Production

Production could be defined as any human activity that involves the making of physical goods and provision of services for the satisfaction of human wants. It is also seen as creation of utilities, utility means the ability of goods and services to satisfy human wants.

Forms of Production

There are three forms of production namely primary (extractive industry), secondary production (manufacturing and constructive industry) and tertiary production (commercial and personal or professional services).

Primary Production (Extractive Industry)

This type of production involves the extraction of raw materials or tapping and harnessing of natural resources from the land, sea and atmosphere. It includes farming, fishing, hunting, mining, quarrying, oil drilling etc. This form of production is referred to as primary production.

Secondary Production (Manufacturing and Constructive Industry)

This is the process of converting of raw materials or primary products from the extractive industry into finished or semi-finished goods. This class of production includes furniture making, road construction, bridges, paper milling, food processing, car production, chemical, textile etc.

Tertiary Production (Commercial and Professional Services)

It is made up of those who render commercial and professional services to satisfy other people. The help commercial services help to bring the raw materials, finished or semi-finished goods to those who need them (the users). Such services include, trading, banking, advertising, warehousing, insurance, transportation and communication. The professional services which are equally known as direct or personal are services provided or rendered directly or indirectly by people to give satisfaction to those who want them. These are services like teaching, catering, tailoring, hair dressing etc.

Evaluation:

1. What is Production?
2. State the three forms of production.

Topic: Factors of Production

The term factor of production is defined as all the visible and invisible resources that are combined together for the purpose of production of goods and services. There are four factors of production.

(a) **Land:** Land refers to gift of nature or all the natural resources available, applied and used for production without the help of a man. It includes the fixed natural land and other natural resources such as water, forest, mineral deposits etc. The reward for land is rent.

(b) L**abour:** Labour means all human efforts physical or mental, skilled or unskilled directed toward the production of economic goods and services. The reward of labour is wages and salaries.

(c) **Capital:** These are wealth used for the production of further wealth. Capital consists of machinery and equipment, buildings, motor vehicles, tools, raw materials and money. The reward for capital is interest.

(d) **Entrepreneur:** This is a factor that organizes and coordinates the human and material resources in the production of goods and services. The entrepreneur is the initiator, innovator, risk-bearer, and decision-maker. These functions distinguish entrepreneurship from routine managerial activities. The entrepreneur gets profit as a reward for his services.

Evaluation:

1. Explain the term factors of production
2. Explain the four factors of production.

MEANING OF OCCUPATION

Occupation is any legitimate activity one engages in order to earn a living. For example some people work in industries that extract raw materials from land or sea, some work in manufacturing industries which change the extracted raw materials into finished goods or semi-finished goods. Some others provide services for others such as Nursing, Teaching, Hairdressing, carpentry etc. Also others provide commercial services by helping to sell the finished goods to those that need them, as well as engaged some of those auxiliary services that help commerce to function properly such as banking, insurance, advertising etc.

FACTORS THAT DETERMINE OCCUPATION

1 Climatic and Weather Condition: Because of climate and weather differences from place to place, people engage themselves in one form of occupation or the other to earn a living.

2. Natural Resources: Natural resources endowment is also a determinant of one's occupation. The presence of mineral resources in a particular place will attract the presence of miners and also determines the location of different types of industries. The availability of seaports and large bodies of water like ocean which are part of natural resources has accounted for people's engagement in different activities and occupation.

3. Health Factor: There are some occupations which people who are not physically fit cannot engage themselves e.g. Nursing, Teaching etc.

4. Skill and Training: People engaged themselves in occupation in which they have acquired skill and training.

5. Interest and Aptitude: People engaged in occupation they have interest in.

6. Salary and Wages: The salary and wages attached to a particular occupation determines the number of people that will be interested in such occupation

EVALUATION

1. Define Occupation

2. State 3 factors that could determine occupation.

SUB-TOPIC: CLASSIFICATION OF OCCUPATION

CONTENT

The different occupation in which people engage themselves can be classified into three main division namely; Industrial Occupation, Commercial Occupation and Service Workers.

Industrial Occupation: This form of occupation involves obtaining raw materials and free gifts of nature, changing them into finished products and assembling the finished products into different forms usable by man. This industrial work includes extraction, manufacturing and construction.

(a) Extraction: This occupation is concerned with the removal of raw materials from air, land or sea for the purpose of being worked upon by the manufacturing and construction industries. For example Agriculture, Mining and Quarrying, Fishing and Forestry etc.

