



MINISTRY OF EDUCATION, NATIONAL HERITAGE,  
CULTURE & ARTS

# A SMART APPROACH

## COMMERCIAL STUDIES

### YEAR 9

personal  
finance

business  
information system

economy



CURRICULUM DEVELOPMENT UNIT  
2014

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# Preface

## *To The Teacher*

This book has been written as a guide to support the teachers to implement the Year 9 syllabus effectively and it is also working document for students.

The book contains local examples, however, a the concept is subject to changes due to changes in the economy that can occur in the near future.

The notes and activities could become good foundation for upcoming Commerce students as it provides standard knowledge and develops the entrepreneurial skills and positive attitudes towards financial wellbeing.

Teachers are most welcome to supplement each lesson with their own notes and activities for further enhancement of pupils' learning. It is important that students must understand concepts and be able to apply them so that achievement indicators are achieved.

With the paradigm shift in learning it is essential that our students are competent enough to use these skills in their daily living.

# Acknowledgement

The Commerce section of the Curriculum Development Unit takes this opportunity to acknowledge and express our sincere gratitude towards the invaluable contribution and support rendered by the head of our section, support staff, commerce teachers and commerce workgroup towards the completion of this 1st edition of the Year 9 Commercial Studies Textbook - A Smart Approach for Students.

First and foremost a big vinaka vakalevu to the writer, Mrs Ragni Singh, who has worked tirelessly to complete this book; Ms. Alumeci Tuisawau (Director CAS/TEST) for being the best Administrator of the year; Mrs. Lusiana Fotofili (PEO (SC)); Ms. Sereseini Betei (SEO Commerce); Commerce Workgroup, Ms. Alitia Temo, our graphic designer and not forgetting Mr. Harpreet Singh our first writer who was promoted to the Consumer Council of Fiji.

# **STRAND ONE:** ***PER\$ONAL FINANCE***



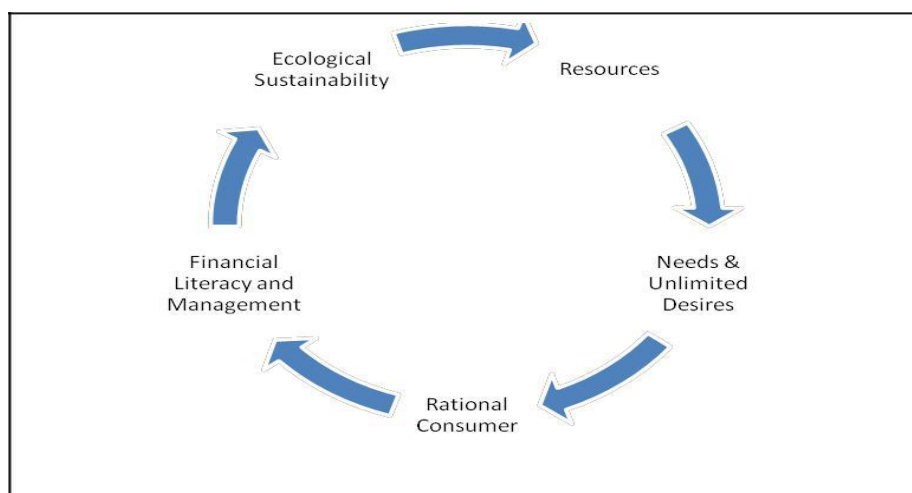
## **STRAND OUTCOME:**

**Explore and express ways of enterprising and managing their families' income to satisfy their needs and wants and become responsible citizens**

## INTRODUCTION

Bula! Welcome to our first strand of commercial studies. This strand will introduce to us the basic concepts of money and the role of money in our daily lives as we need financial tools to think critically. Thus financially competent people are financially empowered people. Optimum use of available resources with greater financial management and being rational consumer, holistic goals could be achieved. This is a cycle that continues from generations to generations

In this strand we will look at ways of enterprising skills to maximize our income with better financial management.



## Lesson 1.0 Needs and Wants

### ***Achievement Indicator***

*Upon completion of this lesson, you should be able to:*

- \* *Identify and recognize their own as well as their families' basic needs and wants*
- \* *Identify ways to improvise needs and wants*
- \* *Critically analyze and prioritize their needs and wants*
- \* *List the goals that are realistic and affordable holistically*

As any other being on this beautiful earth, we also have to survive and make a living for ourselves. Last year you would have learnt that we all have **needs** and **wants**. Try and recall what these two terms mean.

**Needs:** *these are things that we must have in order to survive.*

**Wants:** *these are things that we can live without.*



**Note the difference** between the two definitions. *Needs* are those things that we cannot live without. However, *wants* are those things that we can live without. This means we do not really have to buy them because we would still live even if we didn't have these things.

### Activity 1.1

Note the two definitions in your exercise book and try to identify **FIVE** examples of needs and **FIVE** examples of wants in the following table. You have to draw or **paste pictures** to **illustrate your examples**.

First you have to identify the needs and wants you have as **a student** then you have to do the same for **a family**. It would be wise to note the *sources* of these items and their *prices*.

Let's find out whether there is a difference in the needs and wants for a student and for a family. 😊

Remember: we should always try to live within our means!

That is, **our needs and wants should be realistic and achievable** given the **resources** we have.

#### Part A Needs and Wants for a STUDENT

Needs	Illustration	Wants	Illustration
1. _____ _____	1.	1. _____ _____	1.
2. _____ _____	2.	2. _____ _____	2.
3. _____ _____	3.	3. _____ _____	3.
4. _____ _____	4	4. _____ _____	4.
5. _____ _____	5.	5. _____ _____	5.

#### Part B Needs and Wants for a FAMILY:

Needs	Wants
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.

This year we are going a step further, we are not only going to identify our needs and wants but we are going to see if we are actually able to achieve them? Remember personal financial goals reflect personal and communal values

As always, there will always be *constraints* or *limitations* to satisfy our needs and wants, especially our wants as they are *insatiable*. That is, our wants are *unlimited*. With our *limited* income, we have to make

choices. In order to make the right choices, we have to *prioritize* our needs and wants, thus we have to list our needs and wants from the most important to the least important.

### Activity 1.2

Use the table in Part A above to list your needs and wants from the most important to the least important one. Beside each, explain why you have listed that particular item as a need or want.

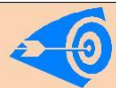
### Setting Short-term Goals and long-term goals

All goals need to be **SMART**

- **Specific**---provides further detail about the goal
- **Measurable** –how will you know when you have achieved the goal?
- **Achievable** – can this be realistically achieved?
- **Relevant** – is this related to your dreams
- **Time**—bound – there is a date set for the achievement of the goal

Our most important need has to be met first so this will be our Short-term goal while the most important want becomes our Long-term goal. Make sure your goal is a SMART one.

### Activity 1.3



Write a statement on your short term goal and long term goal.

### Activity 1.4

Discuss at least three ways to meet your short-term and long term goals through regular savings or through enterprising

### Activity 1.5

In pairs, discuss and note what you understand by the terms we have discussed in this lesson. You can use a dictionary to help you.

a. needs	g. unlimited wants
b. wants	h. choices
c. constraints	i. prioritize
d. limitations	j. goal
e. insatiable	k. savings
f. limited income	l. enterprising

## Lesson 2.0 The Development and Functions of Money

### ***Achievement Indicator***

Upon completion of this lesson, you should be able to:

- \* List the importance of barter system in Fiji's economy.
  - \* Describe the history and development of money in Fiji's economy.
  - \* Identify the different forms of money
  - \* Identify the functions and qualities of money to the Fiji dollar
- 

This lesson will introduce us to the concept of money, the role it plays in our daily living and its history. *Did you know that there were other forms of currency used for exchanging goods and services before notes and coins?*

### **Barter System**

In the olden days when there was no medium of exchange, people used barter system. This is a very simple system where two people or groups of people have what each other wants and they agree on the value of these goods/ services. Let's play a Barter Game to help us understand the concept better.

### **Game Instructions**

The facilitator will divide you into groups before you play.

Now take yourself to pre-contact time. Imagine the chief has given you different tasks as per the group. Names for the groups are *Hunters, Weavers, Fishing and Gatherers*. As a member of that group create an item/good/service. Exchange your produce for your consumption and satisfaction.

How did the exchange go? Attempt the question in the activity given below to test your understanding.

### **Activity 2.1**

- a. Identify some issues that could occur with barter.
- b. Explain the term "double co-incidence of wants"

### **Meaning of Money**

Money can be defined as anything with monetary value which everyone is willing to accept or receive in exchange for goods and services

# The History of Money

Fiji's money journey begins from shells, feathers and tabua. Then during colonial era money was introduced. The pictures given below show the evolution of money in Fiji since 1900's.

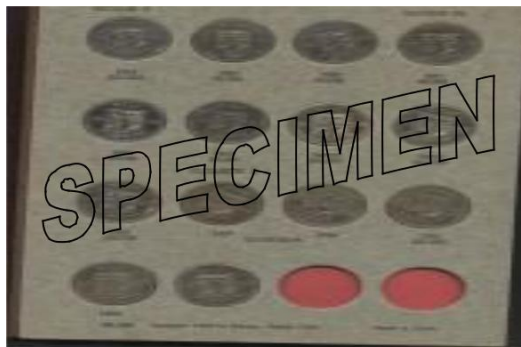
**1929**



**1939**



**1943**



**1943**



**1950**



**1956**





**1968**



**1978**



**1983**



**1988**



**2002**



**2001**



**2004**



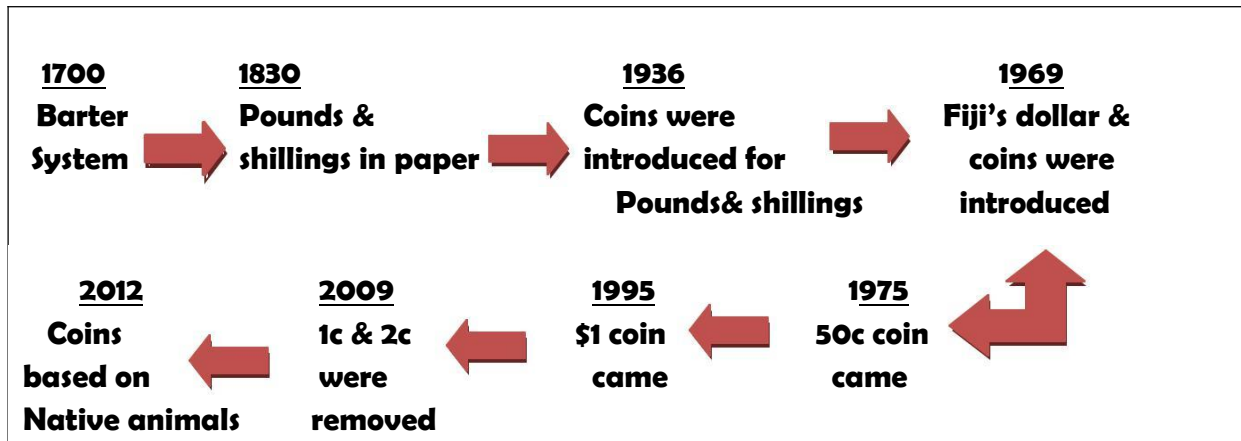
**2009**



**1997- 2010** 1 and 2 cents were removed in 2009



## Development of Money in Fiji



### Activity 2.2



Do some research in your school library or the internet, if you have access to one, and sketch a time line to describe how money developed in Fiji?

