BUSINESS STUDIES

**NOTE JSS2 (SECOND TERM)**

 **Lesson 1: Distribution**

 **Lesson 2: Licensed vendor**

 **Lesson 3: Bank service**

 **Lesson 4: Insurance**

 **Lesson 5: Business opportunities and personal qualities of an**

 **Entrepreneur**

 **Lesson 6: Rights and responsibilities of a consumer**

 **Lesson 7: Bookkeeping ethics**

 **Lesson 8: Ledger entries**

**General instructions**

1. **Copy up to lesson 1 to 3 before resumption**
2. **Assignment from work book (chapter 2) only the objectives**
3. **Assignment is to be submitted on resumption day**

**DISTRIBUTION**

Distribution is the channel through which goods pass from the hands of the producers to the final consumers. It is the chain of activities involved in bringing manufactured goods to the consumers.

Channels of distribution or distribution chain: Theses are paths through which goods pass from the producers to the final consumers. The normal chain of distribution is Producer----wholesaler----Retailer-----Consumer. The main link between the producers and the consumers are the wholesalers and retailers and are called middlemen. Production is not complete until goods reach the final consumer and consumer is the last in the channel of distribution.

**PRODUCER**: A producer is an individual or group of individuals who

turn raw materials into finished goods and supply goods and services to satisfy human wants. A producer combines labour and capital to produce goods and services.

 **FUNCTIONS OF A PRODUCER**

1 A producer produces goods or services

2. A producer charges prices for goods or services produced

3. A producer makes goods and services produced known to consumers.

4. A producer differentiates his products from other competitors.

5 A producer educates the consumers on the use of his product too.

 **WHOLESALER:** This is a trader who buys goods in large quantities or in bulk from the producers and sells in small quantities to the retailer.

 **FUNCTIONS OF WHOLESALERS**

1. They help producers /manufacturers to market their products

2. They help producers to advertise their products

3. They finance the producers by paying before supplying the goods

4. They help producer package and brand their products

5. They provide storage facilities for storing goods bought.

6. They offer credit facilities to the retailers.

 **THE RETAILER**: The retailer is a trader or a person who buys goods in small quantities from the wholesalers and sell in bits or units to the final consumers. The retailer is the last link in the channel of distribution.

  **FUNCTIONS OF THE RETAILERS**

1. They sell in bits or units to the final consumers.

2. The retailer stocks varieties of goods available to the consumers.

3. They sell to the consumers at a convenient place and time.

4. They offer credit facilities to consumers.

5. They provide after- sale service to consumers like installation, repairs etc.

6. They advise consumer about the usage and performance of goods sold to them

7. They buy goods in small quantities from the wholesaler.

 **THE CONSUMER:** Consumers are the final users of goods and services for their personal benefits

  **FUNCTIONS OF CONSUMERS**

1. They buy goods and enjoy services at reasonable prices

2. They seek redress if goods consumed are injurious to their health

3. They check the quality of products to buy.

4. They negotiate the price before making a purchase.

5. They have the right to check the expiry date on goods to be bought and consumed

 **RETAIL OUTLET**: These are channels through which retailers make it possible for goods to reach consumers. They can be small-scale or large-scale. Examples of Small-scale retail outlets are: Hawking, kiosk, stall holders while examples of large- scale retail outlets are: Department stores, retail cooperatives, mail order, Super market and online store.

 **LICENSED CHEMICAL VENDORS**

A licensed chemical vendor is a person or company that has been given the license to import and sell chemicals.

  **HANDLING AND DISTRIBUTION OF CHEMICALS**  The aspect of safety during production like packaging, ordering, distribution, usage and disposal of chemicals is important to ensure that chemicals are not adulterated and does not cause harm to users. Most chemicals we have include laboratory, agricultural and industrial chemicals.

