**COMMERCE SS1 SECOND TERM NOTE**

**GENERAL INSTRUCTION: PRINT AND ATTATCH TO YOUR FIRST TERM SPIRAL BANDED NOTE.**

**SCHEME OF WORK:**

1. **WEEK ONE: INTERNATIONAL TRADE**
2. **WEEK TWO: ADVANTAGES OF INTERNATIONAL TRADE**
3. **WEEK THREE: DOCUMENTS USED IN FOREIGN TRADE**
4. **WEEK FOUR: DOCUMENTS USED IN INTERNATIONAL TRADE**
5. **WEEK FIVE: MEANS OF PAYMENT IN INTERNATIONAL TRADE**
6. **WEEK SIX: CUSTOM AND EXCISE AUTHORITY**
7. **WEEK SEVEN: NIGERIAN AIRPORT AUTHORITY**
8. **WEEK EIGHT: SOLE PROPRIETORSHIP BUSINESS**
9. **WEEK NINE: PARTNERSHIP BUSINESS**

**FIRST WEEK: INTERNATIONAL TRADE**

This is the exchange of goods and services among countries. International trade can also be called foreign trade or external trade.

**Division of foreign trade:**

1. **Import:** This is the act of buying goods and services from other countries. It is sometimes restricted to control a country’s balance of payment deficit. Import trade is divided into visible and invisible trade.
2. **Export:** Export trade is the act of selling goods and services to other countries. It can equally be divided into visible and invisible exports.
3. **Entrepot:** Entrepot is a form of foreign trade in which goods are shipped to one port and subsequently re-exported and shipped to another port. Entrepot is the re-exporting of goods imported from other nations.

**Types of foreign trade**: international trade are of two types namely:

1. **Bilateral trade:** This is a trade agreement in which two countries exchange goods and services. It occurs when each country tries to balance its payments and receipts separately and individually with every other country.
2. **Multilateral trade:** This is a type of international trade in which a country trades with many other countries. This ensures international division of labour e.g Nigeria trades with USA, Britain and Russia.

Differences between international trade and domestic trade: **Assignment**

**Similarities between international trade and domestic trade:**

1. Many is used as a medium of exchange
2. Bothe involve the activities of middlemen
3. Both involve a degree of specialization
4. Both involves buying and selling of goods and services.

**BASIC REASON FOR INTERNATIONAL TRADE:**

1. **Differences in natural resource endowment**: Some countries are blessed with some resources which others are not. So countries are forced to depend on each other for what they are not blessed with. E.g Nigeria is blessed with crude oil while Ghana is not, so Ghana have to depend on Nigeria for her supply of crude oil.
2. **Differences in climate and soil:** Agricultural products thrive better under certain soil and climatic conditions than others. E.g USA and Turkey soil and climatic condition favours the cultivation of strawberry, so Nigeria have to depend on them for their supply of strawberry.
3. **Variation in technical knowhow:** Some countries are more technical advance than others in the production of certain commodities and as such are able to produce at a cheaper rate. E.g Japan is well-known for their scientific research and as such, many countries depend on them for it.
4. **Variation in industrial development:** Some countries are more industrially equipt or developed than others and as such are able to produce certain commodities in large quantities at a cheaper rate.
5. **Differences in taste:** There are differences in taste in the production of a certain commodity by different countries, hence the head for exchange. Eg. Nigerians prefers to buy foreign rice than the locally produced rice because of the taste and quality.
6. **Differences in skills:** Some countries have been able to develop some special skills in the production of certain commodities e.g the Indians have special skills in medicines and as such, many people travel from different countries to India to seek for medical care.
7. **Variation in available capital stock:** Some countries have more capital stock than others and as such are able to produce in a much more larger quantities for sale.
8. **Expansion of market:** Foreign trade came into being in order to widen the market for exchange of goods and services produced by countries.
9. **Desire to improve the standard of living:** Countries engage in international trade in order to improve the standard of living of the people because goods and services which a country cannot originally produced are brought in.