### Activity 2.3

Describe the different forms of money given below:

- Cheques
- EFTPOS/Debit Cards
- Credit cards

## Qualities of Money

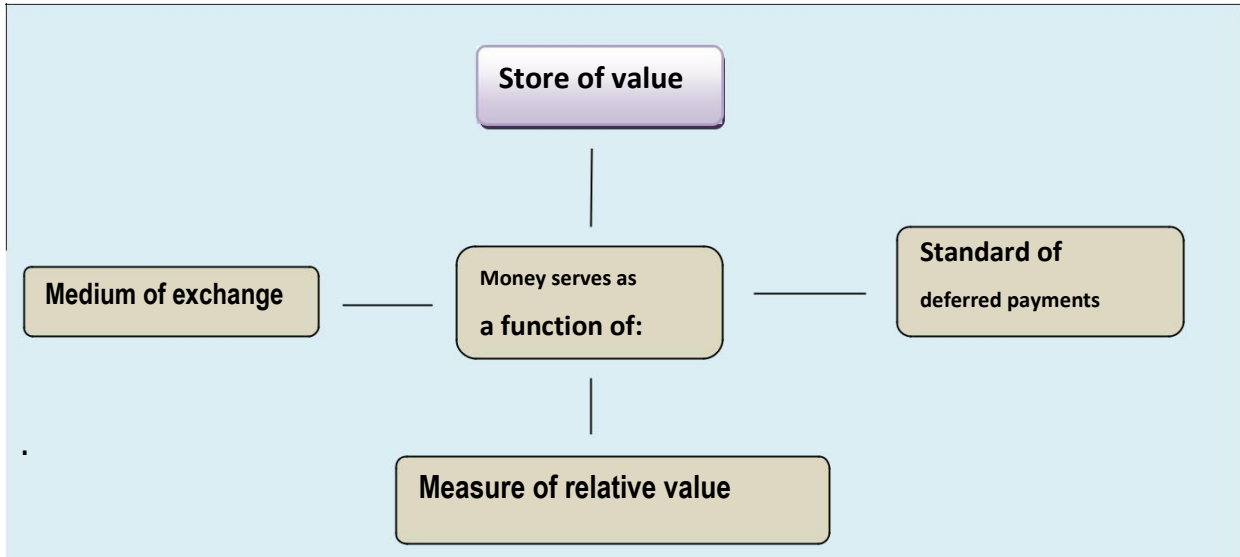


## Activity 2.4



List and explain the 7 qualities of money with local examples.

### Functions of Money



## Activity 2.5

Listed are the major functions of money in the diagram. Explain each of the functions with examples.

## Activity 2.6



Take a look at a Fiji Note or Coin.

Which qualities does it have?

Does it fulfill the criteria that you have identified in Activity 2.3?

Does it fulfill the functions that you have listed earlier?

## Activity 2.7

Use the information given below to answer the questions that follow:

### FORMS OF MONEY

A	B	C
 <p style="font-size: small;">Golden Tabua © "The Story of Us" www.thestoryofus.com</p>	 <p style="font-size: x-large; opacity: 0.5; transform: rotate(-15deg); position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%);">SPECIMEN</p>	
<b>Tabua</b>	<b>Currency Coin</b>	<b>Credit Cards</b>

Source: [www.google.com](http://www.google.com)



- a. State a reason why items as shown in A cannot be a good medium of exchange in the commercial ventures in the modern economy.
- b. Which statutory corporation in Fiji is responsible for issuing currencies similar to the one shown in B above?
- c. When is it economical to use C?

## Activity 2.6

### **Play Fish: Vocabularies**

This game will help you understand the terms we have discussed in this lesson.

Half the class in two groups Team A and Team B. Each member of the group receives a card. Team A receives a card which has a term written on it while Team B members have definitions written on it. Every member on Team A has to look for perfect match from Team B. **Remember students are not allowed to talk while they are searching for their match or the member gets disqualified and that team loses.** Students match up their term and definition card and drop out of the “silent circle” and the facilitator awards mark.

The facilitator needs to explain the rule really well before playing the game.

Some key terms are:

- |                 |                  |                                |
|-----------------|------------------|--------------------------------|
| a. Money        | g. Currency      | m. Cheque                      |
| b. EFTPOS       | h. Credit Card   | n. Master Card                 |
| c. Easy Card    | i. Barter System | o. Double Coincidence of Wants |
| d. Legal tender | j. Scarce        | p. Homogenous                  |
| e. Acceptable   | k. Recognizable  | q. Portable                    |
| f. Durable      | l. Divisible     | r. Medium of exchange          |



## Lesson 3.0

## Personal Finance Management

### **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Identify different ways for keeping money safely and proper record-keeping
- \* Discuss the basic functions of Commercial Banks
- \* Demonstrate the application for correct documenting for banking activities

---

Money has become so vital for us that some may consider it has a necessity for survival. The biggest disappointment comes when we lose some money because we often do not know how to go about keeping it safely.

This lesson will help us find ways in which we can keep our monies safely and how we can handle our cash before it slips out of our hand like sand!

### **Activity 3.1**

- i. Make a list of ways which we mostly use to keep our money. Money boxes, in a jar, under the pillow etc. Identify the **method** which is the most appropriate and **give a reason** for your answer.
- ii. Most people prefer keeping their money in a bank account. Why?

### **Banking**

A **bank** is a deposit-taking institution which is licensed by the monetary authorities of a country. Banks perform various services for their customers and lend at money deposited with them in the form of loans, overdrafts or use their funds to purchase financial securities in order to make profit.

### **Functions of Commercial Banks**

- ❖ accepts savings from customers
- ❖ advances money to customers (e.g. loans and overdrafts)
- ❖ provides customers with a means of ready settlement of debts (e.g. through cheque account)
- ❖ issue bank notes
- ❖ provides services such as bank deposit, safe deposit boxes, money transmission, making payments for certain bills and giving financial advise to businesses and individuals

### **Activity 3.2**

We also have number of commercial banks operating in our country providing a range of services for our changing needs.

Identify the commercial banks operating in our country. Discuss the functions it carries out in providing these services.

## Banking Activities

Some of you students may already have a bank account at a bank which is convenient or accessible to you.

If you do not have one, then it is time that we help open an account for you because you will be taught how to manage your savings this year so that you can achieve your short term and long term goals or meet your future financial needs.

*Step 1 List the requirements for a Registration as a Tax Payer and how you are going to get a TIN Number for yourself.*

*Step 2 List the requirements for opening a bank account and the procedures you will have to follow to have a bank account successfully opened for yourself.*

### Activity 3.3

- i. Name the bank where you have opened an account?
- ii. List various services that they provide to their customers?
- iii. Are the services that they provide today any different from the services they used to provide 10 or 20 years ago? If yes, what are some recent developments in banking services and why do you think such developments are necessary?

## Personal Record Keeping

Many times in a year you will need to be able to find a certain piece of paper like:

- ✓ A document
- ✓ Invoice
- ✓ Bank Statement
- ✓ Hire Purchase/lay-buy document
- ✓ Letter or agreement for the following:

To:

- Prepare monthly budget
- Prepare accounts of your business
- Check your bank balance
- Make sure you pay a monthly account on time
- Prepare income tax returns for FRCA
- Make an insurance claim

In order to give yourself ready access to financial documents you need a filing system to keep records available. This filing system can be in alphabetical or date order which could be kept in a ring-binder folder or envelope files.

A good filing system will have separate compartments for the following:

- ❖ Bank statements
- ❖ Cheque butts and deposits
- ❖ Monthly accounts paid [FEA, WAF, TFL...]
- ❖ Pay slips
- ❖ Registration papers [TIN], licenses
- ❖ Important documents such as hire purchase agreements, insurance policies, Salary Slips from employer, statement from FNPF, tax assessment forms from FRCA

***Whichever method is chosen for filing, it should be readily accessible, simple and always updated.***

### Activity 3.4

Identify and explain the importance of proper record keeping?

### Activity 3.5

Each transaction you complete with the bank can be found on a document as an evidence of your deposits or withdrawals made. The most common document is the **bank statement**. You should always check your bank statement for your savings accountability.

- a. What other documents would you refer to when checking the bank statement?
- b. What would be a suitable method of filing these documents?
- c. Explain why good record keeping is very important for sound money management?

### Activity 3.6

In pairs, discuss and note what you understand by the terms we have discussed in this lesson. You can use a dictionary to help you.

a. Bank	b. Bank Account
c. TIN	d. Tax Payer
e. FRCA	f. Savings
g. Service	h. Banking services

## Lesson 4.0

## Methods of Payment

### Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* Describe how money facilitates personal transactions
- \* Differentiate between cash and cheque payments
- \* Describe the different **methods used for payment of expenses**
- \* Discuss the **features of electronic banking** including remittances and money transfers.

---

Money is merely a medium of exchange. On its own money is useless- you can't eat it, drink it, live under it or wear it. (Unless you have lots of it !!). 

### Activity 4.1

Discuss how people make payments for the goods and services they buy. **Make a list of the various methods.** [Reference: Form 3 Manual pg70-72]

### Activity 4.2

Mostly people use either cash or cheque to make payments. Complete the following table after drawing it in your exercise book and find out which of the two is better. [Reference: Form 3 Manual pg 77]

<b>Method of payment</b>	<b>Cash</b>	<b>Cheque</b>
Advantages		
Disadvantages		

### Activity 4.3

Many people also use either EFTPOS or Credit cards to make payments. Complete the following table after drawing it in your exercise book and find out which of the two is better.

<b>Method of payment</b>	<b>EFTPOS/Credit Cards</b>
Features	
Advantages	
Disadvantages	

## Mobile Money Transfers - The Technological era (M-PAISA)

Money is sent from overseas to Fiji via mobile phone from the sender's computer or Smartphone. The money arrives straight to the phone and can be sent as money or top-up. If sent as money, the receivers can withdraw cash, purchase goods, top-up or pay bills with the registered utilities.

The receiver gets an SMS as soon as the money or top-up arrives. An access code is entered to see the amount of credit available and the money can be used. A menu will appear to allow a choice of how the money will be used. There is no time limit for using the money, and the phone effectively is used as a mobile wallet.

### BENEFITS

- Lower fees
- Money lands directly on the phone and can be used immediately
- It is safe and secure way of storing money
- Handy as it can be used in many ways eg bill payment, EFTOS buying and withdrawal etc.
- Many agents and outlets of the phone company that enable transfer to happen
- 24/7 service available

### Activity 4.4

Remittances can be transferred via telegraphic transfers, cash to cash, mobile phone transfer or mobile money on-line transfers.

Evidence of transactions is very important for verification and safety. Identify the **documents used by the sender and the receiver** when sending or receiving money overseas or locally and **state the importance of such documents**.

### Activity 4.5



Methods of payments have changed as a result of technological advances. Banking has progressed in form of Mobile Money, Internet Banking and Telephone Banking. [Reference; Form 3 Manual pg 57]

Discuss what **eBanking** is and how it works. Is it better than other forms of making payments? Give reasons to support your answer.

### Activity 4.6

In pairs, discuss and prepare strips that contains defined terms. Using the strips form a money tree or money pattern. You can also use a dictionary to help you in explanation.

a. Transaction	g. Debit Card
b. eBanking	h. Telephone Banking
c. Remittance	i. Direct Debit
d. Money transfer	j. Mobile Money
e. Barter	k. Internet Banking
f. Plastic money	l. Cheques

# Lesson 5 .0      Role of Consumers

## **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Explain the roles of consumers in our society
  - \* Distinguish between the rights and responsibilities of consumers
  - \* Provide cases where these rights and responsibilities are applied
- 

In the previous lesson we said that consumers face some very crucial personal financial problems. How do we define the term “consumer”?