**PRECAUTIONS FOR SAFETY IN HANDLING CHEMICALS** 1. Chemicals should be well labelled and properly stored. The label should contain the details on the containers/chemicals bottle used to preserve it. It should contain information like names of chemical composition, manufacturing company, manufacturing date, expiring date, batch number, chemical concentration etc. 2. There should be the use of symbols for chemicals like a symbol of burning fire which indicates that a chemical is flammable. (HMIS) meaning hazardous materials identification system, which is a sign for Toxic, Corrosive, poisonous chemicals. 3. Using the product manual which explains important information about the chemicals, its properties and handling guidelines. This prevents mishandling and misuse of chemicals. 4. Special packaging for chemicals depending on their forms and nature. Liquid chemicals require different packaging and handling while chemicals in powder form required different packaging method.

  **EFFECTS OF WRONG HANDLING OF CHEMICALS.** 1 It can cause adverse health effects or health problems. 2. It can cause explosions. 3. It can cause physical injuries or death. 4. It can cause environmental pollution. 5. It can cause destruction of wildlife and the ecosystem.

  **BANK SERVICES**

A bank is a commercial institution where money and other valuable things are kept for safety. There are many types of banks, each with its aim and objectives.

**Types of banks**

1. Central bank
2. Mortgage bank
3. Commercial bank.
4. merchant bank
5. Development bank

**Commercial banks:** These are banks opened with the aim of using them to aid businesses. Individuals and organizations keep money and other valuable things for safety. E.g. first bank, UBA, unity, zenith, Eco bank etc.

**Functions of commercial banks**

They make money available for the customers when the need arises.

1. They act as an agent for payment
2. They keep valuables for their customers
3. They accept and keep money for their different customers.
4. They issue travelers cheque
5. They facilitate the means of payment by bank draft, cheque, money order etc. instead of cash.
6. They grant loans and overdraft to their customers

**Opening and operating of different account in the bank**

There are three types of accounts which individuals or organization can open and operate in the bank, they are; current account, savings account and fixed deposit

**Current account:** This is the type of account which the high income earners and business men operate. Cheque and ATM card are used to withdraw money from it. Holders can also give standing orders which banks carry out for their customers.

**Requirements for opening of current account**

**For companies:**

1. Company’s memorandum of association
2. Company’s article of association
3. Company’s certificate of incorporation
4. Board resolutions to open account with the bank

**For individuals:**

1. Letter of introduction from the employer of the customer
2. Two passport photographs
3. Filling of forms and signing of signature (mandate)

**Operating of current account**

The banking operation of current accounts commences when the customer starts depositing and withdrawing money from the account. Pay in slip is used for depositing while ATM and cheque are used for withdrawal.

Specimen of a cheque

Pay……………… or bearer

The sum of………. ……………

Sign………. sign………….

**Types of cheque and uses**

1. Open cheque: This is a cheque without parallel line drawn across the face of the cheque. It can be cashed at the counter of the bank.
2. Crossed cheque: This is a cheque that has two parallel lines drawn across the face. It cannot be cashed at the counter but paid into the payee's account.
3. Post dated cheque: This is a cheque with a future date.
4. Stale cheque: This is an expired cheque. It expires after 6 Month.

**Types of crossing a cheque**

**Special crossing:** This is the type of crossing where the drawer specifies the branch of the bank where it should be cashed.

Pay……………… or bearer

The sum of……. ……………

First bank taiwo road

Sign………. sign………….

**General crossing:** This is the type of crossing where the drawer of a cheque does not specify the account or branch of bank where the money will be withdrawn.

Pay……………… or bearer

First bank taiwo road

The sum of……. ……………

Sign………. sign………….

**Post dated cheque:** This is a cheque with a future date.

**Stale cheque:** Cheque that has expired or cheque that has stayed for six months after it was drawn.

 **BANK STATEMENT**

This is a statement sent by the bank to a customer who operates a current account to show the details of cash receipt and cash payment made within a specific period of time. It contains details, date, debit, credit, and balance column.