**WEEK TWO: ADVANTAGES OF INTERNATIONAL TRADE**

1. **Economic development:** foreign trade facilitates the inflow of foreign capital in form of machines for social economic development.
2. **International specialization:** Through international trade, foreign competition is encouraged as each countries carries out research which make them become specialized in the production of quality goods for which they have comparative cost advantage.
3. **Source of revenue**: By exporting its goods and services, a country is able to earn foreign exchange.
4. **Employment opportunities**: When foreigners come to invest in a country, they need labour to work for them hence the creation of employment.
5. **Availability of variety of goods:** It brings about increase in variety of goods and services produced as each country struggles to meet up with the wild market demand.
6. **It encourages international friendliness:** When countries trade among themselves, it promotes peace and harmony among them.
7. **It increases the standard of living:** Countries get what they need which they could not produce as they exchange goods and services among themselves.
8. **Increase in world output:** As countries specializes in the production of goods and services, it widens the size of the market available to domestic producers.
9. **Increase in technology:** The less technical advanced countires gain technical knowledge from the advanced countries through the services of expertise.

**Disadvantages of international trade:**

1. **Collapse of infant industries:** importation may retard the growth of infant industries when it becomes too excessive since their product cannot compete favorably with that of their well established foreign counterparts.
2. **Importation of dangerous or harmful goods:** Dangerous goods are imported into the country because of the greed for money e.g cocaine, arms and ammunitions etc.
3. **Destruction of cultural values:** As foreigners come In and go out of a country, they display immoral attitudes such as homosexualism, dressing pattern etc. which tend to cause decadence in social norms.
4. **Balance of payment problem**: If foreign trade is not restricted, it could make importation to be excessive and thus greater than importation thereby leading to an unfavorable balance of payment.
5. **Unemployment:** Excessive importation of foreign goods will cripple the growth of infant industries which may lead to the restriction of such industry such as the laying –off of staff.
6. **Over- production:** Excessive specialization may lead to over-production which is to the disadvantage of the producer.
7. **Encouragement of dumping:** It can lead to dumping of goods into the less developed countries by multinational companies from the developed nations.
8. It reduces the effort to attain self-reliance.
9. It may lead to exploitation of less developed countries by the developed countries.

**Barriers (problems) of international trade:**

1. Differences in currency
2. Differences in language
3. Differences in religion and culture
4. Differences in weights and measures
5. Artificial barriers such as import quotas, tariffs, bans etc.
6. Natural barriers such as distance, presence of sea, desert etc.
7. Involvement of numerous documents which may be too cumbersome
8. Political manipulation or government policy
9. Trade in balance of balance of payment problems.

**Reasons why government impose tariffs or trade restrictions:**

Tariffs are taxes or duties imposed on imports and exports by the government of a country.

**Reasons:**

1. To protect infant industries
2. To generate revenue
3. To prevent dumping
4. To improve the balance of payment (BOP)
5. As a retaliatory measures
6. To prevent importation of dangerous goods
7. For employment generation
8. To promote self-sufficiency
9. To check consumption pattern of some commodities.
10. To protect strategic industries
11. For political motive

**Instruments (tools) for trade restriction**

1. **Tariffs:** This is the tax imposed on imported and exported goods in order to reduce import. The government may decide to increase import duties.
2. **Import quotas**: This is a quantitative restriction on imports. It involves fixing a minimum legal limit of quantity or value of a commodity which may be imported during a given period.
3. **Import license:** Importers may be required to obtain licenses for the importation of particular commodities.
4. **Devaluation:** This involves lowering the value of a country’s currency in relation to those of other countries. When this is done, it becomes too expensive for that country to import good from other countries thereby discouraging importation in that country.
5. **Foreign exchange control:** This involves fixing a maximum amount as the basic travel allowances.
6. **Prohibitions/ Embargo:** This is the imposition of ban on certain commodities.
7. **Administrative control:** government can use bureaucratic delays, technical and safety regulations to slow down the volume of imports into a country.
8. **Import substitution:** This is the production of commodities at home which would otherwise have been imported. This may lead to a reduction in the volume of world trade.
9. **Export promotions:** It is also called export drive. It is an attempt by the government to encourage producers of export goods to produce and export more in order to earn more foreign exchange.

**Balance of Payment:** This is defined as the financial statement showing the relationship between a country’s total payments to other countries and it’s total receipts from them in a year.