(b) Manufacturing: This form of Industrial occupation involves the process of changing raw materials obtained by workers in the extractive industry into finished goods. Some of the manufacturing industries are:
   (i) Plastics-making industries which produce plastic plates, spoons, cups etc.
   (ii) Food industries which produce various types of items like flour. Sugar, beverages etc.
   (iii) Textile industries that produce various types of clothing for man.

(iv) Mechanical engineering industries that produce all types and sizes of machineries such as equipment, industrial engines, mechanical tools etc.

(v) Hardware industries that produce metal, major items of military equipments electronic and electrical devices, etc.

(vi) Cosmetic industries that produce various body creams, pomades, soap, detergent etc.

(c) Construction: Construction industry is concerned with the process of putting together or assembling of manufactured products into usable forms. Those engaged in construction industries are building contractors, architects, surveyors, bricklayers, plumbers, decorators, civil engineers, water engineers etc.

Commercial Industries

The raw materials extracted by the extractive industry are worked upon by way of manufacturing to change their original form so as to make them usable. For these products to be usable implies that they are now finished goods. In order to complete the process of production, the services of commercial workers are necessary. People who are engaged in commercial industries are responsible for getting the finished products to the consumers who want them, when they want them. It is commercial occupation that links up the producer with the supplier of the raw materials. It in turn links up the various processes of manufacture; and finally distributes the finished products to consumers through ancillary services that facilitate trading activities such as advertising, insurance, banking, transporting, warehousing and communication.

Service Workers

In occupational engagements, there are those who are not employed to work in industry and commerce, yet they still earn a living. Those in this category are known as service workers. They are referred to as service workers because they render personal and direct services to people who need their services on payment directly or indirectly. Services may be direct or indirect.

Sub-Topic 1: **Meaning of Sole Trade**

Meaning: Sole Trade is a business owned by one person. The size of the business may be large or small but it is important to note that it is owned by one man. Examples are restaurant, supermarkets, Filing Station, Schools etc. The owner of the business is called a sole trader or a sole proprietor. Another name for sole trade is sole proprietorship.

Advantages of Sole Trade:

1. It is easy to start.

2. The sole proprietor has a close contact with his customers and attends to them personally.

3. He takes all decisions affecting his business alone.

Disadvantages of Sole Trade:

1. The provision of capital and ability is limited.

2. The business ends when a sole trader dies.

3. He suffers and bears risks alone

4. If business fails, he may have to sell his personal property to pay the debt.

Sub-Topic 1: **Meaning of Partnership**

Meaning of Partnership: A Partnership is a business owned and managed by two or more persons who become partners by written agreement. The partnership act of 1890 and the companies Act of 1958 state that the maximum number of people who can form a Partnership is restricted to 20 persons while the minimum should be 2 persons. These partners share the profit or losses and the responsibilities of their business.

Types of Partnership: There are various types of partnerships as stated below:

(a) Ordinary Partnership: This is a partnership in which all members are held liable for the debts of the business. Partnership may be dissolved if one partner dies.

(b) Limited Partnership: This is a partnership with limited liability in that members will not be asked to contribute more money that the one used to start the business in case the business fails. For Partnership to become limited, it must be registered with the Registrar of Companies otherwise it will be treated as ordinary partnership.

(c) Active and Sleeping Partners: Partners who take part in running the business are active partners while those who do not take part in the running of the business are sleeping partners.

(d) Quasi or Nominal Partners: A quasi partner is not really a partner but may conduct himself in such a way as to make himself liable for the debts of the firm, even though he does not take part in sharing the profit of the business.

Advantages of Partnership:

(i) It has more capital than sole trading

ii Partners have different ability and talents therefore, each partner specializes in an aspect of business which he is best suited.

(iii) Partners meet to discuss matters relating to the firm

Disadvantages of Partnership:

(i0 Partners have unlimited liability for debts in case of business failure.

(ii) If one partner takes a wrong decision, it affects other partners.

(iii) Disagreement among partners causes confusion in the business.

(iv) Partnership comes to an end with the death or resignation of a partner.

<u>Cooperative Societies</u>

Meaning of Cooperative Societies

A cooperative Society exists when groups of workers, individuals, organizations, farmers or

Communities pull their resources together towards a common goal. The main purpose of the cooperative society is to:

(i) Sell goods and services to members at a cheap rate.

(ii) to do business together for profit purpose and share the profits among the members.

Types of Cooperative Society:

The common types of cooperative societies are:

(a) Producers Cooperative

(b) Consumers Cooperative

(a) Producers Cooperative:

Producers form a common association in order to sell their products in a uniform price instead of selling individually, e.g. producers of yam, garri, cocoa etc may form a cooperative society for the selling of their products.