1. **Date:** This contains the date on which the transaction takes place.
2. **Particulars:** This explains the transaction that takes place.
3. **Debit:** This contains the amount that is paid out of the account either through withdrawal, bank changes or standing order.
4. **Credit column:** This records the amount paid into the account by the customers or received by the bank on behalf of the customer and paid into the account. This figure is always added to the formal balance.
5. **Balance:** This indicates the amount due to or from the customer.

Credit balance indicates the amount due to the customer from the bank, while debit balance (Dr) indicates that the customer is owing the bank the amount shown. It indicates overdraft.

**Reading the bank statement**

In reading the bank statement any amount written on the debit side shows withdrawal or bank charges and it is subtracted from the previous balance any amount on the Cr side shows that money has entered into the account, it is always added to the formal balance.

**Specimen of bank statement**

Sheet No 33 in account with

 Standard Trust Bank

 No 43 republic Road

 Ilorin-Kwara State.

Anthony Eze

No 164 Bisi Road

Ilorin.

  **Account No 2431145890**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date  | Particular | Debit | Credit | Balance |
| July 1 | Opening balance | --------- | ------- | 40,000 |
| July 3 | Cash | ------ | 5,000 | 45,000 |
| July 5 | Cheque | 7,000 | ------ | 38,000 |
| July 11 | Standing order | 3,000 | ----- | 35,000 |
| July 13 | Cheque no 2245579823 | ------ | 8,000 | 43,000 |
| July 15 | Cheque | ----- | 50,000 | 93,000 |
| July 17 | Cheque | 12,000 | ----- | 81,000 |
| July 19 | Charges | 200 | ----- | 79,800 |
| July 20 | Cash | ------ | 10,000 | 89,800 |
| July 27 | Cheque | 80,000 | ------ | 9,800 Dr |
| July 30 | Cheque | ------- | 130,200 | 140,000 |

**Summary:**

1. Bank statement has five columns
2. All debit items are deducted from the previous balance
3. All credit entries are added to the previous balance
4. “Dr” beside any figure in the statement of account indicates overdraft.

**Deposit Account:** This is the type of account which the users open an account with the bank and fix a huge amount of money which he will fix the date of the withdrawal. It may be three months, six months one year or more. Fixed deposit attracts more interest than other types of account. ATM cards can be used to withdraw money from this account.

**Types of deposit account**

1. Savings deposit
2. Fixed deposit (or time deposit). The latter gives notice of seven (7) days before withdrawal.

**Savings Account:** This is the account of the low income earners and students. The user operates it with ATM, withdrawal form or pass book and tellers are used for depositing.

**Overdraft:** This is when a customer withdraws more than what he has in his account. It is granted to only current account holders. Bank does not charge interest on their customers on overdraft.

**Loan:** Loan is the money borrowed from the bank. When loan is taken by a customer, a loan account will be opened for the customer. Interest is always charged on loan account and interest is charged on full amount.

**Ethical issues in banking**

1. **Honesty**: Bankers must be sincere and truthful in carrying out their duties.
2. **Integrity**: There should be honesty in dealing with the customers.
3. **Transparency**: Bank customers and employees are not to be allowed to disclose customers’ deposits to another person.

 **INSURANCE**

Insurance is the transfer of risk from the insured to the insurance company after payment of advance called ***premium***. Insurance is a contract between the insured and the insurer known as ***insurance policy***.

**Principles of insurance**

1. **Insurable interest:** This principle states that an insured must have insurable interest in the property which you are using. This implies that you can only insure goods/property that belongs to you. So that in the case of loss, the insured will bear the loss.
2. **Principle of subrogation:** This principle states that when an insured is indemnified of a property, he does not have right to claim the property back. It implies that a third party is held responsible for the occurrence of the event on which the insurance company has made payment.
3. **Utmost good faith (Uberrimae fidei):** This states that an insured should disclose all material facts concerning the property to be insured as such will help the insurance company to know the risks involved and know how to change premium.
4. **Proximate cause:** This principle implies that insurance company can only pay for risks which are closely related/connected with the risks insured against. And any loss caused by old age, tear or wear cannot be covered by the insurance company.
5. **Indemnity:** The principle of indemnity states that the insurance company can only indemnify the insured, which is placing him in the position he was in before the incident, but the insured should not make extra profit from the insurance company. In that regard, the insured is advised not to engage in multiple insurance or under insurance.