**Components of balance of payments (BOP):** The BOP is divided into three parts namely:

1. **Current account:** It consist of the exports and imports of the visible (merchandise trade) and invisible (service) trade account. The visible exports includes raw materials, cars, petroleum etc. while the invisible trade are services such as travelling, transportation, banking etc.
2. **Capital account:** This account deals with capital inflow and capital outflows into a country. It record payments for direct investment abroad, port-folio investment or investment in financial assets.
3. **Monetary movement account:** This is also called the financial settlement account or the financial items. This account is the balancing segment of the BOP account i.e it settles the current and capital account.

**Balance of Trade:** This is defined as the relationship between the value of a country’s visible exports and imports within a particular period of time.

**Terms of Trade:** It is defined as the ratio between the price index of exports and the price index of the imports.

**Types of BOP disequilibrium**: There are two types which are;

1. **Favourable balance of payment**: This is when exports is greater than imports.
2. Unfavourable balance of payment: This is when imports is greater than exports.

**WEEK THREE: DOCUMENTS USED IN FOREIGN TRADE**

There are various documents which facilitates international trade:

1. **Consular invoice:** This is an invoice that has been signed by the ambassador of the country to which the goods will be imported. It is issued in the embassy of the importing country showing the original price of the goods in the country of origin.
2. **Certificate of origin:** This is a documents that is signed by the custom officer of the exporting country to show the country from which the goods originated from. It is prepared by the producer to accompany the goods in order to determine the place of origin.
3. **Insurance certificate:** This certificate shows that the exporter has paid for insurance to protect himself against risk. It is compulsory that goods are insured before they are exported.
4. **Indent:** This is an order for supply b y an importer to it’s agent. Indent can be closed or open indent. An open indent is an order to an agent with freedom to purchase goods from any producers while closed indent is an order which specifies a particular producer from whom the goods are to be purchased.
5. **Shopping manifest:** It is a document which shows the particulars of the shop, it’s cargoes and destination. The document is to be completed by the captain of the ship.
6. **Bill of sight:** This is a document which is submitted to the custom authorities is a full description of the imported goods cannot be provided so as to enable the goods to be landed and inspection carried on it.
7. **Custom specification:** It is a document which shows the value of the goods exported and to the country to which they have been consigned. It is usually kept with the custom authorities.
8. **Bill of lading:** It is a document of tithe which gives the holder the right to take possession of the goods which it refers. It is usually made in three copies, one for the exporter, and one for the ship master and the last for the importers. There are two kinds of bill namely;
9. **Dirty bill:** A bill is dirty if the goods are damaged.
10. **Clean bill:** A bill is clean if the goods are not damaged.
11. **Custom entry form:** This is a record of the duties of all the cargoes of which an importer possesses in a ship.
12. **Import license:** This is a document given to an importer or exporter as a right to import goods. There are two types of import license namely;
13. **Open general license:** This are license in which goods are imported on unrestricted quantities eg. Foodstuff such as rice, books etc.
14. **Restricted or specific license:** These are license in which goods are imported in specified quantities or limited quantities eg. Motor vehicles of engine capacities of 2000 above.
15. **Form “M”:** This is a form that is filled by all importers in order to inform the C.B.N of all the necessary information regarding a proposed importation.
16. **Shipping advice:** This is a form starting the details of the goods and the ship carrying the goods.
17. **Dock warrant:** This is a receipt for goods delivered and stored in the warehouse. It is also known as dock receipt. This document will state that goods have been kept in the warehouse by the owner awaiting clearing or loading.
18. **Bill of entry:** This is a foreign document which contains detailed particulars of all imported goods into the country.
19. **Mate receipt:** This is a document that is used when goods are loaded on a ship by lighters. This document can be used in place of a bill of lading.
20. **Airway bill:** This document is been used when goods are transported by air. The document shows the names of the consignor and consignee, the airport of landing and destination, the weight and value of the goods, the route and freight charged.
21. **Freight note:** This document shows the carriage charges for a particular cargo for a specified journey.
22. **Bill of exchange:** This is an unconditional order in writing addressed by one person to another and signed by the person to whom it is addressed to pay on demand a sum certain in money to the order of a specified person.

