variety of goods and services

Advantages of hypermarkets

- Offer extensive parking for customers
- Customers can do all their shopping in one building , especially those who buy their monthly supplies in bulk
- They save on space, which reduces rents and rates
- Usually open for long hours
- They provide credit facilities by accepting credit cards

Disadvantages of hypermarkets

- Since they are located away from the city centers, they serve only a limited number of people especially those with cars
- Require a large space which is not available in the Central Business District (CBD)
- Their prices are not controlled and therefore subject to bargaining

Mail order stores

- It's a type of retail trade where business is carried out through the post office.
- The customers place their order for goods through the post office and the goods are also supplied through the same
- Buyers get information from advertisements in print media, journals, radios.
- The goods are dispatched mostly on the basis of cash with order (C.W.O) or Cash on delivery (C.O.D)

Characteristics of mail order stores

- They sell goods through the post office
- They advertise through the print media, roads, journals, cinemas etc.
- All transactions are passed through the post office
- Customers do not visit the selling premises
- Goods are dispatched, mostly on the basis of cash with order or cash on delivery

Advantages of mail order stores

- It reaches customers who are far away from the shopping centers
- Does not require transport facilities
- Total control of distribution is possible
- Does not require the services of salesmen

Disadvantages of mail order stores

- High cost of advertising increases the price of the goods
- Inspection of goods by the customer is not possible
- The variety of the goods that can be sold is limited
- Personal contact between the buyer and seller is not possible
- Suitable to those who can read and write
- Problems arising in the post office may affect the business, for example strikes

WHOLESALE TRADE

- It involves selling goods in large quantities to traders for resale.
- Wholesalers are classified according to the range of products they handle, the geographical area in which they operate and method of operation

According to the range of goods they handle

- General merchandise wholesalers
- General line wholesalers
- Specialized wholesalers

According to the geographical area in which they operate

- Nationwide wholesalers
- Regional wholesalers

Their method of operation

- Cash and carry wholesalers
- Mobile wholesaler

General merchandise wholesalers

- They deal in a wide range of products. The lines of products they deal in are distinct, e.g hardware, clothing, foodstuffs and chemicals

General line wholesalers

- Deal with a wide range of products, but within one line, eg. Hardware

Specialized wholesaler

- Deal in particular goods from a given line of products, e.g the line of foodstuffs

Nationwide wholesalers

- Distribute goods all over the country.
- They establish warehouses or depots in different areas from which they supply the goods to their customers

Regional wholesalers

- Offer their products to certain parts of the country only.
- They may cover a location or a district

Cash and carry wholesaler

- Operate on self service basis like a supermarket
- Traders come and pick goods and pay cash for them
- They don't offer transport facilities to their customers
- No credit facilities are offered

Mobile wholesalers

- Use vehicles to go around selling goods to traders

Rack jobbers

- Specialize in selling particular products to their specialized wholesalers

Alternative classification of wholesalers

- Those who buy goods, store them in warehouses and sell them to traders without having added anything to them
- Those who, after buying the goods and storing them, prepare them for sale. They may break bulk, pack, brand, grade
- Wholesalers who organize the distribution of goods, but who do not themselves physically handle the goods. This is normally the case with goods such as motor cars
- Who act as wholesalers' agents or brokers. These are middle men who are paid a commission for their work

Definition of terms used in whole sale trade

Breaking bulk

It is reducing the size quantity to a convenient requirement, eg buying in cartons from producers and selling them in packages to retailers

Packing

Putting goods in packets and boxes

Branding

Giving a product a name by which it will be sold.

Sorting

Selecting goods in desired sizes, weights, colors and qualities

Grading

Putting goods in groups of similar qualities to make it easier to price them

Blending

This involves mixing different grades to achieve desired tastes, color and other qualities

Services of wholesalers to the producer

- Act as link between the producer and the retailers
- Relieve producers of some of the risks they would experience which include a fall in price due to fall in demand
- The producer is saved the problem of storage.
- They carry out market research that is important to the producers
- Transport, break bulk, pack, brand, sort, grade and blend goods
- Engage in product promotion through advertising, shows, displays, films, exhibitions and trade fairs.