(b) Consumers Cooperative:

In consumers' cooperative, the members are consumers who contribute funds and buy goods in large quantities from the producers and sell in retail prices to members at a reduced and cheaper rate.

Advantages of Cooperative Society:

1. Members have equal rights and votes.

2. Prices are lower as they buy in bulk.

3. Benefits of repayment of capital to any member who withdraws.

Disadvantages of Cooperative Society:

1. Election of committee members may not lead to efficient business.

2. Calculation of dividends to members is always a problem.

3. Non-members may be reluctant to engage in marketing activities with the cooperative.

Limited Liability Company (Public Limited Liability Company)

Limited Liability Company:

A Limited Liability Company is a company in which the responsibility or liability of members for debts of the company is limited to the capital they have contributed or agreed to contribute. The private property of members are excluded, and all that members lose if the company fails is the money they have contributed. It is formed and registered under the law known as the Company Act. When a company is formed and registered with the Registrar of Companies, it is said to be incorporated.

There are two types of Limited Liability Company namely, Private and Public Companies.

Public Limited Liability Company:

A Public Limited Liability Company is a business unit that carries on business to make profit for its owners. Examples are Nigerian bottling company Ltd., Total Nigeria Limited, First Bank of Nigeria Plc. It is owned by Shareholders and managed and control by Board of management.

Advantages of Public Limited Liability Company

1. It can raise money from the public through issuing of shares and debentures. This enhances the company expansion.
2. It is a legal entity because it can sue and can be sued.
3. The company's properties are different from that of its owners.
4. It enjoys continuity because it has perpetual life. The company can only be wounded voluntarily or on the order of a law court.
5. Share holders cannot lose more than the value of their shares. This is bittle say in the running of the company

2. It does not enjoy privacy. It annual account must be published in the Newspaper for the public to see.

3. It suffers from double taxation. The net profit of the company is taxed and the dividends of the shareholders are also taxed.

Meaning of Private Limited Liability Company:

A private limited liability company is a profitable making business with few shareholders and no open market for its shares. Examples of private limited liability company are Newswatch Communication Ltd., Ekene Dili Chukwu Transport service Ltd., JIMBAZ Construction Company Ltd. etc.

Advantages of Private Limited Liability Company

(i) They enjoy privacy.

(ii) Their annual report and accounts are not required by law to be published, except for Taxation.

(iii) Management and control is less complex than in public limited company. Its management structure is simple.

Disadvantages of Private Limited Liability Company

(i) Shares cannot be issued to the public.

(ii) Capacity to raise external finance to expand business is limited.

(iii) Transfer of shares to others is made difficult.

1. Comparison between the Private and Public Limited Liability Companies.

S/N	**PUBLIC LIMITED COMPANY**	**PRIVATE LIMITED COMPANY**
1.	Minimum number of members is seven and has no maximum	Minimum number of members is two while the maximum is fifty.
2.	Shares are offered to the public.	Shares may not be offered to the public.
3.	Shares are easily transferable.	Shares are not transferable.
4.	Account is publish to the public	Account is publish for the information of Registrar of companies.

Meaning of Book Keeping:

Book-keeping may be defined as the art of recording business transactions in a systematic manner so that the books of account will reveal at any time the financial position of the business to the owner and other stakeholders in the business

Importance and Parties Interested in Book-Keeping

Importance of Book Keeping:

Every business organization keeps daily records of their financial transactions. Therefore, the importance of bookkeeping becomes necessary for the following reasons:

(i) It is for easy reference of business financial records.

(ii) It shows an accurate standing position of business in relation to its customers i.e. what is owed and what is owed by the firm

(iii) It reveals profits and losses position to the company through trading profit and loss account.

(iv) It provides information to members of the public who are interested in the business through the balance sheet.

(v) Auditors use the books to issue their audit reports.

(vi) The records kept help in management decision-making.

(vii) The records project the image of the business to the public.

ESSENTIAL QUALITIES OF BOOK-KEEPING OR A BOOK-KEEPER

- **He or** she must be honest
- False entries should not be made into the book
- He or she must be hardworking, punctual to work and must show interest in the job
- He or she must be able to keep records
- He or she must have a legible handwriting
- He or she must have retentive memory

COMMON BOOK-KEEPING PRACTICES

- **A single line ruled beneath an amount** by the bookkeeper is an indication that a remainder or a total will follow
- **The use of ruler** when drawing single or double rulings make for neat accounting work.
- **The Naira and Kobo signs** are usually written on top and not in a ruled column.
- **Two zeros are writ**ten in the kobo column when an amount to be written does not have the aspect. The kobo column must not be left blank. It should be filled with two zeros
- **When a book**keeper applies a double ruling across an amount column, this indicates that the work above has been completed and accurate.

