

## COMMERCE NOTES , FORM IV

Note;

These notes are continuing after the ,differences between joint stock company and cooperatives .

### STATE CORPORATION

This is a type of business organisation owned and run by the government. The major aim of government involvement in business is to provide essential goods and services to the general public at a relatively cheap and affordable price. And also known as state enterprises. Examples TANESCO ,DAWASCO ,POST AND TELECOMMUNICATIONS, RAILWAY ,and state broadcasting corporation like TBC etc.

### ADVANTAGES OF STATE CORPORATION

#### 1: provision of essential services

Essential services are provided, such as street cleaning , electricity and water.

#### 2: Risky ventures

Some ventures are too risky to be carried out by private enterprises examples production of military weapons.

#### 3: Relatively cheap

State enterprises provide services to the public at a low cost such as electricity, public health and government school.

#### 4:High cost activities

Certain activities are too expensive to establish and maintain, but they are very essential to the public and can not be taken by private sector examples railway, electricity and water.

#### 5: Enjoyment of profits

Sometimes the government want to earn profits which are used to develop the country and improving the Welfare of the citizen by providing public health, education, road constructions.

#### 6: Provision of employment

State enterprises employ a large number of people in their operations. In Tanzania some people are employed in TANESCO DAWASCO and POST OFFICES.

### DISADVANTAGES OF STATE CORPORATION

#### 1: Inadequate funds

Some public enterprises are so large that the government may lack fund to maintain them. For example railway services

## 2: Inefficiency

Some state undertakings are poorly managed which has led to inefficiency and thus results in provision of poor services

## 3: Political influence

The government of public corporation is mostly influenced by politicians, who may have little skills in running these enterprises.

## 4: Corruption and embezzlement of fund

Most of the managers in state enterprises are corrupt and the government lack strictly control measures to handle such cases.

## 5: Lack of close supervision

State enterprises are not profit motives, therefore their supervisions are usually not strict. This makes the employees to perform below standard.

## 6: Burden of losses

The burden of loss in state enterprise is passed on to the public in form of increased taxes.

## DIFFERENCES BETWEEN PUBLIC CORPORATION AND JOINT STOCK COMPANY

### 1: OWNERSHIP

State corporations are owned by the government. While joint stock companies are owned by shareholders

### 2: MEMBERS' LIABILITY

In public corporations the liability of member is unlimited. While in limited companies members' liability is limited

### 3: NATURE OF MARKET

Most of the public corporations are monopolies (single supplier) of their services. While limited companies operate in a competitive market.

### 4: AIM AND OBJECTIVE

The major aim and objective of state corporations is to provide services to the public. While for the joint stock company is to make profits.

#### 5: GOVERNMENT ASSISTANCE

State corporation enjoy subsidies from the government. While joint stock companies are not subsidized by the government .

### **STOCK EXCHANGE**

It is a market where shares and stocks are bought and sold. Example (DSE)

#### MEMBERSHIP IN STOCK EXCHANGE

Public can not buy or sell shares directly from or to the companies in stock exchange, They are only allowed to do their transactions through the members of the stock exchange. These members are either brokers or jobbers.

#### BROKERS

These are members of stock exchange who buy and sell shares on behalf of others and are given commissions. Example people who wish to buy and sell shares approach brokers to do their transactions.

#### JOBBERS

These are people who buy and sell shares on their own account. A jobber aim at getting Jobber's turn ,this is a difference between buying Price and his selling price of share.

#### TYPES OF JOBBERS

##### 1: BULLS

These are jobbers who buy shares when they are at low price and hope of selling at a higher price to make profits.

##### 2: BEARS

These are jobbers who sell shares when their prices are high in the hope of buying them back at lower prices.

##### 3: STAGS

These are jobbers who deal in new issued shares .They buy them direct from limited company with hope that they will be at a high demand and be able to sell them at a profits.

## SPECULATION ON THE STOCK EXCHANGE

Refer to a practice of anticipating changes in the prices of shares in order to make profits. People who practice speculation are called speculators.

## IMPORTANCE OF STOCK EXCHANGE

- 1: It provides a market for those who want to buy and sell shares.
- 2: It publishes statistics and record summaries at various companies for guidance of investors.
- 3: It makes the transfer of shares possible, so that investors can easily shift their investments.
- 4: It facilitates the raising of capital for investment.
- 5: It encourages savings among people through investment in shares.
- 6: It helps in judging a country's economic progress based on the number of share deals.
- 7: It connects the country with outside investors.
- 8: It is a means of government revenue through taxation.

## BUSINESS STRUCTURES ADOPTED BY INTERNATIONAL BUSINESS VENTURES

An international venture refers to the entry of a domestic business into the global market place. While a company may go it alone when entering a global market, many often form joint ventures and collaborate with other domestic companies or foreign companies.

### 1: A strategic alliance

Is an agreement between two or more parties to pursue a set of agreed-upon objectives needed while remaining independent organizations.

### 2: A joint venture

Is a business entity created by two or more parties, generally characterized by shared ownership, shared returns, risks, and shared governance.