**Double/ multiple insurance:** This is the act of insuring one risk with more than one insurance company, thereby collecting indemnity with more than one insurance company if the risk occurs. In this situation, the insurance companies should apply the principle of contribution to indemnify the insured.

**Under insurance:** This is the act of insuring a property with less than its original/actual value. In this type of situation if there is less property, the insurance company will apply an average clause in the payment of the property involved. E.g. Mr. John bought a car for #800,000 and insured against loss at #600,000. (Comprehensive motor vehicle cover). If eventually the loss occurs the insurance will apply average clause.

Calculation= value insured x 100

 Actual loss 1 600,000/ 800,000 x 100 = 600/8 =75%

The company will pay

(75/100 x 600,000/1) = #72,000 to the insured.

**Advantages of insurance**

1. It aids import and export trade
2. It makes some work of businessmen less risky and simpler
3. It helps the assured to save for their family when they die
4. It provides financial benefits to the assured (endowment policy)
5. It enables loss to be spread among number of people.
6. In life assurance people save for their business and children.

**Types of insurance**

1. **Fire insurance:** This is the act of insuring factory, property, warehouse against fire outbreak. To consider the premium to pay, the insurance company will consider whether there are inflammable materials. The value of the property insured may be determined before the insurance contract is signed. If the value is determined before the incident, it is called ***valued policy***, if it is valued after the incident, it is called ***unvalued policy***. When the value of goods insured is checked and valued from time to time it is called ***floating policy***. In this situation the premium is also adjustable. In fire insurance when the property destroyed is replaced with similar value or paid cash of the current market value it is known as ***reinstatement clause***.
2. **Vehicle insurance:** This is the act of insuring motor vehicles and other road users against accidents.

**Types of motor vehicle insurance are comprehensive motor vehicle cover and third party insurance cover.**

1. **Comprehensive insurance cover:** This covers all risks to which vehicles may be exposed to. It is taken normally when a vehicle is new and renewed yearly for up to five years. The amount depends on the value of the vehicle.
2. **Third party insurance cover:** This is compulsory for every motor vehicle cover as protection against accidents caused to other road users. The premium is always small, but it only covers the third party.
3. **Burglary insurance:** This is the insuring of properties against burglars or house breakers.
4. **Marine insurance:** This is insuring properties against risks involved at the sea voyage. The insurance can be for a particular period known as ***a time policy*** or from one port to another known as ***voyage policy***. Marine insurance may be valued, unvalued or floating.
5. **Life assurance:** This is the contract for the payment of a lump sum in the event that the assured dies or attains a certain age. Life cannot be valued in monetary terms. The age assurance is not a contract of indemnity but ***compensation***. Therefore, a person can assure his life with any amount.

**Types of life assurance**

1. **Whole life assurance**: This is an assurance that covers an individual’s life time. The sum payable depends on when the individual dies. It is the relations of the assured that claims the benefit when he/she dies.

**Endowment policy:** This is the type of assurance where the assured has a fixed term policy in which a lump sum is paid annually, monthly or based on the agreement and after a fixed time the insurance company will pay it back with interest to the assured. It is the assured that benefits from the claims of life assurance policy. If the assured discontinues before the maturity date it is called ***surrender value.*** However, if the assured dies before the fixed date the insurance company will pay the claims to the next of kin.

1. **Pension insurance:** It is the type of insurance where an employee contributes part of his current income to an insurance company with the aim of building a fund for his or her retirement. The benefit is paid when the owner retires or reaches the age of 50 years.
2. **Health insurance:** It is the type of insurance where the insured pays a certain rate(premium) each month to the health insurance company and in return, when the insured is sick, injured or have medical conditions, the insurance company will cover the medical expenses.
3. **Fidelity insurance or fidelity bond:** This type of insurance is taken by business men or companied who entrusted large sum of money to any of its employees. It protects the company against theft of money.