Services of wholesalers to retailers

- Wholesalers ensure that goods are available at convenient locations for the retailers. This save transport cost
- They break bulk for the benefit of the retailers
- Offer transport facilities to retailers, therefore reducing the operating cost
- Offer advisory services to retailers, with regard to market trends
- Offer credit facilities
- Engage in sales promotion, hence retailers are saved the problem of having to do so
- They grade, sort, blend, pack and brand goods and save retailers the cost of performing those functions

Services of wholesalers to consumers

- Ensure steady supply of goods to retailers which ensures that consumers are not faced with shortage
- Ensures stable supply of goods to the market which ensures steady prices
- Make it possible for consumers to enjoy a variety of goods
- Break the bulk thereby ensuring consumers get the goods in desired quantities
- Give information to consumers through retailers about goods, e.g. new products or change in products

DOCUMENTS USED IN HOME TRADE

These are documents that are used to show that a business transaction has taken place

Letter of inquiry

- Is a request by a possible buyer for information about the goods sold by a seller.
- Inquiries can be oral or written
- A written inquiry is called a letter of inquiry.
- Seller may reply to a letter of inquiry by sending either a catalogue, quotation or price list

Catalogue

- This is a booklet which briefly describes the goods a seller stocks.
- Sent when a buyer send a general letter of inquiry

Its contents are

- After sale services offered by the seller
- Packaging and posting expenses to be incurred
- Delivery services to be used
- Terms of sale

Quotation

- Sent when an inquiry is specific in nature.
- Shows the terms of sale, prices of the commodities and description of the goods to be supplied

Price list

- It's a list of items sold by trader together with their prices
- Information is usually brief and not illustrated
- Cheaper to print than catalogues

Local Purchase Order

Send by the buyer after receiving either a catalogue, quotation or price list

Order can be done verbally, or written in form of filing letters

Contents are

- Names and addresses of the buyer and seller
- The number of the order

- Quantities ordered and total amount to be paid
- Description of the goods ordered
- Price per item
- Special instructions on such matters as packaging and delivery

Acknowledgement note

Is a document sent by the seller to the prospective buyer informing them that their order has been received and that it is being acted upon.

Packing note

- It's a document that is send with the goods that have been dispatched to the buyer
- It used to make a spot check on the goods to ensure that the goods packed are the goods ordered

Contents

- Quantities of the goods packed
- A brief description of the goods
- The means of delivery

Advice note

- Its used to inform the buyer that the goods have been dispatched by the seller

Contains the following

- The means of delivery
- A description of the goods

Functions of the advice note

- Informing the buyer that the goods are on the way so that in case of any delays in delivery, the buyer can always make inquiries
- Alerting the buyer so that the necessary arrangements can be made for payments when the goods arrive

Delivery note

- It is sent along the goods to delivered
- It is made in triplicate
- One copy of the note is left with seller and the remaining two copies are sent with the goods to the buyer
- When goods reach the buyer, one checks them against the delivery note

- If the buyer is satisfied with the goods, they sign both copies of the delivery note, keep the original and the other copy is sent to seller

Contents of delivery note

- Names and addresses of seller and the buyer
- Date of delivery
- Delivery note number
- Description of goods and quantities
- Space for the buyer of the goods to sign and comment on the condition of the goods received

Consignment note

If the seller doesn't have transport services, they may hire the services of a transporting company to deliver the goods on their behalf. The transporter issues a consignment note to the seller

Contents

- Details of the goods to be transported
- Name and addresses of the seller (consignor) and buyer (consignee)
- Terms of carriages and conditions of transporting the goods
- After the seller completes the consignment note, it is returned to the carrier who takes it with the goods to the buyer. The buyer signs the note upon delivery of the goods

Invoice

- Sent by the seller to the buyer demanding payment for goods delivered.
- There are two types of invoices; cash invoices and credit invoice
- A cash invoice is paid across the counter, thus acting as a cash sale receipt
- Credit invoice is issued when the buyer is allowed to pay at a later date

Functions of an invoice

- Shows details of goods sold
- It's a request to the buyer to make a payment
- Used as a source document in recording the transactions in the books of accounts

The letters E & OE (errors and omissions excepted) are printed at the bottom of an invoice

They mean that the seller reserves the right to correct any errors and omissions made in the invoice

Pro-forma invoices

Functions

- It serves as a polite request for payment before the goods are sent to the buyer
- Sent when the seller does not want to give credit to the buyer
- Issued to an agent who sells goods on behalf of the seller
- Used by importers to get customs clearance before the goods are sent
- Can serve the same purpose as the quotation. A pro-forma invoice is used in both home and foreign trade

Damaged goods notes/returned goods

- In case some of the goods are damaged, the buyer send them back to the seller together with the damaged goods note.
- Its prepared in triplicate
- Two copies are sent to the seller and the other is retained by the buyer
- When the seller receives the damaged goods note they will issues a document called a credit note