**Consumer:** *someone who uses goods and services.*

The term consumer comes from the word “consume” which means “to use”.

## **Roles of Consumers in Our Society**

We are all consumers. Yes, even when we were in our mothers womb we have been part taking of what our mothers consumed! In economic sense, consumers generally have to **buy** something to be able to use goods and services. In doing so we must be able to exercise our rights and be a responsible consumer as well.

The Consumer Council of Fiji has outlined the following Consumer Rights and Responsibilities:

### **CONSUMER RIGHTS:**

1. **The Right to Basic Needs:**

Every individual has the right to basic needs. Can you recall some of our basic needs?

2. **The Right to Safety:**

We have the right to be protected [kept safe] from products that can be harmful to our life and health

3. **The Right to Information:**

We have the right to be informed [made aware] and protected from dishonest or misleading advertising and labeling. This means you should have all the facts and information to be able to make informed choices.

4. **The Right to make a Choice:**

We have the right to choose goods and services at competitive prices with an assurance of satisfactory quality.

5. **The Right to Representation:**

We have the right to express [give views] on things affecting us consumers when the government makes and puts in place policies.

6. **The Right to Redress:**

We have the right to be compensated for being cheated or when sold poor services or goods of unacceptable quality.

7. **The Right to Consumer Education:**

We have the right to gain knowledge and skills that will help us become informed consumers.

8. **The Right to a Healthy Environment:**

We have the right to live and work in place that does not threaten or put our life in danger. It should also allow us to live a life of self-respect and happiness.

9. **The Right to Service**

We have the right to appropriate service and be satisfied with the services offered.

**CONSUMER RESPONSIBILITIES:**

1. **The Responsibility of Critical Awareness:**

As consumers it is our duty to be more observant and curious about the price and worth of goods and services.

2. **The Responsibility of Action:**

It is our duty to evaluate and do something to ensure that we get a fair-deal.

3. **The Responsibility of Social Concern:**

As consumers we should be conscious of the effect of our consumption on other people, especially the poor or weak groups whether in the neighborhood or globally.

4. **The Responsibility of Environmental Awareness:**

We should take the task to be aware of the environmental cost of our expenditure. It is our duty to value and look after the earth for upcoming generations.

5. **The Responsibility of Solidarity:**

As responsible consumers we can put in order and build up together the power to persuade, uphold and guard our interests.

### Activity 5.1

For each of the following cases, identify the **consumer right** or **responsibility** that can be exercised:

- a. Be provided with adequate goods and services for survival.
- b. Be compensated for faulty and unworthy goods.
- c. Be protected against hazardous goods.
- d. Get the best out of competitive prices and goods sold.
- e. Be careful and alert about the prices charged and the quality of goods and services provided.
- f. Act as a group for promotion and protection of consumer rights and interests

### Activity 5.2

Write a paragraph in between 75-100 words.

1. The Consumer Council of Fiji is playing an important role in the lives of consumers in Fiji.
  - Identify the role of the Consumer Council of Fiji
  - Discuss four functions of the Consumer Council of Fiji
  - As a consumer, state a right that is emphasized by the Consumer Council of Fiji
2. Consumers need to be responsible in order to exercise their rights”  
Discuss the above statement with the following guidelines:
  - The definition of consumer
  - Two rights and two responsibilities of a consumer
  - Role of consumer in today’s economy

### Activity 5.3

#### **Role-Play**

Come up with a situation where a consumer buys goods that needs exercising rights and when good disposal arises the role that consumer will play. Enact this situation in the form of a role-play.

### Activity 5.4

#### **Posture Drawing**

The facilitator could state a theme based on consumer rights or responsibility of consumers and students then need to draw in order to illustrate the theme.

### Activity 5.5

In groups, define the concepts given and then draw a monarch to illustrate the relationships.

a. Consumer	b. right
c. responsibility	d. buy
e. basic need	f. safety
g. information	h. choice
i. representation	j. redress
k. environment	l. critical
m. action	n. social
o. solidarity	



## Lesson 6.0 Consumer Choices

### **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Describe the consumer preferences and identify the factors which affect consumer choices
- \* Analyze the advertisements and classify into persuasive and informative advertisements
- \* Discuss the effects of these advertisements to the consumer's choice of goods and services.

---

**No matter how hard we try, we are always forced to make some choices.**

### **Activity 6.1**

Why do we have to make choices?

### **Activity 6.2**

What is the difference between choices and preferences?

### **Activity 6.3**

Draw a concept map to illustrate some factors that affect consumer choices.

### **Activity 6.4**

What is the term used to describe those *choices or alternatives that are second best but have to be given up?*

### **Activity 6.5**

**Every day we are exposed to so many advertisements.**

What are advertisements and state where they are found?

### **Activity 6.6**



### **Group Presentation**

Suppose some of you work for Administrative Department and Some for Sales and Marketing Department for a Multinational Organization. Now divide yourself into 2 groups: Group 1 as Administrative Department and Group 2 as Sales and Marketing. Now Group 1 will design notices or information that the organization has to inform the public while Group 2 will come up with techniques that will make people buy their products.

Do your presentation to the class.

Summarize what you have learnt about your presentations and relate it to advertising.

The facilitator should judge and award pupils to make it more competitive and fascinating

### Activity 6.7

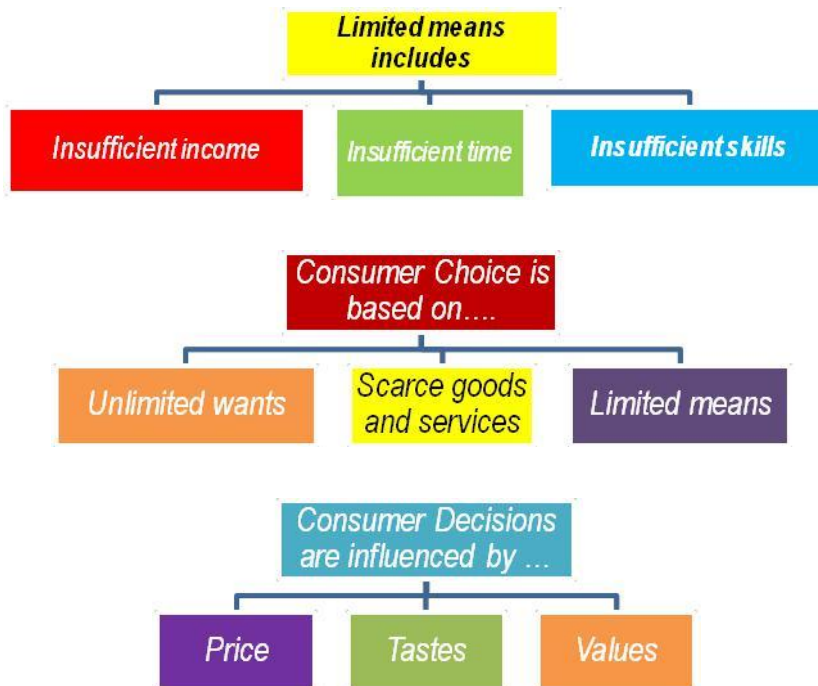
There are basically two **types of advertisements: Informative and persuasive**. Define these two types of advertisements and give at least 3 examples of each. Find some articles from old newspapers or magazines to support your answers. Paste these in your book.

### Activity 6.8

In a paragraph, discuss the effects of advertisements on our choices.

### Activity 6.9

Study the diagram given below and answer the questions that follow:



- i. In what ways are people's means limited?
- ii. Why do all consumers have to make economic choices?
- iv. Define Opportunity Cost.

### Activity 6.10

#### Vocabularies

In pairs, draw and explain a tree diagram using the following terms

- |                  |                     |
|------------------|---------------------|
| a. Choice        | e. Persuasive       |
| b. Preference    | f. Jingle           |
| c. Advertisement | g. Impulsive Buying |
| d. Informative   |                     |

# Lesson 7.0 Consumer Protection

## **Achievement Indicators:**

*Upon completion of this lesson, you should be able to:*

- \* *Identify and explain the laws that protect the consumers*
  - \* *Identify the procedures to follow when lodging complaints*
  - \* *Describe the roles of the Consumer Council of Fiji and the Commerce Commission*
- 

Our everyday living is guided by a set of rules and regulations. It could be written or just verbal. The sources and nature of these rules and regulations differ in many ways however; they more or less serve the same purpose. Our parents lay down rules for us at home so that the family remains a united entity and it runs smoothly, there are rules when we cross the road laid down by the LTA like walking on the right hand side and so forth so that we don't get involved in an accident, our school has a set of rules like speaking in English at all times and many more so that there is discipline and order in school and our academic performance is good. Every profession [job], workplace and discipline be it religion, science or commerce is governed by laws. Nature itself has some laws. And if these rules or regulations are breached or broken, there are consequences. For example some form of punishment may be given to the offender. The government normally makes the laws for a country. The supreme law that binds us all as a nation in Fiji is the Constitution. The legality of which can be challenged in court.

In this unit we shall explore some laws that are used in commerce and particularly those that affect us as consumers.

Laws are a set of rules and regulations in the acts passed by through the Acts of Parliament.

**Commercial law which is sometimes known as business law is the body of law which governs business and commerce. It is often considered to be a branch of civil law. It regulates corporate contracts, hiring practices, and the manufacture and sales of consumer goods.**

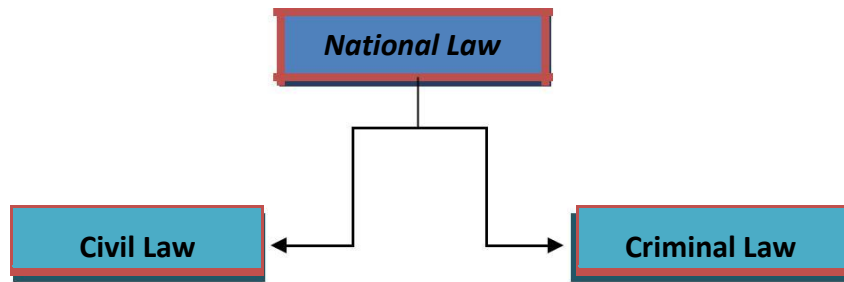
In Fiji these laws are enforced and monitored by various departments that fall under the Ministry of Industry and Trade. The Consumer Council of Fiji is one such agency that is supposed to advocate consumer rights and interests. The council has no regulatory or enforcement powers. Its enforcement powers were removed in 1992 and transferred to the newly created Department of Fair Trading & Consumer Affairs now immersed into the Fiji Commerce Commission as of October 2010.

The council's role is now limited to consumer advocacy, mediation, advisory and information. One of its main daily functions is to receive consumer complaints and set up negotiation between traders and distressed consumers. The council regularly advocates for consumer rights using the media, public forums, lobbying of government ministries and other means. It also conducts campaigns on specific consumer issues.

For example an on-going campaign on Restaurant Grading began in 2008 aimed at improving hygiene, health and safety conditions of restaurants in Fiji's urban centres. It should be noted that the Council is the statutory representative of consumers in Fiji, in other words, its representation of consumers and their rights and interest is approved by law.