**WEEK FOUR: DOCUMENTS USED IN FOREIGN TRADE**

1. **Uses of consular invoice:**
2. It is used to prevent the understating of prices of goods in order to ensure the correct payment of taxes.
3. **Uses of certificate of origin**
4. It shows where the goods is exported from
5. It is used as evidence for preferential tariff particularly in the ECOWAS region.
6. **Uses of insurance certificate:**
7. It helps to protect the exporter’s goods against risk.
8. It is an evidence to show that goods have been insured which is a must in foreign trade.
9. **Uses of indent:**
10. It helps to give details of goods required their prices and date of delivery.
11. **Uses of bill of lading:**
12. It is a proof of ownership
13. It shows the details of all ownership to the goods.
14. It shows the details of the goods.
15. It is used to show the name of the ship.
16. **Shipping note:** This is a document sent by an exporter to a shipping agent or company requesting for her goods to be transported to a named destination at a particular time.
17. **Uses of shipping manifest:**
18. It is used to show the particulars of a ship, its cargo and destination.
19. The captain of the ship must complete the form and lodge in with the custom authorities before leaving the port.
20. **Mate receipt:**
21. It is used to show or state that the goods are received in good condition.
22. **Export invoice:** It is a document sent by an exporter to an importer showing the list of goods, terms of sale, quantity and price of goods, the name of the ship and the total amount to be paid.
23. **Custom specification:**
24. It enables the ministry of trade to collate all import and export of a country in order to determine the balance of trade.
25. **Ship Report:** This is a document shipped by a ship master to the custom authorities at his port of arrival. Goods could not be off loader until this document is submitted.
26. **Dock lading account**: This is a document issued to the ship master on its arrival at a port after he might have submitted his ship report.
27. It is used to show any damages on goods.
28. **Uses of bill of sight:**
29. It is used to determine the duty on the cargo.
30. It is used when a frill description of goods cannot be accounted for or provided.

**WEEK FIVE: MEANS OF PAYMENT IN INTERNATIONAL TRADE**

**The terms of quoting price in international trade:**

1. **Cost, Insurance and Freight (CIF):** This means that the price quoted by the seller to the buyer includes the total cost of the goods, the freight and insurance from the point of sales up to the port of destination. Anything after that is the sole responsibility of the buyer.
2. **Free on Board (FOB):** This means that the price quoted by the seller to the buyer covers all costs up to loading goods on the shop.
3. **Free Alongside Ship (FAS):** The price quotation includes all charges used to deliver the goods to the side of the ship. This means that the buyer is responsible for all other charges from there.
4. **Free on Rail (FOR):** This means that the price quotation include all charges up to the point of loading the goods on rail.
5. **C.F. :** This means that the price quotation includes all charges except insurance charges up to the point of destination.
6. **Franco:** This means that the price quotation includes the cost of insurance, freight and all delivery charges to the importer’s warehouse.
7. **Free on Quay (FOQ):** This means that the price quotation involves only delivery to the quay for shipment.

**Means of payment in international term:**

1. **Telegraphic transfer**: This is the transfer by telegraphic or case of bank deposits from one country to another as a means of payment.
2. Mail transfer: This is a method of payment by which a bank by means of air mail gives an order to its foreign agent to pay a foreign creditor a sum of money.
3. **Guaranteed mail transfer:** This is an order to pay sent by mail just like mail transfer.
4. **Letter of hypothecation:** This is a letter written by debtors who pledges collateral in order to secure a loan, authorizing the banker to sell the collateral if payment or acceptance of the bill is refused.
5. **Bank draft:** A bank draft is a cheque that is drawn on a bank’s funds and guaranteed by the bank that issues it. It is used as a means of payment in international trade.
6. **Traveller’s cheque:** These are orders drawn on commercial banks which enable travelers to other countries to be able to transact businesses after converting it into those countries’ currencies.
7. **Documentary credit:** In this method, an importer opens a credit in favour of the exporter at a bank in the exporter’s country after which a documentary bill is then drawn by the importer in favour of the exporter.
8. **Factoring:** A firm called a factoring firm buys over the trade debts of its client(s) from its creditor after which she takes over the task of collecting the trade debts.
9. **Bill of exchange:** It is used for making payments in international trade.