=> An international joint venture (IJV)

Occurs when two businesses based in two or more countries form a partnership. A company that wants to explore international trade without taking on the full responsibilities of cross border business transactions has the option of forming a joint venture with a foreign partner

#### BENEFITS OF INTERNATIONAL JOINT VENTURES

- 1: It enable companies to share technology
- 2: It prove effective method of obtaining the necessary resources to enter a new market
- 3: It can be used to reduce political friction and improve local /national acceptability of the companies.
- 4: It may provide specialist knowledge of local markets

#### DISADVANTAGES OF INTERNATIONAL JOINT VENTURES

- 1:Difference in management structures and staffing of joint ventures.
- 2:Many joint ventures fail because of conflict in tax interests between the partners
- 3: Great imbalance

Because different companies are working together, there is a great imbalance of expertise, assets, and investment. This can have a negative impact on the effectiveness of the joint venture.

- 4: Destruction of cultures
- 5: A lot of research and planning are necessary, the success of joint venture highly depend on continously research and analysis of the objectives. This may cost a lot of money.
- 6: Lack of clear communication.

As a joint venture involves different companies from different horizons with different goals, there is often a severe lack of communication between partners.

- 3: A multinational corporation (MNC) or World wide enterprise

It is a corporate organization that owns or controls production of goods or services in at least one country other than home country.A multinational corporation is usually a large corporation incorporated in one country which produces or sells goods or services in various countries.

- 4: franchising

It is a business relationship in which the owner of the business assigns to independent people the right to market and distribute the owner's goods and services and to use the business name for fixed period of time .

==>Franchisor/Franchiser- is an entity such as a company or producer that allows its products to be franchised .

==>Franchisee- is an individual or company that holds franchise for the sale of goods or the operation of a service.

Assignment: explain the advantages and disadvantages of franchising.

#### PROBLEMS FACED BY BUSINESS UNITS IN RUNNING BUSINESS

- 1: Uncertainty about the future
- 2: Problem of financial management
- 3: Problem of regulation and compliance
- 4: Problem of recruiting the right talent.
- 5: Changes in technology
- 6: Poor customer services.
- 7: Problem of maintaining reputation.

#### ASSIGNMENT.

Explain five(5) advantages and disadvantages of business unity.

END

Is the process of making things done through other people that means management involves setting objectives for the firm and Supervise the Implementation of those objects.

### **OBJECTIVES OF MANAGEMENT**

Keep customers satisfied with goods and services

Supplying services on time

To achieve the organizational goals

Organization goods into minimizing costs and maximizing profit

To achieve good relations between suppliers and customers

Sell the production at a reasonable price

To achieve better utilization of resources

### **PRINCIPLES OF MANAGEMENT**

#### **Sound policy**

The policy should be stable as well as flexible enough to meet changing conditions in management

#### **2. Scientific approach**

A correct analysis of the situation should be during problem solving. Decisions of action taken is in a accordance with the careful procedure during decision making

#### **3. Management of effectiveness**

Do the right thing at the right time

#### **4. Division of labour and specialization**

Classification of work according to the labour skills knowledge

#### **5. Unit of strength**

Joint the labour effort, team work together

**6. Measure of activeness**

**7. Discipline and remuneration**

**8. Authority for responsibility**

## **FUNCTIONS OF MANAGEMENT**

1:Planning

2:Organization

3:Staffing

4:Direction

5:Control

### **PLANNING**

An act of thinking what to do how to do and what will happen when it is done

Is therefore casting the future demand in the organization so as to meet the objectives.

#### **Importance of planning**

i)To establish good aim objectives of the organization (setting the organization)

ii)To coordinate activities so as to meet organizational goals

iii)To reduce the gap between objectives and performance

iv)Gives the time to evaluate measures to the performance of the organization

v)Gives direction of the future activities of the organization

vi)Provide security management and workers because of guide (policy formation)

## ORGANIZATION

Is the process of dividing tasks into a management unity division of labour.

An Organization Chart



### **General management**

Productive market

Manage management

Chief of accounting

## IMPORTANCE OF ORGANIZATION

1. Better use of resources

It increases the capability of initiation of resources efficiency and effective.

2. Get new technology

Technology increase due to employing labour according to their skills (innovation)

3. Facilitates coordination and communication

It facilitates creation of clear relationship among positions

## **STAFFING**

Involves the determination of main power requirements organization by following with qualified people. It deals with employment, recruitment, training, promotion, demotion and retiring

## **IMPORTANCE OF STAFFING**

1. Recognition and competent state

2. Effective staff facilities motivating workers

3. Payment of salary

According to the employee skill use of revenue

4. Increase in the size of the organization

The size of the organization increase because of employee qualified people

5. Determination of manpower equipment

The addition of adding number of labour can be measured by determining the production process.

6. Establishing of relationship creating good relationship without side companies

7. Delegation of authority classification of work in small part department each should be supervised by one person according to the knowledge.