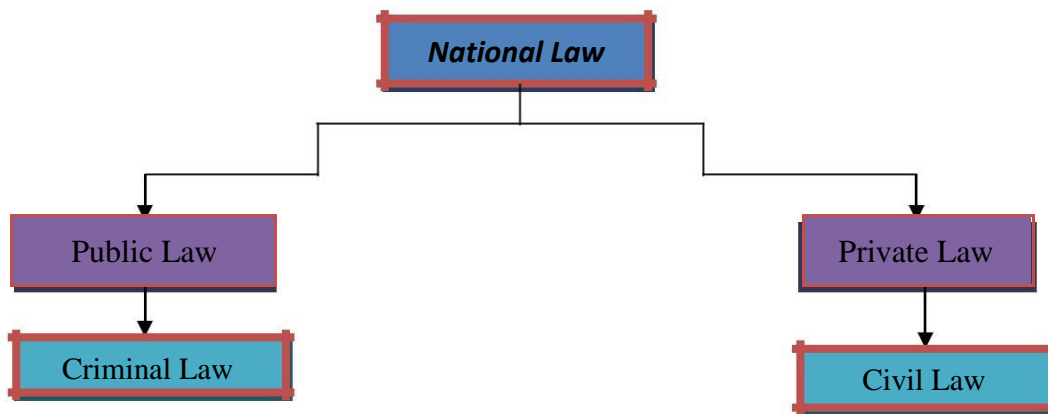
## The Laws in Fiji:

In Fiji we have two major laws that protect us:



### Activity 7.1

Use the diagram given below and your knowledge to answer the questions that follow



- i. What is a law?
- ii. Why is it necessary to have laws?
- iii. Differentiate between **Criminal Law** and **Civil Law**.
- iv. Which type of law protects people against murder or theft?
- v. Define the term **plaintiffs**.
- vi. What is a **Contract**?

## **Consumer Acts and Decrees that Protects Consumers are:**

### **1. *The Consumer Council Act 1976 [amended in 1992]***

- \* This is the first ever legislation that was enacted to address consumer issues. It resulted in the establishment of the Consumer Council of Fiji as an independent statutory body.
- \* In particular, the Consumer Council Act Cap 235 states that the council's specific function is "to do all such acts and things which it may consider necessary or expedient to ensure that the interests of the consumers of goods and services are promoted and protected."

### **2. *Trade Standard and Quality Control Decree 1991***

- \* This decree led to the establishment of a Standards and Quality Control Department under Ministry of Commerce and Industry.
- \* The key functions of the department are to:
  - promote research in relation to standards;
  - provide for the examination and testing of commodities, processes and practices;
  - undertake educational work and promotion in connection with standardization and quality control;
  - collect and disseminate information relating to standards and related matters.

### **3. *The Fair Trade Decree of 1992***

- \* This decree is administered by the Fair Trading and Consumer Affairs Department under the Ministry of Commerce and Industry.
- \* The key functions of the department are to:
  - promote consumer interest;
  - promote efficient and effective development of business through encouragement of fair competition;
  - prevent unfair or undesirable trade practices;
  - provide for an equitable, competitive, informed and safe market place for consumers;
  - provide for regulation where necessary for supply of goods, services and for related purposes.
- \* It is a monitoring and enforcement agency.

### **4. *The National Trade Measurement Decree 1989***

- \* It is administered by the National Trade Measurement Department under the Ministry of Commerce and Industry. The decree came into force in 1992.
- \* The function of the department is to:
  - ensure that traders use standard weights and measures. The common metric system used is meters, kilograms and litres.
  - conduct regular checks of scales and other measures used by traders for accuracy.

- enforce laws prohibiting undersupply or short charging of consumers.
- ensure that pre-packed foodstuffs are sold by net weight. That is weight before being wrapped.

#### **5. Small Claims Tribunal Decree 1991**

- \* This decree led to the development of the Small Claims Tribunal [STC].
- \* It was set up to listen to consumer claims up to \$2000.00 or less.
- \* It is a court that falls under the Magistrates Court.
- \* It does not hear claims on land issues or land titles.
- \* If the complainant is under 18 years of age or disabled, the Tribunal may appoint someone else to control his/her case. The complainant can appeal the case within 14 days of Tribunal's order [decision] if unhappy.
- \* Consumers can use the services of STC if;
  - someone owes money up to \$2000 or less
  - someone should do repair or other work up to \$2000 in value
  - someone should give goods etc worth up to \$2000 or less.
- \* Some examples of what consumers *can* lodge claims to with STC:
  - work not done properly
  - faulty goods
  - goods bought which are not what the consumer asked for
  - goods bought do not match their description
  - a contract that is priced too high
  - the recovery of damage to property

#### **6. The Office of the Ombudsman**

- \* An ombudsman is an independent person appointed by the President.
- \* He/she investigates complaints [injustice] about any administrative decision or recommendations made or act done or committed by any government department [including government statutory bodies such as FEA, and FNPF].
- \* He/she *cannot* investigate complaints about:
  - private individuals, lawyers in private practice or companies
  - NGOs like Red Cross, USP...
  - Courts decisions
  - The Terms and Conditions of the Civil Service
  - decisions of the Ministers of the Crown

#### **7. Non – Government Organizations [NGOs]**

- \* Fiji Consumers Association:-
  - aims to advocate for the interests and welfare of consumers
  - membership is open to the public
  - consumers can approach the Association with their complaints or concerns on any consumer issue
- \* Fiji Media Council

- \* Self-regulatory bodies
  - Medical and Legal organizations

## Why do Consumers Lodge a Complain?

A consumer has a strong ground to complain if:

- the goods are not of merchantable quality
- the goods do not fit the purpose
- the goods do not fit the description
- the good ordered do not match the sample already inspected by the buyer.

## How to Handle and Lodge Complaints

The Consumer Council of Fiji outlines the following with regards to how to handle and lodge complaints. If you think you have got a reason to complaint about something you have bought you can take it up with the seller even though he/she may dislike making a fuss. Complaining can actually help others know what to do when problems arise.

There are three ways you can lodge a complaint:

1. Person to person,
2. By letter or
3. By telephone.

### 1. **Person to Person.**

- a. Stop using the item and take it back to the shop as soon as possible
- b. Take your receipt or proof of purchase if you have one. If there was a witness take him/her
- c. Make sure you see a senior person at the shop- Manager or Managing Director
- d. Choose your words carefully
- e. Accept a reasonable offer to resolve your problem.

### 2. **By Letter**

If your problem is a bit tricky one, it may be better to write to the shop's Manager or Director

- a. Keep copies of all letters.
- b. Do not enclose receipts or other proof of purchase – just quote reference numbers or send photocopies.
- c. Make sure the letter contains date, time and if possible, name of person you dealt with the time of purchase.
- d. Write your letter clearly and simply so that the other party can understand the contents.
- e. Request the shop to look into the matter as soon as possible.
- f. Make sure that your suggested resolution is a reasonable one.

### 3. **By Telephone**

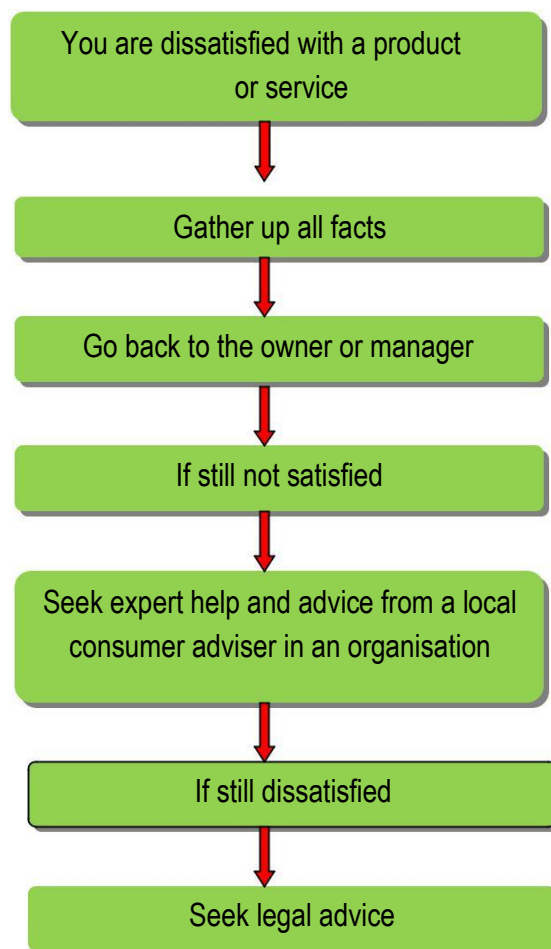
- a. Ask to speak to a senior person in the shop- Manager or Managing Director.
- b. Have all necessary documents near you to quote references.
- c. Keep to the point.

- d. Write down the person's name, position in the shop, date time and what was said.
- e. Afterwards confirm the conversation by writing a letter.

**Remember:** Whichever way is used to make a complaint – always stick to the facts, keep cool and keep calm and courteous.

Sometimes – though not often - if doing all this is not enough, go for some expert help and advice from any organization which deals with the issue.

### COMPLAINTS FLOW CHART



**Some of the functions of the Council under Consumer Council of Fiji Act are:**

- advising the Minister on matters affecting the interest of consumers
- making representations to the Government or to any other person on issues affecting the interest of consumers and to give evidence at any investigation or inquiry relating to such issues
- collecting, collating and disseminating information on matters affecting the interest of consumers; includes the publication of reports, magazines, pamphlets, booklets and any other publications



- advising and assisting consumers on matters affecting their interests
- receiving, handling and investigating consumer complaints

Given below are the local scenario highlighted in form of case study, read and answer the question that follows.

### Activity 7.2

#### **CASE STUDY 1**

A tinned fish in tomato sauce, bought from the corner store, of a particular brand smells odd when opened.

**Required:** List the things you will do in addressing this issue.

### Activity 7.3

#### **CASE STUDY 2**

The shop keeper in your locality suddenly increased the price of bread to 90c when it is still 80c everywhere else.

**Required:** List the things you will do to get a fair deal.

### Activity 7.4

#### **CASE STUDY 3**

You have an elderly couple residing as your neighbours. They bought a 4kg pack of flour but feel that it weighs less than 4kg. The couple has difficulty seeing and can't read or write.

**Required:** As an informed consumer and a commerce student, list the steps you will take to help your neighbor.

### Activity 7.5

#### **CASE STUDY 4**

A friend of yours has let out part of their house for rent and the tenant has not paid 3 months' rent despite giving verbal and written reminders.

**Required:** Where can your friends' dad go to seek help to settle this issue?

## Activity 7.6

### CASE STUDY 5

Last week your mum bought an 8kg washing machine from Chaos Store for \$780.00. The item was supposed to be delivered within a week but there was a delay due to bad weather. The washing machine was finally delivered after 2 weeks. When your mum opened the box, she found it was of a different brand and capacity.

**Required:** Where can your mum go to seek help to settle this issue?

## Activity 7.7

### CASE STUDY 6

You are a plumber and also do general carpentry work. You signed a contract with Padyachi to renovate his house for a total sum of \$1,250. The renovation was to be completed in a months' time. The deal was that half the payment was to be made after 2 weeks and the remainder to be paid on the completion of the renovations. Padyachi paid \$550.00 after 3 weeks and said he'll settle the rest when the renovations were complete. You managed to complete the renovation works on time. However, Padyachi is delaying payments. He is giving one excuse or another. You need the money to make a deposit for a car.