Credit note

It's a document issued to correct an overcharge/reduce the amount due from a buyer as shown in the invoice

It's issued under the following circumstances

- When the goods returned by the buyer because they are either damaged or they are not in accordance with the order
- When packing cases and empty containers are returned
- There is an overcharge in the invoice as a result of arithmetical error

It's printed in red

Debit note

- Normally used to make undercharge corrections to invoices that had been previously sent to the buyer

Errors that may make a debit note be issued are

- Mistakes in calculations
- Omissions of items in the invoice
- Price undercharge on items

Statement of account

Incase transactions are carried out on credit, the seller send a document containing all the transactions between the buyer and the seller.

It normally contains information derived for a specific period of time, such as a month, form the following:-

- All invoices
- All credit notes
- A debit notes
- All receipts

Contains

- Names and addresses of the buyer and the seller
- Account number
- Date column
- Particulars or details column
- Money column with debit, credit and running balance column
- Terms of credit

Receipt

A receipt is a proof of payment.

Contains

- Date of payment
- Name of the person making payment
- Amount paid in words and figures and means of payment
- Name of the institution or person to whom payment is made
- Revenue stamp if the amount is above a set minimum
- Receipt number

IOU (I Owe You)

It's a written acknowledgment of a debt

Written by the debtor and does not specify the date when settlement will be made

Means of Payment

- Refers to form or manner in which payment is made for goods and services.

Cash

Payment made using bank coins or notes

Advantages of cash payment

- It's the only means with legal tender (recognized by the law)
- Convenient for small debts
- Convenient to people with or without bank accounts

Disadvantages

- Not convenient for large amount
- Can be stolen
- May be difficult to proof unless receipt is produced

Circumstances of cash payment

- Amount involved is small
- Payees doesn't accept other means
- Cash only means available
- Cash needed urgently
- Avoiding expenses

Cheques

Written order by account holder with the bank to pay a specified amount of money to the bearer

- Drawer – The person who writes the cheque
- Payee- Person to be paid
- Drawee – The bank

Open and crossed cheque

Open cheque – one that can be cashed over the counter

Crossed cheque – can only be deposited in an account

A cheque is crossed by drawing two parallel lines. The crossing can be general or specific

General – contains only the parallel lines

Special – as other instructions

Dishonored cheque

A cheque is dishonored when the bank refuses to pay – bounced cheque

Circumstances

- Insufficient funds
- Signature differing
- Post dated cheque
- Stale cheque – presented six months after issue
- Drawer closed account with the bank
- Death, insanity or bankruptcy of the drawer
- Alterations in the cheque

Advantages of cheque

- More secure than notes
- Convenient to carry
- Reduces traveling
- Used for future reference
- Negotiable – can pay third party

Disadvantages

- Requires payee to go to the bank
- May be dishonored
- Only issued by account holder
- People refuse personal cheques

Circumstances for use of cheques

- Amount involved is large
- If the organization policy demand so
- If cheques is the only means of payment
- Avoid risks

Bill of exchange

It's an unconditional order in writing addressed by one person to another requiring the person to whom it is addressed to pay on demand

Terms

- It's a command not a request
- Its unconditional
- Bill must be written
- Amount be clearly stated
- Payee should be named
- Date of payment be stated

Advantages

- Rights may be passed to another person
- Date of payment is determined
- Acceptance by debtor makes it legally binding
- May be discounted

Disadvantages

- May be dishonoured on maturity
- Cash may not be ready
- Expensive
- Circumstances for use of bill of exchange
- Creditor wants to be assured of payment
- When the creditor wants money and the debtor is unable to raise
- Creditor wants to use the debt to pay another debt

Promissory note

A document whereby a person promises to pay another a specified sum of money at a stated date

Money order

Sold by the post office, sender applies and fills an application form

The information in the money order includes

- Amount to be remitted
- Name of the person the money is to be paid to
- Name of post office to be cashed

- Name and address of the sender

Sender gives the form, money to send and commission over the counter

The payee has to

- Identify himself
- Identify person who send the money

The sender is left with a counterfoil as evidence to claim later

Postal order

Sold by the post office and is fixed in denominations of 5,10,20,50,100

Additional stamps worth in shilling are also needed

Circumstances

- Small amount involved
- Only means available
- Avid risks

Postage stamps

Used to pay small amounts of money

Premium bonds

Issued by post office in denominations of 10 and 20 and matures at a given period