**WEEK SIX: NIGERIAN CUSTOM AUTHORITY**

 **Custom and Excise Authority:** This is a government agency charged with enforcement of laws and regulations to collect duties on import, export and goods produced within the country. It also regulates the document and flow of goods in and out of a country.

**Functions of Custom Authority**

1. **Collection of tariff or revenue:** They assesses and collect taxes on imported goods as well as on goods that are produced within the country (excise tax)
2. **Supervision of warehouse:** They watch from time to time to ensure that goods kept in the warehouse, in which taxes had not yet been paid are correctly taxed and paid.
3. **Statistical Records:** They collate all the records of exports and imports received in the course of the year and furnish the information to the office of the government.
4. **Prevention of smuggling:** They prevent importers from bringing into the country goods that are illegal (i.e contraband goods) and also goods that correct or complete tax had not been paid.
5. **Supervision of foreign trade:** They ensure this function through issuing of license and also see to it that only licensed goods are imported or exported.
6. **Enforcement of ban:** they ensure that bans or prohibited goods are not brought into the country.
7. **Provision of quarantine facilities**: They quarantine imported livestock as well as carry out clinical test on all other imported product to ensure that they are standardized.

**WEEK SEVEN: NIGERIAN AIRPORT AUTHORITY (NAA):**

This is a service organization statutory body charged to manage all commercial airports in Nigeria and provide service to both passengers and cargoes airlines

**Types of Airport**

1. **International Airport:** These are airport that enables passengers and cargoes to move around from country to country e.g Murtala Muhammed International Airport etc.
2. **Local Airports:** These are airports that enables passengers and cargoes to move around from place to place within a country by means of aeroplanes and helicopters.

**Facilities provided by a good airport**

1. Check –in 15 cranes
2. Airport security 10 berth
3. Cash and foreign currency 17 forth-lift
4. Communication facilities 18 trailers
5. Customer services
6. Lost property
7. Meeting rooms
8. Special assistance such as public transport etc.
9. Guide and hearing dogs
10. Car parks
11. Call points
12. Reserved seating
13. Facilities for the visually impaired
14. Changing facilities e.g toilets, adjustable beds, wash hand basin etc.

**Functions of airport authority**

1. Control of domestic and international airports
2. Provision of parking space for cars
3. Provision of port facilities for landing, refueling and take off.
4. Repair and maintenance of damaged aircrafts
5. Provision of warehouse for storage of goods before loading and off-loading.
6. Provision of office accommodation for the custom, immigration, police etc.
7. It sees to the general administration of the airport.
8. Collection of airport taxes from airlines, shop operators.
9. Provision of security personnel to ensure safety.
10. Ensures environmental sanitation of the airport.
11. Promotion of foreign trade.

**The Nigerian Ports Authority (NPA):** This is a statutory organization set-up to manage and control the general operations of the seaports in Nigeria.

**Facilities provided by a good seaport:**

1. Berth ii. Boats iii. Cranes

iv. Fode –lifts v. Trailers quay vi. Wharf

vii. Harbout viii. warehouse/ dock ix. Yards

x. Sheds xi. Piers xii. Navigational aids

**Functions of the Port Authority:**

1. Provision of port facilities e.g cranes etc.
2. Maintenance of ports
3. Collection of revenue
4. Provision of warehouse
5. Supervision of loading and off-loading of goods.
6. Provision of security to monitor the movement of ships, cargoes and people.
7. Provision of office accommodation to security personnel e.g custom, police etc.

**Terminologies used in international trade:**

1. **Bonded warehouse:** This is a place in the port where goods that tax had not yet been paid upon are kept until they are settled.
2. **Custom drawback:** This is the repayment of the custom duties paid on imported goods which are to be re-exported.
3. **Free port:** This is when goods that are to be re-exported are allowed to enter into a country free without the payment of duties.
4. **Demurrage:** This is when a charter of a ship pays an extra charge for keeping a ship beyond the permitted time for loading and off-loading in a port.

**WEEK EIGHT: SOLE PROPREITORSHIP**

This can also be called “Entrepreneurship” or” One man business”. It is defined as a business that is owned, managed and controlled by one person e.g EHJMC, Olaoluwa hospital, JMK business enterprises etc.