**Required:** What will you do?

## Activity 7.8

### Vocabulary

In pairs, discuss and note what you understand by the terms we have discussed in this lesson. You can use a dictionary to help you.

a. Rules	b. Commercial law
c. Small Claims Tribunal	d. Ombudsman
e. NGO	f. Consumer council

# Lesson 8.0      Being a Wise Shopper

## ***Achievement Indicators:***

*Upon completion of this lesson, you should be able to:*

- \* *Recognize the importance of being a wise shopper*
  - \* *Explore the methods for spending income wisely and apply comparison shopping skills.*
- 
- 

Now that you know your rights and responsibilities as a consumer, it is time that we reflect on how we do our shopping. Think for a moment...if you had to buy a toothbrush or TV...what is the first thing you will do? Just run to the first shop and buy it from there? Or is there any other option? Let us discover how wise shoppers do their shopping.

### **Activity 8.1**

#### **Group Activity**

In your group, discuss the following issues and then do a presentation in class emphasising the importance of being a wise shopper. Note the discussions in your book.

- i. Discuss the various ways that people use to do their shopping.
- ii. Make a list of some household items that an average household normally buys.
- iii. Discuss how you are going to organize yourself and go about buying those items with the amount of funds that is available to you. Some local dailies give articles on The Shopper. Read these articles : Decisions you made before doing the shopping.
- iv. Make a list of the **BEST** Shopping Skills.

### **Activity 8.2**

#### **Vocabulary**

In pairs, discuss and note what you understand by the terms we have discussed in this lesson. You can use a dictionary to help you.

- a. Shopping
- b. Shopping list
- c. Vegetables
- d. Prioritizing
- e. Budgeting
- f. Advertisement
- g. Best Buy

## Methods for Spending Income Wisely

Our income is limited but our wants are unlimited so therefore we want to avoid impulse buying. This is when we see something we just have to buy it without planning or too much thought about the consequences of the decision.

There are a number of things we can do in order to make the most of our income;

- ✓ Buy in bulk
- ✓ Buy when items are on special (discount buying)
- ✓ Conserve resources such as water and electricity
- ✓ Recycle
- ✓ Looking at alternative ways of doing things
- ✓ Plan our spending.

### Activity 8.3

Explain how the methods given above can make one to maximize his/her savings?

### Activity 8.4

Use the case study given below and answer the questions that follow.

You are interested in buying a Galaxy S4 mobile phone. You work in the weekends and earn \$25 and you have other commitments as well. Your family does not wish you to engage in long term credit contract as you have to save for your studies.

- a. Set the desired goal.
- b. Identify the obstacles in achieving the goal.
- c. Identify the alternatives.
- d. Evaluate the alternatives in terms of their benefits and costs.

Alternatives	Benefits /Advantages	Costs/ Advantages

- e. Rank the alternatives.
- f. Choose the best alternative
- g. Evaluate the consequences of the decision

## Lesson 9.0

## Types of Buying

### **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Identify and describe different types of buying
- \* Discuss the advantages and disadvantages of each type of buying

There are various alternatives as to how we can obtain a particular good or service. It can either be bought on CASH or on CREDIT. We engage in transactions nearly every day but we fail to realise the form of buying and its limitations. Therefore to understand better lets play a game.

### **Activity 9.1**

#### **Buying Game**

The facilitator with the help of student helpers set different buying booths such as supermarket, dairy shop, rental dealer, clothing or shoe shop, and shop for white goods. You could ask students to bring certain items or empty packets, toy cars, vans, trucks, toy machines or cases from home or improvise with things around in school. Use monopoly money or make paper money of your own.

Now make students do the shopping at every booth and making note of the different forms of buying. Actually students do engage in buying but they never pay close attention to them. Therefore, making them realize the various forms of buying and their benefits and limitations as well. Once every child has done the shopping then summarize the findings on board and relate it Hire Purchase, Lay-By, and Hire. Talk about the possession and ownership as well.

The following table summarizes the main points for each of the two types of buying.

Type	Cash Buying	Credit Buying
<b>Definition</b>	This is the type of buying in which the consumer pays for the goods and services before consuming it.	This is the type of buying in which the consumer can take the goods home and pay for it at a later date.
<b>Advantages</b>	<ol style="list-style-type: none"><li>1. immediate possession and ownership</li><li>2. no debt incurred</li><li>3. goods are usually cheaper</li><li>4. no extra charges have to be paid by the consumer</li><li>5. the buyer may get discounts</li></ol>	<ol style="list-style-type: none"><li>1. immediate possession but ownership only after fully paying for the items</li><li>2. no need to carry large sums of money all the time</li><li>3. the buyer can use the goods before paying for it</li><li>4. convenient for people who don't have cash all the time</li></ol>
<b>Disadvantages</b>	<ol style="list-style-type: none"><li>1. cash may not be available all the time</li><li>2. It may not be convenient to carry cash around all the time</li></ol>	<ol style="list-style-type: none"><li>1. consumers end up paying more than what the item actually costs due to extra charges</li><li>2. it may lead to impulse buying</li></ol>

### Activity 9.2

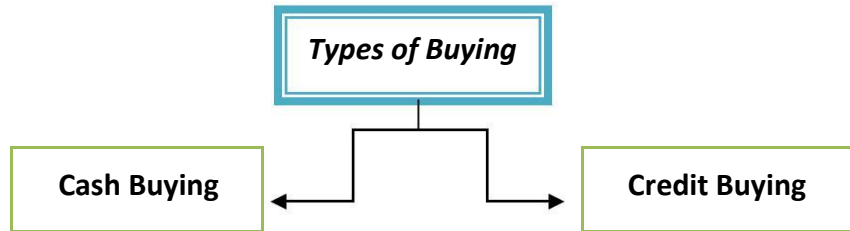
Discuss which of the two types of buying is better. Give a reason for your answer using relevant examples.

### Activity 9.3

Which extra or additional charges is the author talking about in the table above? Identify at least 3 of these additional charges.

### Activity 9.4

Use the information given below to answer the questions that follow:



Indicate whether each of the following descriptive features should be classified under **CASH BUYING** or **CREDIT BUYING**.

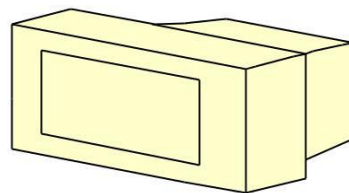
- i. Immediate possession and ownership of goods.
- ii. Immediate use of goods while payments can be made later.
- iii. Shortage of cash need not stop a person from buying.
- iv. No extra costs like interest, stamp duty and other administrative costs.

### Activity 9.5

Use the advertisement given below to answer the questions that follow:

*Super Special TV*  
Cash \$385.00

**DEPOSIT: 10%**  
**24 monthly payments of \$18.00**



- a. What is the credit form of buying mentioned in the advertisement given above?
- b. State one advantage and one disadvantage of this form of buying.
- c. What is the total amount of the initial deposit?
- d. How much do the 24 monthly installments amount to?
- e. How much will the buyer pay altogether?
- f. How much money will the buyer save if he or she pays the cash price for the TV?

### Activity 9.6

We normally hear or see people buying things on **Lay – by**, **Hire Purchase** or using **Credit Cards**. Some just **Hire** and return the items after use.

For each of these, briefly explain how each of these types of buying differs from Cash Buying.

### Activity 9.7

What are some of the problems that a consumer may face with the following types of buying?

1. Credit buying
2. Impulse buying
3. Conspicuous buying

### Activity 9.8

What are some factors that tempt a consumer to buy things on impulse?

### Activity 9.9

#### Vocabulary

In pairs, discuss and note what you understand by the terms we have discussed in this lesson. You can use a dictionary to help you.

1. Immediate	2. Possession
3. Ownership	4. Debt
5. Discounts	6. Convenient
7. Cash	8. Credit
9. Impulse	10. temptation
11. Conspicuous	12. Hire
13. Hire purchase	14. Lay-by
15. Monthly credit	

## Lesson 10

## Managing Money over Time: Income

### Achievement Indicators

Upon completion of this lesson, you should be able to:

- \* Identify and describe ways (including entrepreneurial activity) in which people can earn an income
- \* Record and classify the different sources of income into earned/unearned or regular/irregular for individuals and households
- \* Interpret documents related to sources of income.

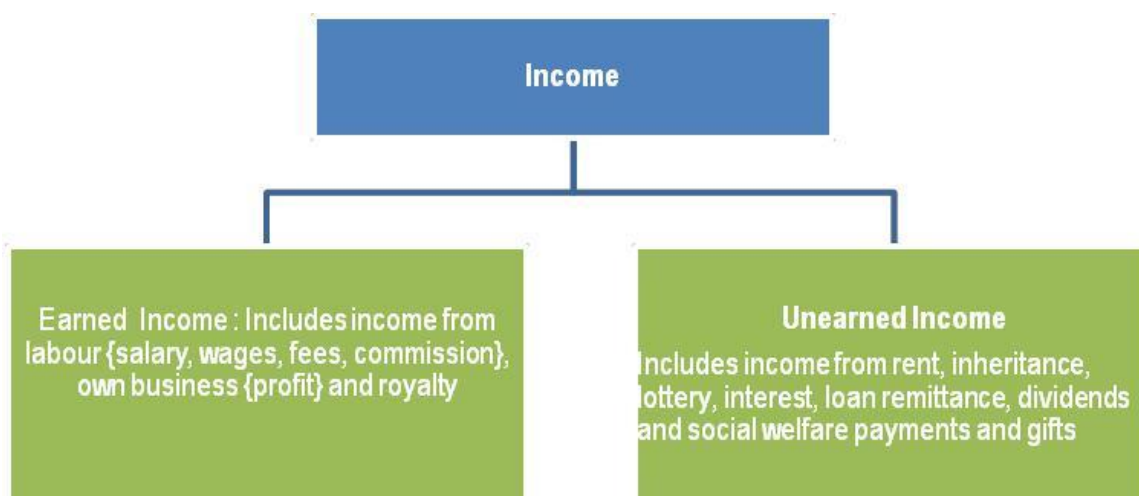
Income from work brings personal satisfaction. Employment opportunities and income sources change over a life-time.

**Income:** any amount of benefit or reward received by someone from trading or for providing services as a labour. Example, wages, commission, loans, rent.

### Types of Income

1. Fixed Income: is that which is the same every week, irrespective of the number of hours worked for example annual salary.
2. Variable Income: is that which changes depending on the number of hours worked or items sold for example hourly wages, commission.
3. Irregular Income: comes from work undertaken on an intermittent basis for example from agricultural produce.

There are two categories of income. The following chart summarizes the two groups with examples.





***Earned Income: Refers to money received from source which requires actual work and effort.***

Examples:

**1. Income from labour:**

- a. **Salary:** this is the term used to describe one year's income. It is a fixed amount and paid in small sums during the year usually on a fortnightly basis. For example, if a teacher's salary is \$14 250.00 he/she will be earning about \$548.00 per fortnight before any deductions are made.
- b. **Wages:** this term is used to describe income received on hourly basis. For example, a plumber whom your dad called to fix the pipes in the kitchen charges \$3.50 for an hour and takes 2 hours to complete his job, then he will be paid \$7.00 in wages.
- c. **Fees:** this is the term which professionals use for the service that they provide. Thus the price one gives as payment for services is known as fees. For example, an optometrist consultation charges or payment made to a lawyer for drafting a legal document or even a dentist for pulling out a tooth!
- d. **Commission:** some people sell items on behalf of others. In other words. They act as Agents. The person or organization/business firm on behalf they provide goods or services is called a Principal. The amount of income which an agent receives is based on his/her sales. For example, your local store which is selling phone recharge cards or Cash Power. So if the agreement states that the shop keeper gets \$0.20 on every recharge card sold and sells 100 recharge cards in a week. What will be the amount of commission? Yes,  $100 \times \$0.20 = \$20.00$ .