Used to settle debts but unsafe coz they can be cashed by anybody

Bankers cheque (bank draft)

Cheques drawn on a bank. One fills an application form and hands it over the bank together with the money

A cheque is prepared and is given to the applicant

Circumstances

- Large amount is involved
- Payee wants guarantee of payment

TERMS OF PAYMENT

Refers to an arrangement between the buyer and the seller on how the buyer should settle debts arising out of transactions between him and the seller

Cash

Paying immediately

May be cash on delivery or cash with order

C.O.D (Cash On Delivery) – Goods paid for when delivered

C.W.O (cash With Order) – Payment made at the time of placing order

Benefits of cod/cwo

- Reduces risk of bad debt
- Working capital readily available
- Few records
- No time wasted

Circumstances

- Buyer new to the seller
- Buyer credit worthiness is in doubt
- Mail order business
- Policy demand so

Deferred payments

Goods and services not paid in full on delivery. Instead paid in future either in lump sum or several installments

Open trade credit

- Goods sold on credit such that the buyer pays for them in future in installments
- The seller should however ensure that the buyer would pay by
- Ascertaining the credit worthiness
- Asking buyer to guarantee payment
- Asking buyer to have someone to guarantee payment
- Asking for security

Factors to consider when giving credit

- Credit worthiness of the buyer
- Repayment period
- Amount of goods
- Availability of stock
- Reliability
- Frequency of buying
- Intention to attract and maintain customers

Cash discount – discount allowed to a buyer on order to encourage him/her to pay quickly

Examples of open trade credit

- Simple credit – short time not more than a week
- Monthly credit – monthly basis
- Budget accounts – regular deposit
Regular payment
Maximum credit to be allowed
Charge for any special offer
- Trade credit – goods bought for resale
- Credit card facilities – enables one to obtain goods from suppliers as long as they accept cards examples Barclays card, American Express, Access cards and visa cards

Advantages of credit card

- Enables one to get goods without paying
- Convenient to carry around
- Enables holder to get money from specified banks
- Increases credit rating of individual
- Safe to carry than cash
- Some cards are internationally accepted

Disadvantages

- To acquire the card one must have established credit record
- High card interest rate

- Prone to abuse through fraud
- Interest charged in case of delay in payment
- Minimum age of 18 years to get card
- Overspending
- Limited to specific areas
- Faces competition from other means
- Few business accept cards
- Long procedures to get the cards
- People of high income only can afford

Hire purchase

- A method of hiring property with an option to buy
- A buyer pays initial deposit and the rest of the amount is spread over an agreed period of time
- Ownership remains with the seller until final installment is paid
- The buyer cannot sell the commodity until last installment
- A certificate of completion is issued once final installment is paid as proof of transfer of ownership

Advantages to the buyer

- acquisition and use of goods immediately after entering into contract
- Pre-determined installments
- Buyer can poses expensive goods

Disadvantages to buyer

- Goods belong to the seller until last installment
- Buyer may be tempted to buy more that he can pay
- Expensive than cash
- Limited type of goods

Advantages to seller

- Able to increase volume of sales
- Profit earned is higher

- Goods belong to seller until last installment

Disadvantages to seller

- Operating cost is high
- Reposed goods only sold as second hand
- Risks of loss is high
- Large amount of capital required

Installment buying/credit purchase

Similar to hire purchase except that ownership of the commodity passes to the buyer immediately down payment is made

<i>Hire purchase</i>	<i>Credit purchase</i>
<ul style="list-style-type: none"> • Buyer does not become owner immediately 	<ul style="list-style-type: none"> • Buyer becomes owner immediately
<ul style="list-style-type: none"> • Buyer cannot resale product • Prices higher 	<ul style="list-style-type: none"> • Buyer can resale goods • Price is lower
<ul style="list-style-type: none"> • Goods can only be reposed 	<ul style="list-style-type: none"> • Can be repossessed and be sued (taken to court)

Other terms

- discounts- allowance by the seller such that the buyer pays less than the marked price
- quantity discount – Allowance to encourage bulk buying
- trade discount – discount allowed by a trader to another so that the buyer can make profit after selling
- cash discount – allowance by a trader to his credit customers to encourage them to pay debts promptly

Circumstances for deferred payment

- Credit worthiness of customer is unquestionable
- Attract and retain customers
- Increase sales
- Dispose off slow stock

Standing order

Instruction by an account holder to his/her bank authorizing it to make regular payments of specified amounts to a specific person till order is cancelled