8. Identification and grouping work

9. Classification of workers according to their skills

## **PRINCIPLE OF ORGANIZATION**

The principle in the guide to perform a certain activity in the organization unit of objectives

1. Employees should work to achieve the same objectives
2. Person who control and inform others
3. Unit of command employees should be able to answer one supervisor only
4. Authority the supervisor has legal to give order to subordinates
5. Span of control this mean how many person must be order the control supervisor
6. How many people to be control by supervisor
7. Specialization different employee gives different duties task according to experience

### **Deception employee should follow the rules s regulation /organization**

A. Scalar chain supervisor have ultimate authority

The organization should have and find say

B. Flexibility

The management should be flexible to adopt any change from time to time

C. Fair remuneration

The employee should be payable forward salaries according to their experience

D. Unit of objectives

### **OFFICE MANAGEMENT**

It is managing activities of an office by purchasing the level of staff to be engaged

**Office** -Any room that executive desk any typist perform their daily task

### **QUALITY OF GOOD OFFICE**

1. Full utilization space available floor should be utilized enough

2. Free movement

They should be sufficiently space for free movement of employees

3. Stand proof

Well if necessary house equipment should be kept in separate rooms

4. Proper ventilation

Should be adequate enough lighting and ventilation

5. Reception

The reception room should be near the main entrance of the office on the same floor if necessary

6. Enough facilitation

The office should occupy full office equipment such as

Stationary machines

## **FUNCTION OF AN OFFICE**

1. Recording information

The reason for keeping records is to enable information to be readily available when required

2. Receiving information by letter

Under telephone and reports on the various activities of the business

3. Arranging information

The information accumulated should be arranged in any safe space accordingly

## **FUNCTIONS OF THE OFFICE**

1. Collecting information
  2. Recording information
  3. Compiling information
  4. Finishing information
  5. Safe guard an asset
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### BUSINESS ETHICS

Refers to the standards and principles which govern the business activities. It means doing business activities with rational thinking and honesty.

There for;

Business ethics, refers to the set of moral rules that govern how businesses operate , how businesses decisions are made and how people are treated.

### SOURCES OF BUSINESS ETHICS

In every society there are three sources of business ethics--Religions, culture and law.

#### 1: Religion

It is the oldest source of ethical inspiration. Example, every religion gives expressions of what is wrong and right in business and other works of life .

#### 2: Culture

It is the set of important understandings that members of a community share in common. It consists of basics set of values, ideas, perceptions, preferences and concept of morality:

There for, culture influence the business ethics according to what is good and bad in society concerning the business.

#### 3: Law

The legal system of any country, guide the human behaviour in the society. There are some rules and regulation in dealing with the business. Example application of business law.

## COMPONENTS OF BUSINESS ETHICS

### 1: Respect

As an entrepreneur building a business, he need to respect himself and surround, with people can respect.

### 2: Honor

Good people are fundamental part of good ethics .They are also great ambassadors for doing things right.

### 3: Integrity

Don't lie,steal or cheat, make the word to bond and always stand by the true word. Treat others as you would want to be treated.

### 4:Customer focus

A focus on the customers reinforces the responsibility to have, to the market. The decisions may affect people , Investors, Partners and ultimately customers.

### 5: Passion

Great organizations are comprised of people who have passions for what they are doing, These are people who work for somebodies for the thrill and challenge.

### 6:Persistence

People in an organization have the will to persist.They will keep working even when the result are not what they hoped, or when customers refuse to buy.

### 7: Trustworthiness and Honesty

The customers must have deep trust in the company and always commit to what the company can achieve and timeline required, don't make empty promise to a client.

## IMPORTANCE OF BUSINESS ETHICS

### 1.satisfying Basic human needs

Being fair , honesty and ethical is one the of the basic of human needs . Every employee desires to be such himself and to work for organization that is fair and ethical in its practices.

### 2.Creating Credibility

An organization that is believed to be driven by moral values is respected in the society even by those who may have no information about the working and of the business or an organization.

### 3. Uniting people and leadership

An organization driven by values is revered by its employees. They are common thread that brings the employees and the decision makers on a common platform.

### 4. Improving decision making

A man destiny is the sum total of all the decisions that he/she takes in course of his life.

### 5. Long term gains

Organizations guided by ethics and values are profitable in the long run, though in the short run they at seem to lose money.

### 6. Smooth functioning

If the business follows all the business ethics, then the employees, shareholders, consumers, dealers and suppliers will be happy, so they will give full cooperation to the business, this will simplify the functioning of business activities.

## IMPORTANCE OF CONSIDERING BUSINESS ETHICS IN THE BUSINESS OPERATION.

-Ethical behaviour and corporate social responsibility can bring significant benefits to a business as follows.

1. Attract customers to the firm's products , thereby boosting sales and profits.

2. Make employees want to stay with the business and hence reduce labour turnover and increase productivity.

3. Attract more employees wanting business, reduce recruitment costs and enable the company to get most talented employees.

4. Attract investors and keep the company's share price high , thereby protecting the business from takeover.

End