**2. Profit**

This is the reward that is earned by those who run business or entrepreneurial activities that is income received by the entrepreneur for risk taking and management. For example; BBQ sellers, Supermarkets, canteens, Companies and farmers.

The difference between the total sales of the firm and its cost of sales is called gross profit. After the expenses have been paid for, the remainder is called Net profit. This is the amount of income for the owner or owners.

**3. Royalty**

Those people who are talented or have resources with valuables earn royalty. A royalty is a payment to the holder of a copyright or patent or to the owners of technology or trade names. This includes musicians, authors and landowners. The landowners of Gold mines or resorts earn good amount of royalty.

**Unearned Income: Refers to money that is received from sources which does not require actual work and effort.**

Examples:

**1. Rent**

This term refers to rewards that we get from those who use our property that is a charge or a payment made by the lessee to an owner for use of some property, facility, equipment or services. For example, letting out part of a house or store( Tenants). The landlord decides the amount of rent the tenants are required to pay. Usually rent is paid on a monthly basis.

**2. Inheritance**

Is received by those who become heir to someone's property. Usually money or other items of money value is inherited from parents.

**3. Lottery winnings**

Sometimes we are rewarded by luck or by chance when we "Scratch and Win" a lottery ticket or win a betting or from a gamble.

**4. Social welfare benefits**

The amount of money government pays those who are unemployed, disabled, or old aged receive this benefit through the Social Welfare Department or assistance scheme.

**5. Interest**

The amount of money (savings) you will put in your bank account will be used by the bank to give out as loans to other individuals and organizations. This means the bank will put your money to "work" for you! The banks make a profit from this process and part of this profit is added to your savings as interest. Also note that the cost of borrowed money is also called interest. However, in the context of income, we will consider interest as a reward for savings. The rate [in percentage] is normally calculated for the year and banks usually pay it monthly based on the amount of cash you have saved in your account.

**6. Dividends**

This is the profit which is distributed to the shareholders (owners) of a Company. Usually paid annually.

**7. Remittance**

This usually refers to the money sent or transferred by migrants to families and friends who are at home. For example, Raju who is a Lab Technician in an Australian company and sends \$150 a week to his parents who are in Tavua.

Remittance has two parties involved that is sender and receiver. Sender works overseas and sends part of their income to the receiver. The money is typically used to supplement income for daily expenses or to make payments or for improvements in living circumstances [new roof, better life style etc]

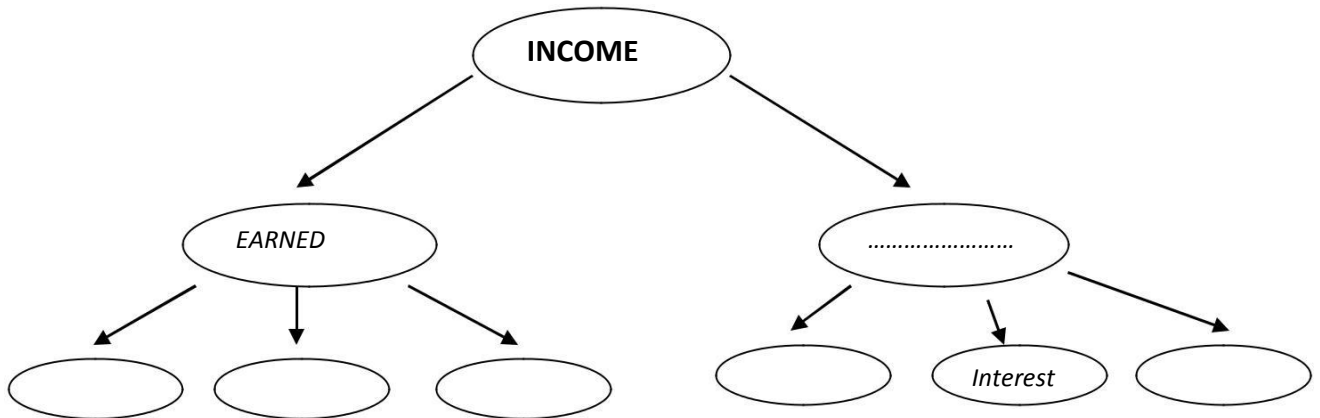
### Activity 10.1

Give at least 3 examples of people who earn:

a. Salary	b. Wages
c. Fees	d. Commission
e. Royalty	f. Remittance
g. Interest	h. Rent
i. Dividends	j. Social welfare payments

### Activity 10.2

Copy and complete the following diagram:



### Activity 10.3

Match Column A with Column B.

Column A	Column B
a. Earned Income	1. Paid weekly, usually an hour or weekly sum.
b. Salaries	2. Stated as a yearly amount but paid weekly, fortnightly or monthly.
c. Benefits	3. Charged by the doctors, lawyers and other professionals who render their services.
d. Wages	4. Paid as a percentage on sale made.
e. Commission	5. Received as a result of working, but not in the form of money.
f. Fees	6. Everything which is received in return for your labour.

## Pay slips as a Source Document for Income

Employees have the right to know how much they will be paid and how often. They are also entitled to receive an individual, detailed, written pay statement from their employer. This will help them to work out if they have been paid the correct amount

Important information on The Pay slip are:

- Gross wages
- Individual amount of any fixed deduction eg FNPF, PAYE, Housing etc
- Net wages
- Amount and method for any part payment of wages
- TIN
- Pay Rate
- Additional working hours and rate [overtime. Time and half]

### Activity 10.4

Study the pay slip given below and answer the questions which follow:

NAME: <b>Reginald Singh</b>		No.: <b>4</b>			
WEEK ENDING: <b>March 13 20X9</b>					
Gross Pay	PAYE	FNPF	Housing Loan	Union Fee	Net Pay
<b>\$88.14</b>	<b>\$0.25</b>	<b>\$7.05</b>	<b>\$10.00</b>	<b>\$2.50</b>	<b>\$68.34</b>

- What is the purpose of the above document?
- What is the difference between Gross pay and Net Pay?
- Which of the above deductions are compulsory? Why?
- What percentage of income goes towards FNPF?

### Activity 10.5

The normal working time in a factory is 40 hours per week. A worker is paid 95cents an hour and a bonus of 40 cents for every 100 articles produced.

His output for the week is:

<u>Day</u>	<u>Articles</u>
Monday	195
Tuesday	55
Wednesday	265
Thursday	154
Friday	126

Required:

Calculate his **normal weekly wages** and his **total bonuses for the week**.

## Activity 10.6

### Sending & Receiving Money Overseas

Given below are two documents. Study them carefully and answer the questions that follow:

Figure A:

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: left;"> <p style="font-size: 2em; margin: 0;"><b>CASH</b></p> <p style="font-size: 0.8em; margin: 0;">phone: (02) 980 38 38</p> </div> <div style="text-align: center;"> <p style="font-size: 3em; color: white; margin: 0;"><b>Send</b></p> <p style="color: white; margin: 0;">To send money Изпращане на пари</p> </div> <div style="text-align: right;"> <p style="font-size: 2em; color: white; margin: 0;"><b>WESTERN UNION</b></p> </div> </div>			
<p>Complete the form below and present with valid I.D. Попълнете формуляра с латински букви и представете валиден документ за самоличност.</p>		<p>DO NOT WRITE BELOW НЕ ПОПЪЛВАЙТЕ ТАЗИ КОЛОНА</p>	
<p>For Western Union Card™ holders, please fill in your card number. За притежатели на Western Union Card™, моля попълнете номера на своята карта.</p>		<p>Amount Сума</p> <p style="font-size: 1.5em; text-align: center;">200€</p>	
<p>Card No. Карта N°</p> <div style="border: 1px solid black; width: 150px; height: 20px; margin: 5px 0;"></div>		<p>Agency Агент</p> <p>Operator number Оператор номер</p>	
<p>Destination (city, country) Дестинация (град, държава)</p> <p style="font-size: 1.2em; text-align: center;">GERMANY</p>		<p>Date Дата</p> <p>Time Час</p>	
<p>Amount/Currency (in words) Сума/Вид Валута (словам)</p>		<p>Money Transfer Control Number Контролен номер на превода</p> <div style="border: 1px solid black; width: 150px; height: 20px; margin: 5px 0;"></div>	
<p>Receiver / Получател</p> <p>First Name(s) Име</p> <p style="font-size: 1.2em; text-align: center;">IVAN PETROV</p>		<p>Amount/Currency Сума/Вид Валута</p>	
<p>Last Name Фамилия</p> <p style="font-size: 1.2em; text-align: center;">IVANOV</p>		<p>Transfer Fee Такса за превода</p>	
<p>Address Адрес</p> <p style="font-size: 1.2em; text-align: center;">BERLIN</p>		<p>Telephone or delivery charge Такса за телефонно уведомление или доставка</p>	
<p>City / Град</p> <p>Province (Country) / Област</p> <p>Postal Code / Пощенски код</p>		<p>Message Съобщение</p>	
<p>Sender / Изпращач</p> <p>First Name(s) Име</p> <p style="font-size: 1.2em; text-align: center;">PETAR PETROV</p>		<p>Tax Такса</p>	
<p>Last Name Фамилия</p> <p style="font-size: 1.2em; text-align: center;">IVANOV</p>		<p>Total amount received Обща получена сума</p>	
<p>Address Адрес</p> <p style="font-size: 1.2em; text-align: center;">STR. "IVAN KAZOV" 105</p>		<p>Exchange Rate Обменен курс</p> <p>Sum for payment/Currency Сума за изплащане/Валута</p> <div style="border: 1px solid black; width: 150px; height: 20px; margin: 5px 0;"></div>	
<p>City / Град</p> <p>Province (Country) / Област</p> <p>Postal Code / Пощенски код</p>		<p>Identification Документ за самоличност</p>	
<p>Telephone No. / Телефон N° ( ) 1234567</p>		<p>Type Вид</p> <p>Expiration Валиден го</p>	
<p>Optional services available at additional cost. Check services desired. Услуги по избор срещу допълнително заплащане. Отбележете желаните услуги:</p> <p><input type="checkbox"/> I want a check delivered to the following address: Желя чек да бъде доставен на следния адрес:</p>		<p>Personal Number EIN</p>	
<p><input type="checkbox"/> I want Western Union to telephone the Receiver. Желя Western Union да се обади по телефона на получател.</p>		<p>Number Номер</p>	
<p><input type="checkbox"/> Message to be sent Съобщение за изпращане:</p>		<p>Agent's signature Поглис на агента</p>	
<p>When sending less than \$1000 and the receiver does not have valid identification, complete the Test question and answer. (The maximum amount that can be picked up without I.D. is \$1000.) Когато изпращате по-малко от 1000 щ.д. и получателът няма валиден документ за самоличност, попълнете тест въпрос и отговор (максималната сума, която може да се получи без документ за самоличност е 1 000 щ.д.)</p> <p>Will the Receiver have valid Identification? / Получателят ще има ли валиден документ за самоличност?</p> <p><input type="checkbox"/> Yes / Да    <input type="checkbox"/> No / Не    If no, provide a Test Question (Limit 4 words): Ако не, моля напишете тест въпрос (до 4 думи):</p> <p>Question / Въпрос</p>		<p>Customer's Signature / Подпис на изпращача</p>	
<p>Answer / Отговор</p>		<p>Date / Дата</p>	
<p>Unless you have requested the foreign exchange rate for this transaction to be fixed at the time you send it, the rate will be set at the time the transaction is paid, in which case any indication of the payment amount appearing on this form is advisory only. В случай, че не сте поискали обменния валутен курс да бъде фиксиран в момента на изпращането на сумата, курсът ще бъде определен в момента на изплащане на превода и тогава указаната в настоящия формуляр сума на превода е само ориентировъчна.</p> <p>CERTAIN TERMS AND CONDITIONS GOVERNING THE MONEY TRANSFER SERVICE YOU HAVE SELECTED ARE SET FORTH ON THE BACK OF THIS FORM. BY SIGNING THIS FORM, YOU ARE AGREEING TO THOSE TERMS AND CONDITIONS. НА ГЪРБА НА ТОЗИ ФОРМУЛЯР СА УСЛОВИЯТА, ОТНАСЯЩИ СЕ ДО ИЗБРАНАТА ОТ ВАС УСЛУГА. ПОДПИСВАЙКИ ГО ВИЕ ПРИЕМАТЕ ТЕЗИ УСЛОВИЯ.</p> <p>*МОЛЯ ОБЪРНЕТЕ ВНИМАНИЕ НА УСЛОВИЯТА ЗА ПРЕВАЛУТИРАНЕ.</p>		<p>AGENT'S COPY / КОПИЕ НА АГЕНТА</p>	
<p>Customer's Signature / Подпис на изпращача</p>		<p>AGENT'S COPY / КОПИЕ НА АГЕНТА</p>	