BOOK-KEEPING ETHICS

- Accountability
- Probity
- Transparency
- Objectivity
- Fairness

Meaning of Source Document

Source Document may be defined as original documents on which monetary transactions are recorded, which provide necessary information for the preparation of books of original entry. Transactions are the major feature of any business. The business transactions take place when goods and services are transferred from one person to another. There are two types of transaction namely cash and credit transaction. Cash transaction means that money is paid immediately the transaction occurs. Credit transaction means that payment for what is bought or sold is made at a later date.

Importance of Source Document:

1. To originate data for accounting records.
2. They act as working evidence or as a proof of occurrence of such transactions.
3. They enable various books of accounts to be opened.
4. They serve as a source of information.

Sub-Topic 2**: Types of Source Document**

Types of Source Documents:

The major types of Source documents are:

(a) **Invoice:** This document is usually issued by the seller to the buyer immediately goods are dispatch or services rendered on credit. It shows description of goods bought or sold, quantity, unit price, total cost.

(b) **Receipt:** This document serves as an evidence of payment for goods bought or sold and services rendered. Receipts are given or received whenever cash is paid or collected for goods bought or sold or services rendered. It shows the following particulars:

(i) The reason for payment

(ii) The amount of money received

(iii) The person who made the payment and to whom the payment was made to.

(iv) The date of payment

(c) **Cheque:** A cheque is defined as a written order or instruction made upon a bank to pay a specific sum of money to a named person at a specific date. A cheque is a source document used as a means of receipts and payments instead of the physical cash.

Parties to a cheque

There are three parties to a cheque namely – the drawer, the drawee and the payee

(i) The drawer is the owner of the account who issues out or draws the cheque.
(ii) The drawee is the bank to whom instruction is given to pay.
(iii) The payee is the person to whom the money will be paid.

(d) **Debit Note:** This is sent by the seller to the buyer when there is an undercharge in the original invoice. A debit note can also be sent when there is an omission or return of goods.

(e) **Credit Note:** This is normally printed in red to distinguish it from an invoice. It is used when an invoice is overcharged, that is when the buyer is wrongly overcharged.

(f) **Petty Cash Voucher:** This is a written authorization to pay small amounts in cash. Usually the Petty cashier fills out the voucher and ensures that the person requesting the cash signs it. The petty cashier then disburses the money and files the voucher in the petty cash container.

g. **Cash registered tape**: A cash registered tape is a machine for quick and accurate recording. This helps when recording volume of transaction. The machine automatically prints receipt on the tape for the customers each time a sale is made.

BOOK OF ORIGINAL ENTRY

Book of original entry are books in which data from source documents are first

assembled and classified before being recorded in the principal book of account called the ledger. They include the following:

- Sales day book or sales journal
- Purchases day book or purchase journal
- Return inwards book and
- Return outwards book
- The Journal

SOURCE DOCUMENT AND JOURNALS

Journal is a document which contains the daily records of business transactions. Each

record in a journal is called an entry. The journal is called a book of original entry

because the entries the entries are transferred to a second book.

Types of Journal

We have two major division of Journals: General Journal and Special Journal

a. General Journal: this is a book that records all transactions (both sales and purchases). It is used when no special journal exists.
b. Special Journal: these are separate journals that are kept for credit transactions concerning sales and purchases. Types of Special Journals are listed below:
    a. Purchases Journal
    b. Sales Journal
    c. Return Inward Journal
    d. Return Outward Journal

Let's take each of them one after the other.

Purchase Day Book or Purchases Journal

Purchase Day Book: This is also known as Purchase Journal. It is used to record all daily particulars of goods bought for resale on credit while the cash purchase is entered into the credit side of the cashbook. It is maintained exclusively for credit purchases of goods meant for resale. The particulars of the goods in the purchase journal include the date that of purchase, the seller's name, the gross amount, the amount of trade discount if given (subtracted from gross amount), the net amount owed to each seller and the total amount of purchases for a given period. Entries are made in the purchase journal from the purchase invoices issued by the sellers.

PREPARATION OF PURCHASE JOURNAL

Debit purchase account with the total amount of purchases for the period. Credit individual seller (creditor) account with the net amount.