**Differences between insurance and assurance**

**Assurance insurance**

|  |  |
| --- | --- |
| 1. This deals with possibility
 | This deals with probability |
| 1. It concerns life
 | It concerns properties |
| 1. It cannot be measured in monetary terms
 | It can be measured in monetary terms |
| 1. The assured can be engaged in multiple insurance
 | The insured cannot be engaged in multiple insurance |
| 1. The assured can never lose the money.
 | The insured loses money. |

 **Insurable risks:** these are risks that can be insured e.g. fire, marine burglary.

**Uninsurable:** These are risks that cannot be insured e.g. life.

**Non-insurable risks:** These are risks that are not insurable e.g. (gambling, earth quake, natural disaster, wind storm etc.) **BUSINESS OPPORTUNITIES AND PERSONAL QUALITIES OF AN ENTREPRENEUR**

**BUSINESS OPPORTUNITY**: This is the chance a person has to start and operate a business in order to generate income. It could be local, national or international.

**Types of business opportunities**

1. **Local business opportunity**: This is the type of business opportunity that can be found in the local environment. E.g. a farmer who has palm trees and fisherman who catches fish for business sell to generate income.
2. **National business opportunity:** This is the type of business opportunity that enables one to do business outside the shores of his environment or state but within his country.
3. **International business opportunity:** This type of business involves the exportation (selling) and importation (Buying) of goods between one country and another.

**Personal qualities of an entrepreneur**

1. Discipline
2. Determination
3. Confidence
4. Strong work ethic
5. Creativity
6. Interpersonal skills
7. Self-motivation
8. Time management
9. Listening and communication skills
10. **Discipline:**
11. He/she must possess the quality of self-discipline
12. He/she must be focused to ensure the business succeeds
13. He/she must avoid distractions that would prevent the goal and objectives of the business.
14. **Determination:**
15. He/she must see the challenges or set-back as opportunity to succeed
16. He/she must be persistence in attaining success
17. He/she must have a mind set of “it can be done”
18. **Confidence:**
19. An entrepreneur must be confident in everything he does
20. He/she must believe that he can make the business succeed.
21. **Strong work-ethic:**
22. He/she must be the first in the office and last to leave the office
23. He/she must be hardworking and lead by example
24. He/she must have his mind in the business whether in or out of sight
25. **Creativity:**
26. An entrepreneur should be able to generate ideas that will help the business to grow
27. He/she must be creative in the running of the business.
28. **Interpersonal skill:**
29. An entrepreneur should be able to identify the values in his/her employees and coach them to success
30. He/she must possess the skill to motivate the employees in order to grow the business.
31. **Self-motivation:**
32. He/she must be proactive in the activities of the business
33. He/she must always be at the forefront of the work
34. **Time management:**
35. An entrepreneur must how to manage his or her time well
36. He/she should be able to equate time with success in order to achieve more in lesser time
37. **Listening and communication skills**:
38. He/she must be a good speaker and a good listener too
39. He must communicate well in order to sell his business
40. He/she must be able to listen to people’s opinions and utilize reasonable ideas for the growth of the business.

 **CONSUMER RIGHTS AND RESPONSIBILITIES**

Consumer is the last person that makes use of any product. He is the last person in the chain of distribution. Distribution /production is said to be incomplete when it has not reached the consumer. Consumers have rights, responsibilities and need to be educated to maintain these rights and responsibilities

**Rights of a consumer.**

There are eight universal rights of a consumer

1. Right to safety: They have the right to buy safe products that will not injure their health.
2. Right to make choice: They should choose products without being forced or intimidated.
3. Right to healthy environment
4. Right to receive adequate value for their money
5. Right to good things for quality life
6. Right to seek redress, i.e. they have right to sue suppliers for breach of contract.
7. Right to education: a consumer has right to acquire knowledge and skills necessary to be an informed consumer
8. Right for representation: A consumer has the right to contribute to the execution and making government policies that affect the consumer’s rights.