Figure B:

**CASH** **WESTERN UNION**

To receive money  
Please read the instructions on the back

Sender's Name: IVAN PETROV  
 Sender's Address: JANSKY  
 City: PRAHA  
 Postal Code: 102 00  
 Country: CZECH REPUBLIC

Recipient's Name: PETER PETROV  
 Recipient's Address: JANSKY  
 City: PARIS  
 Postal Code: 75001  
 Country: FRANCE

Amount: 150€

Phone Number: 32 34 56 78 90

City: PARIS

- What is the role of Western Union?
- Which form is used to send money overseas?
- Which form is used to receive cash from the sender?
- What are the requirements of sending and receiving cash?
- Who is the sender and the receiver the above example?
- How much cash is being sent and received?
- Where is the sender and the receiver from?
- Why do we send money overseas?
- How does remittance help a family?



## Activity 10.7

### Sending & Receiving Money Overseas

**To Send Money**  
Para enviar dinero

**WESTERN UNION**

www.westernunion.com

PLEASE PRINT/ Por favor escriba

**WESTERN UNION® GOLD OR PREFERRED CARD NUMBER**  
Número de la tarjeta Gold o Preferencia de Western Union

**1 RECEIVER INFORMATION**      INFORMACIÓN DEL DESTINATARIO

Sending money to/ Para enviar dinero a:  
 USA     International (excludes Mexico)    Country name: **NIGERIA**  
Internacional (no incluye a México)    Nombre del país:

Dollar amount/ Cantidad en dólares: **\$ 4,862.00**  
When sending \$1,000 or more, you must provide identification and additional information. Cuando envíe \$1,000 ó más, usted tiene que proveer identificación e información adicional.

Receiver/ Destinatario: **ADAKU NJOKU**  
First Name/Nombre primero    Last Name/Apellido último    Name/Apellido completo

Expected payout location/ Localidad donde se espera el pago: **LAGOS 23401 NIGERIA**  
City/Ciudad    State/Estado    Country/País

**AGENT USE ONLY**  
Solo para uso del Agente

Money transfer control number/ Número de control de transferencia:  
**6277569210**

Operator number/ Número de operador: **267**

Date/ Fecha: **2/8/05**    Sent time/ Hora de envío: **10:32**

I.D. type/ Tipo de identificación: **LIC**    Number/ Número: **A3641 16554 06392**

Date of birth/ Fecha de nacimiento: **4/17/47**    Occupation/ Ocupación: **SALES**

I.D. issuing state/ Estado en que se expidió la identificación: **NJ**    I.D. issuing country/ País en que se expidió la identificación: **US**

2nd I.D. Type/ 2º tipo de identificación:    2nd I.D. Number/ 2º Número:

**2 SENDER INFORMATION**      INFORMACIÓN DEL REMITENTE

Sender's name/ Nombre del remitente: **DEWEY BLUFFUM**  
First Name/Nombre primero    Last Name/Apellido

Sender's telephone/ Teléfono del remitente: **(973) 285-9290**

Sender's address/ Dirección del remitente: **12 INDIAN HEADS RD MORRISTOWN NJ 07960**  
Street/Carretera y número    City/Ciudad    State/Estado    Zip/ Código postal

**3 OPTIONAL FEATURES**      CARACTERÍSTICAS OPCIONALES

If sending less than \$1,000 and the receiver does not have identification, complete the Test question and answer. (The maximum amount that can be picked up without I.D. is subject to change without notice.)  
Si el envío es menor de \$1,000 y el destinatario no cuenta con una identificación, favor de hacer la pregunta de prueba y la respuesta. (La cantidad máxima que puede recogerse sin I.D. está sujeta a cambios sin previo aviso.)

Test question (limit 4 words)/ Pregunta de comprobación (límite 4 palabras):  
 Question/ Pregunta: **WHAT IS PET'S NAME**  
 Answer/ Respuesta: **ADA**

These optional services are available at an additional cost. Check services desired:  
Estos servicios opcionales están disponibles a un costo adicional. Marque el servicio que desea:

Include this message/ Envío esta mensajería con el dinero

Deliver check to the following address (selected international locations only):  
Entregue el cheque a la dirección siguiente (solamente en selectas localidades de agencias internacionales)

Please call my receiver/ Llamo por favor a mi destinatario ( )

**4 CUSTOMER SIGNATURE**      FIRMA DEL CLIENTE **X** *[Signature]*

\*IN ADDITION TO THE TRANSFER FEE, WESTERN UNION ALSO MAKES MONEY WHEN IT CHANGES YOUR DOLLARS INTO FOREIGN CURRENCY. PLEASE SEE ATTACHED PAGES FOR MORE INFORMATION REGARDING CURRENCY EXCHANGE. \* IF THE EXCHANGE RATE FOR YOUR TRANSACTION WAS DETERMINED AT THE TIME YOU SENT THE MONEY, THE CURRENCY TO BE PAID OUT AND THE EXCHANGE RATE ARE LISTED ON YOUR RECEIPT. OTHERWISE, THE EXCHANGE RATE WILL BE SET WHEN THE RECEIVER RECEIVES THE FUNDS. \* CERTAIN TERMS AND CONDITIONS GOVERNING THIS TRANSACTION AND THE SERVICES YOU HAVE SELECTED ARE SET FORTH ON THE ATTACHED PAGES. BY SIGNING THIS RECEIPT, YOU ARE AGREEING TO THOSE TERMS AND CONDITIONS.

\*ADEMÁS DE LOS CARGOS POR EL SERVICIO DE TRANSFERENCIA, WESTERN UNION TAMBIÉN GANA DINERO CUANDO CAMBIA SUS DÓLARES A MONEDA EXTRANJERA. POR FAVOR LEA EN LAS PÁGINAS ANEXAS MÁS INFORMACIÓN SOBRE EL CAMBIO DE MONEDA. \* SI LA TASA DE CAMBIO DE SU TRANSACCIÓN SE DETERMINA EN EL MOMENTO EN QUE ENVÍO EL DINERO, LA MONEDA EN QUE DEBE PAGARSE Y LA TASA DE CAMBIO APARECEN EN SU RECIBO. SI NO, LA TASA DE CAMBIO SE ESTABLECERÁ CUANDO EL DESTINATARIO RECIBA EL DINERO. \* ALGUNOS TÉRMINOS Y CONDICIONES QUE RIGEN ESTA TRANSACCIÓN Y LOS SERVICIOS QUE USTED HA SELECCIONADO SE ESTABLECEN EN LAS PÁGINAS ANEXAS. AL FIRMAR ESTE RECIBO, USTED ACEPTA DICHS TÉRMINOS Y CONDICIONES.

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DFMTC8NDB3/04

- a. Identify the following from the above document:
- a. The sender
  - b. Country of the sender
  - c. The amount of money sent
  - d. The receiver
  - e. Country of the receiver
  - f. The amount of money he/she will receive

- b. What is the purpose of the PETS NAME?
- c. How does remittance help the recipients?

### Bank Statement as an Income Source Document

One sort of financial record is a bank statement. Your bank will regularly send a statement containing information showing income/inflows/deposits (credits) and outgoing/outflows/withdrawals (debits) on your bank account.

Some things you can expect to see on a bank statement:

- Name and address of the bank
- Name and address of the account holder
- Account number
- Bank sort code
- Statement number
- Number of pages
- A record of all debit and credit transactions
- The amount of money left in your account, this is called a 'balance'.

**Study each of the following bank statements and try to identify the above items for each.**

#### Bank Statement 1

<b>ANY BANK</b> PO BOX 876, LEICESTER, LE76 7JH		ACCOUNT NUMBER: 10045321 SORT CODE: 90-99-19		STATEMENT: 17 NUMBER: PAGE: 1 of 1		P R Patterson 7 Thistle Grange West Grange Staffordshire	
TRANSACTION DETAILS							
DATE	DESCRIPTION		DEBITS		CREDITS		BALANCE
Balance brought forward							35 00
6 May	CD07	High St	10	00			25 00
8 May	DC07	Pet Care Plc	3	00			22 00
11 May	BACS	Regular Times			46	50	68 50
19 May	CH007		2	70			65 80
19 May	DD	Gas & Co	16	50			49 30
22 May	S0	TV Licence Company	21	00			28 30



## Bank Statement 2

My Bank 234 Southside St. Anytown, CA 91001				
Statement June 2004				
Checking Account				
Posting	Description/Transaction	Debits	Credits	Balance
JUN 1	Beginning Balance			817.02
JUN 13	CHECK NO. 3500 Trace #3147	68.79		748.23
JUN 13	CHECK NO. 3502 Trace #2166	148.00		600.23
JUN 15	CHECK DEPOSIT		440.02	1040.25
JUN 20	CHECK DEPOSIT		1500.00	2540.25
JUN 20	WITHDRAWAL	100.00		2440.25
JUN 25	CHECK NO. 3503 Trace #1065	1895.00		545.25
JUN 25	CHECK NO. 3504 Trace #1278	49.83		495.42
JUN 26	ATM WITHDRAWAL	60.00		435.42
JUN 28	CHECK NO. 3506 Trace #3097	10.13		425.29
JUN 30	Check Fees	1.25		424.04
JUN 30	Closing Date...Ending Balance			424.04
Savings Account				
Posting	Transaction	Debits	Credits	Balance
JUN 1	Beginning Balance			1102.00
JUN 11	Deposit		100.00	1102.00
JUN 25	Deposit		100.00	1202.00
JUN 30	Interest Earned (1.5%)		18.03	1220.03

### Activity 10.8

What are some of the ways of enterprising your skill as a student to earn more income? List at least five ways.

### Activity 10.9

Use the bank statement given below and answer the questions that follow.