**Features of sole proprietorship business:**

1. It is owned by one person
2. Its objective is to make profit
3. Capital is provided by the owner
4. It has unlimited liability
5. It is not a legal entity
6. Management and control of the business is done by the owner.

**Sources of funds:**

1. Personal savings
2. Inherited properties from relations
3. Loans from friends and relations
4. Loans and overdrafts from banks
5. Trade credits
6. Loans or grants from the government under the platform of the property Alleviation programme.

**Advantages:**

1. Decisions are taken and executed promptly
2. He collects all the profits alone
3. It improve small capital to set-up
4. It enjoys maximum secret
5. It is easy to establish and does not require much procedures to set-up.
6. He can change his choice of production any time.
7. He has a personal and cordial contact with his employees and customers.
8. It is easy to manage.

**Disadvantages:**

1. Business may collapse or lack continuity as a result of death of the owner.
2. Mass production or expansion is impossible as a result of inadequate capital.
3. He bears all the risk alone.
4. He has unlimited liability and as such, should the business fails, his personal properties could be sold off to settle his debt.
5. He lacks specialization as he tends to be involved in every aspect of the business.

**WEEK NINE: PARTNERSHIP**

This is a form of business unit in which two to twenty persons combine their resources and set-up a business for the sole purpose of making profits e.g M&B pharmaceutical company etc.

**Features of partnership**

1. It is owned by two to twenty persons
2. The objective is to make profit
3. Capital for the business is provided by the partners in agreement.
4. The business is controlled and managed by the partners.

**Sources of funds**

1. Personal contributions by partners
2. Loans and overdrafts from banks
3. Trade credit
4. Admission of new partners
5. Undistributed profit plough- bank profit or retained profit.

**Types of partnership:**

1. **Limited partnership**: It is the type in which there must be one general partner with unlimited liability and one limited partner with limited liability. All the partners take equal part in the management and administration of the business. The limited partnership must be registered.
2. **General or ordinary partnership**: it is the type in which all the partners have equal responsibility in the management and administration of the business. i.e all the partners have unlimited liability.

**Types of partner:** There are five main types of partners namely;

1. **General partner:** it is a kind of partner that participates in the management and administration of the business. Its liability is unlimited.
2. **Limited partner:** This is the partner that does not participate fully in the running of the business by law. Its liability is limited to the amount of capital he contributed to the business.
3. **Sleeping or dormant partner:** This is a kind of partner that contributes and shares the profit and loss made from the business but he does not take part in the management and administration of the business.
4. **Norminal/Quasi partner:** This is the type of partner that does bot in anyway contributes capital nor take part in the management of the business. He only contributes or allows his name to be used in the business.
5. **Active partners:** These are the types of partners that take part in the day-to-day running og the business. He earns salary apart from the profit he equally makes as part owner.

**FORMATION OF PARTNERSHIP**

A partnership business is established without any formality. The partners only make agreement with themselves which is known as “Deed of partnership” A deed of partnership is defined as an agreement and rules guiding the members of the organization.

**The contents of the partnership deed (agreement)**

1. The name of the partners
2. The name of the firm
3. The nature of the business
4. The rights and duties of each partners.
5. The duration of the partnership
6. The objective of the firm
7. The signature on the cheque
8. The mode of admitting new members
9. The proportion on which capital is to be provided
10. The sharing of the profits and provision for drawings
11. The payment of partnership salaries

**Advantages of a partnership business**

1. There is joint decision making which enhances better result.
2. There is sufficient capital as a result of pooling of resources together.
3. Absolute secrecy since their account is not published or open to the public.
4. Continuity of the business is assured in case of any of the partner dies.
5. They do not pay capital tax and stamp duties to the government.
6. Risks and liabilities are shared.
7. Loan facilities can easily be obtained.
8. There is greater possibility of large capital.
9. There is better management due to the combing of skills and abilities of each the partners.

**Disadvantages of a partnership business**

1. The misconduct of a partner is likely to ruin the business.
2. Disagreement between partners can end the business.
3. Private properties of partners are likely to be used to settle debts.
4. There are usually delay in decision making.
5. False records presented especially by the active partner can ruin the business.