Example

Enter these transactions in the purchase journal of Oke & sons for the month of June 2000, and post this to the ledger, June 15 Ekpe & Co.: Invoice No. 102

15 Dozen Eraser at 250k a dozen

30 Rulers at 50k each

40 Writing pad at 10k each

200 Envelopes at 15k per 25

Invoice subject to 10% trade discount

June 16 Bought from Ayi Effiom Bookshop invoice No. 37

10 Reams of foolscap at N350 per ream

6 Dozen Exercise books at N12 a dozen

21 B. Allegro, invoice No. ACP 134 N6,500

Subject to 20% trade discount

Oke & Sons

Purchases Journal for the month of June, 2000

		Invoice	Folio	Detail	Total
June 5	**EKPE & Co.**	**102**	**L8**	N	**N**
	15 dozen erasers @ 25k a dozen 30 rulers @ 50ok each 40 writing pads @ 10k each			37.50 15.00 4.00 120.00 176.50 17.65	

	200 envelopes @ 15k per 24				
	Less 10% trade discount				
					158.85
June 10	**<u>Ayi Effiom Bookshop</u>**	**37**	**L9**		
	10 reams of foolscap @ N350 a ream			3,500.00 720.00	
	6 dozen exercise books @ N120 a dozen				4,220.00
June 21	**<u>B. Alogbo</u>**	**ACP 134**	**L10**		
	Purchase of goods			6,500.00 1,300.00	
	Less 20% trade discount				5,200.00
June 30	**Purchase Accounts**	**Dr**	**L12**		9,578.85

SALES JOURNAL: This is one of the books of original entry. It is used to record daily sales of goods on credits. The recording of transactions into sales journals is the same as purchase journal except in posting to the ledger. In the ledger, debtors (customers) personal accounts are debited and sales accounts credited in the general ledger with the total amount of credits sales for the period.

<u>Example</u>

Aneke venture is a dealer is cloth materials. Enter the transaction below in his sales day book.

November 2, 2000 Sold to Ibete $ Sons and issued invoice No. 163

200 Meters of Nylon material at N150 a meter

180 Meters of Silk material at N120 a meter

160 Meters of Travara material at N170 a meter

Invoice is subject to 5% trade discount

November 18, 2000 Sold to Ada & Sons invoice No. 46

7 Nylon shirts at N550 each

11 Singlets at N140 each

2 Dozens handkerchiefs at N115 each

Anieke Venture

Sales Day Book for the Month

		Invoice	Folio	Detail	Total
Nov. 2	**IBETE & SONS**	**102**	**L8**	N	**N**
	200 meters of Nylon @ N150 a meter			30,000 21,600	
	180 meters of silk @ N120 a meter			27,200 78,800	
	180 meters of Travara @ N1790 a meter			3,940	
	Less 10% trade discount				
					74,860
Nov. 18	**ADA & SONS**	**45**	**L4**	3,850 1,540	
	7 Nylon shirts @N550 each			360	
	11 Singlets @ N140 each				5,750
	2 Dozens Handkerchiefs @ N15				
	Sales Accounts	**Cr**			80,610

Sub-Topic 2: **Returns Outward Day Book and Returns Inward Day Book**:

Returns Outward Day Book:

This day book is also called Returns outward Journal. It is used for used for recording all goods returned to the sellers and allowances granted by them. Entries are made from the credits notes received from the seller. The total amount of the returns and allowances for a period are credited to the returns outwards account in one figure in the ledger while individual items are debited to the personal accounts sellers in the purchase ledger.

Example:

The following returns were made to sellers on the dates shown. Record them in the returns outwards journal.

Oct. 5 Returned 1 carbon of biscuit at N250 to B. Ekpe, Credit Note No. 02/13

Oct. 6 Returned to R. Igwe Note No. 02/44 N500

Oct. 8 Received a note from Obongha & Sons on goods returned, Note No.27 N450

Date	Supplier/Seller	Note No.	Folio	Amount
Oct. 5	B. Ekpe	02/13	7	N250
6	R. Igwe	02/24	8	N500
8	Obongha & Sons	27	29	N450
8	Returns Outwards A/C CR			N1,200

Returns Inward Day Book:

This day book is also called Returns inward Journal. It is used for recording the particulars of all goods returned by customers and the allowance granted to them. The source document for returns inwards journals is the credit note prepared by the seller who is accepting the goods returned.

Example

The following returns were made by Ibete & Co customer on the date specified. Record the transactions into the returns inwards journal.

Feb.10	Eko & Sons, Note No. 17	N100
Feb.12	Upla Enterprises Note No. 18	N280
Feb.16	Ethothi Ventures Note No. 20	N350

Date	Name of Customer	Note No.	Folio	Amount
Feb. 10	Eko & Sons	17	3	N100
Feb. 12	Upla Enterprises	18	7	N280
Feb. 16	Ethothi Venture	20	10	N350
Feb. 16	Retuns Inward A/C DR			N730