**Responsibilities of a consumer**

1. Awareness: consumers should be aware of the quality and safety of a product before buying.
2. Gathering information
3. Independence
4. Communication: responsible for informing producers and government about what their needs are.
5. Complaint
6. Respect of environment

**Consumer Needs and Wants**

**Need:** A need is generally defined or referred to as something that is extremely necessary for a person to have in order to survive. E.g. food and water, shelter, clothing etc.

**Want:** This is something that a person would like to have either immediately or in the future. E.g. car, furniture etc.

**Differences between wants and needs**

**Needs**  **Wants**

|  |  |
| --- | --- |
| 1. Human needs are the same
 | Human wants are different |
| 1. Needs are essential for survival
 | Wants are not necessary for survival |
| 1. They are created through natural demands
 | Wants are created through personal desires. |

**Steps involved in making decision about needs and wants**

1. Make a list of things you would like to acquire
2. Separate items on your list according to your wants and needs
3. Consider before buying a thing
4. Use delayed purchase strategy

**Impulse buying:** This is an unplanned decision to buy a product without advance intention or plan for such an item.

**Effects of impulse buying**

1. Feeling of anger and disappointment because most items bought do not work as expected
2. Feeling of guilt and regrets
3. Waste of financial resources
4. Loss of personal control which can lead to development of buying addiction
5. Reduced standard of living

**Consumer education:** This is the process of educating the consumers to know their duties, rights and responsibilities.

**Needs for consumer education**

1. To prevent them from being exploited by the producers
2. To assist them to use their money wisely
3. To ensure better management of financial resources
4. It helps them to make correct use of products without unnecessary injuries
5. To prevent them from falling victims of fake products
6. It helps them to be protected from deceptive advertising.

**Effects of lack of consumer education**

1. It leads to wasteful spending
2. It exposes the customer to danger of being exploited by manufacturers
3. The consumer may fall victim of deceptive advertising
4. It may lead to untimely death.

 **BOOKKEEPING ETHICS**

These are principles and moral standard guiding a particular group. Therefore, bookkeeping or accounting ethics are refers to as the right ways in which accountants should carry out their duties.

**Bookkeeping ethics are; T.A.P.**

1. **Transparency 2) Accountability 3) probity**
2. **Transparency:** This is the act of being honest and trustworthy. A transparent person must be open minded. Therefore, accountants must not hide facts when carrying out his or her duties.
3. **Accountability:** This refers to being responsible for an action. It is the act of recording business transactions carefully for proper accounting.
4. **Probity:** This means to be completely honest with anything that is entrusted (put) under one’s care, especially funds. Probity helps in effective record keeping.

**Needs for book-keeping ethics (TAP)**

1. It brings goodwill to the business
2. It increases the profit of the business
3. For effective running of the business
4. It helps to curb corruption in both private and public sector
5. It helps to maintain stability and sustainability in the business.

**Attributes of TAP**

1. Openness
2. Fairness
3. Truthfulness
4. Impartiality
5. Respect to rule of law free flow of information

**Problems caused by lack of TAP**

1. Collapse of the business
2. Fraud and embezzlement of funds
3. Difficulty in business operation
4. Bad government
5. Lack of improvement
6. Bribery and corruption

**Solutions**

1. Adequate supervision
2. Offenders must be duly punished
3. Workers should be paid promptly
4. Contract should be awarded on merit
5. There should be respect to the rule of law
6. Supervision of public and private sector.

 **LEDGER ENTRIES** A ledger is the principal book of account. It contains the permanent records of all transactions of a business. There are divisions of ledger into three separate units. 1. Creditors ledger: This is also known as purchases ledger. 2 Debtors ledger: This is also known as sales ledger. 3. General ledger: This is also known as a nominal ledger; this ledger contains accounts other than the personal accounts of credit suppliers and credit customers. Ledger accounts are usually classified into personal accounts and impersonal accounts.