**FIRST BANK OF WIKI**  
1425 JAMES ST, PO BOX 4000  
VICTORIA BC V8X 3X4 1-800-555-5555

CHEQUING ACCOUNT STATEMENT  
Page : 1 of 1



JOHN JONES  
1643 DUNDAS ST W APT 27  
TORONTO ON M6K 1V2

Statement period	Account No.
2003-10-09 to 2003-11-08	00005-123-456-7

Date	Description	Ref.	Withdrawals	Deposits	Balance
2003-10-08	Previous balance				0.55
2003-10-14	Payroll Deposit - HOTEL			694.81	695.36
2003-10-14	Web Bill Payment - MASTERCARD	9685	200.00		495.36
2003-10-16	ATM Withdrawal - INTERAC	3990	21.25		474.11
2003-10-16	Fees - Interac		1.50		472.61
2003-10-20	Interac Purchase - ELECTRONICS	1975	2.99		469.62
2003-10-21	Web Bill Payment - AMEX	3314	300.00		169.62
2003-10-22	ATM Withdrawal - FIRST BANK	0064	100.00		69.62
2003-10-23	Interac Purchase - SUPERMARKET	1559	29.08		40.54
2003-10-24	Interac Refund - ELECTRONICS	1975		2.99	43.53
2003-10-27	Telephone Bill Payment - VISA	2475	6.77		36.76
2003-10-28	Payroll Deposit - HOTEL			694.81	731.57
2003-10-30	Web Funds Transfer - From SAVINGS	2620		50.00	781.57
2003-11-03	Pre-Auth. Payment - INSURANCE		33.55		748.02
2003-11-03	Cheque No. - 409		100.00		648.02
2003-11-06	Mortgage Payment		710.49		-62.47
2003-11-07	Fees - Overdraft		5.00		-67.47
2003-11-08	Fees - Monthly		5.00		-72.47
*** Totals ***			1,515.63	1,442.61	

- a. Why did Jones get this financial document?
- b. Who sent this statement to Jones?
- c. In case of any enquiries, how can Jones contact the sender?
- d. State the closing balance for Jones.
- e. State how Jones could check the accuracy of the transactions?
- f. How will Jones store this document?
- g. What is the purpose of keeping this document?
- h. How long this document should be kept for?

### Activity 10.10

#### Vocabulary

In pairs, discuss and note what you understand by the terms we have discussed in this lesson. You can use a dictionary to help you.

1. Income	2. Earned income
3. Unearned income	4. Regular income
5. Salary	6. Wages
7. Fees	8. Commission
9. Royalty	10. Remittance
11. Interest earned	12. Interest paid
13. loans	14. Rent
15. Dividends	16. Social welfare payments
17. Profit	18. Gross profit
19. Net profit	20. Compulsory Deductions
21. Pay packet	22. Fixed Income

# Lesson 11

# Managing Money Overtime: Expenses

## Achievement Indicators

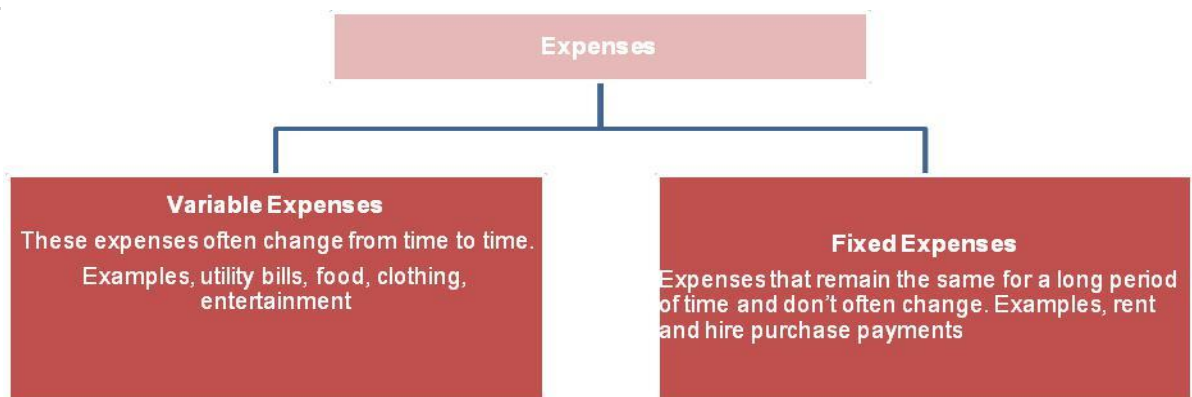
Upon completion of this lesson, you should be able to:

- \* Identify, record and differentiate personal and family expenses and classify into fixed and variable
- \* Interpret source documents for various living situations and at different life stages

**Expenses:** items on which income is spent. That is, goods and services consumed. Example, food, water bills, clothing, rent, electricity, fares, entertainment, medical, insurance, etc.

Like income, expenses are also of two categories or groups

:



### Activity 11.1

Identify and list four Regular Expenses and Irregular Expenses.

Regular Expenses	Irregular Expenses
1. Rent	1. Dentist visit for a filling
2. Electricity	2. Car Repairs
3. Insurance	3. Doctors visit due to illness
4. Wages	4. Donations

### Activity 11.2

Make a list of all regular expenses that can be incurred by an individual or family. List at least 10.

Individual Regular Expenses	Family Regular Expenses

### Activity 11.3

Using your knowledge classify the expenses that you have listed in the Activity above as Variable and fixed.

### Activity 11.4

#### **Life Stages and Expenses that we Incur**

A person goes through various stages in a lifetime. In the table given below, record a list of expenses relating to the significant life stages.

Life Stages	Expenses Incurred
1. Infants to Early Child Care—Parents used to buy for us	
2. Primary Education	
3. Teenager	
4. Tertiary Education	
5. Joined Workforce	
6. Got Married	
7. Nuclear Family	
8. Extended Family	
9. Old Age- Senior Citizen	

#### **Source Documents for Expenses**

Spending can be documented on (for example):

- a cash register receipt (shopping dockets)
- an invoice (telephone/ electricity/water/internet bills)
- a credit card statement
- a bank statement

## Activity 11.5

<b>Harpy's Supermarket</b>	
21 Kamry Place	
Nabua	
Ph: Mon-Sun 7.30am-8.30pm 3300454	
Email: harpy's supermaket.com.fj	
T.I.N: 25 000 4300	
<b>V.A.T INCLUSIVE PRICES</b>	
.....	
1.5kg Chicken nibbles	\$16.00
0.5 kg Capsicum	\$5.90
Nescafe Coffee	\$4.99
2l Ice-Cream	\$7.99
<b>Total</b>	<b>\$34.88</b>
Cash	\$35.00
Change	\$0.12
.....	
R# 11400850056	Arieta W
Thu 07/11/2013	04:35 pm
<b>THANK YOU AND PLEASE DO COME AGAIN</b>	

1. Who issues this receipt?
2. What items on the receipt should be checked?
3. What is the purpose of this document?

## Activity 11.6

Use the case study to answer the questions that follow.

Sera moved in with her new friends in a flat. She already is struggling with her finances. The first electricity bill has arrived after their moving in. Sera is surprised to see the amount payable of \$295.55. Upon enquiry the landlord told her the previous tenants had paid the last bill of \$60.55 before it was due.

- a. List at least three things that Sera should check carefully.
- b. What advice would you give Sera so that she gets enough information for verifiability?

# Lesson 12.0      Personal Budgets

## **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Prepare personal and family budget
- \* Explain the role of budget in controlling, spending and saving in the short and long term
- \* Set up a saving programme for realistic and achievable goals.
- \* Demonstrate the impact of inflation on purchasing power.

---

The resources available to us are very limited to meet our unlimited demands. Therefore, we have to plan how to spend our income very wisely. Planning can also be called Budgeting which is an essential life- time skill.

**Budget:** *is a plan of how to spend our income at a certain time frame for example week, month, etc*

A budget has three major components:

- Income
- Expenses
- Saving

**Income:** *any amount of benefit or reward received by someone from trading or for providing services as a labour. Example, wages, commission, loans, rent.*

**Expenses:** *items on which income is spent. That is, goods and services consumed. Example, food, water bills, clothing, rent, electricity, fares, entertainment, medical, insurance,*

**Savings:** *part of the income which is not consumed or spent. Savings equal Total Income less Total Expenses.*

## **Role of budgets in managing spending and saving**

- a. A budget helps us in planning and controlling our spending from the income we have so that maximum savings can be made.
- b. It can be used for making comparison with actual income and expenses.
- c. It ensures that enough cash is available to meet immediate needs or unforeseen circumstances. This includes, sickness, damage due to disaster, theft and so on.
- d. It guides us to make plans for short term, medium term or long term projects.

## Types of Budgets

**Personal budget:** is the plan of spending income for an individual

**Family budget:** is how a family plans to spend its income

**Government budget:** shows areas in which the government has allocated funds and how it will finance these expenditures.

We shall look at the first two this term and Government Budget will be further developed in the Unit Economy

## Conversion Table

Given below is a conversion table that will help anyone prepare a weekly, fortnightly, monthly or annual budget:

<b>Amount</b>	<b>Weekly</b>	<b>Fortnightly</b>	<b>Monthly</b>	<b>Annual/yearly</b>
<b>Weekly</b>	X 1	X 52/26	X 52/12	X 52
<b>Fortnightly</b>	X 26/52	X 1	X 26/12	X 26
<b>Monthly</b>	X 12/52	X 12/26	X 1	X 12
<b>Annual/yearly</b>	X 52	X 26	÷ 12	X 1

## **Preparing a Budget:**

### **Illustrative Example**

My friend Mr. Turaga works as a teacher and lives in Labasa. Given below is a list of his income and expenses.

#### Income:

Annual Salary \$14 250  
Sale of vegetables from the farm: \$25 per week

#### Expenses:

Food \$150 per fortnight  
Electricity Bill \$2 per week  
Social Committee Levy \$2 per fortnight  
Clothing \$25 per month  
Travelling \$10 per fortnight  
Medical Expenses \$50 per annum  
Recharge Card \$11 per fortnight  
Insurance Premium Payment \$60 per month

Required: **Copy the question and prepare a monthly personal budget for Mr. Turaga.**

Step 1: estimate the duration of the budget. In this example we have to make a MONTHLY personal budget.

Step 2: List all REGULAR income for the period of time. In this example it's already given [Salary and sale of produce]

Step 3: List all regular expenses for that period of time. The expenses listed in the question above are all regular.

Step 4: Classify Expenses into Variable and fixed expenses. On the left side of each of the expenses indicate whether it is a variable or fixed expense by putting VE or FE in pencil [do not mark on the text book!]

Thus, our variable expenses will be: Food, Electricity Bill, Clothing, Travelling, Medical Expenses, and Recharge Card

While our fixed expense will be Social Committee Levy and Insurance Premium payment

Step 5: convert all the Income and Expenses to equivalent one month using the conversion table. Do the working on the space in the question on left hand side of each item in your exercise book as shown below:

Income:

Annual Salary	$\$14\ 250 \div 12 = \$1187.50$
Sale of vegetables from the farm:	$\$25 \text{ per week} \times 52/12 = \$108.33$

Expenses:

VE Food	$\$150 \text{ per fortnight} \times 26/12 = \$325.00$
VE Electricity Bill	$\$2 \text{ per week} \times 52/12 = \$8.67$
FE Social Committee Levy	$\$2 \text{ per fortnight} \times 26/12 = \$4.33$
VE Clothing	$\$25 \text{ per month} \times 1 = \$25$
VE Travelling	$\$10 \text{ per fortnight} \times 26/12 = \$21.67$
VE Medical Expenses	$\$50 \text{ per annum} \div 12 = \$4.17$
VE Recharge Card	$\$11 \text{ per fortnight} \times 26/12 = \$23.83$
FE Insurance Premium Payment	$\$60 \text{ per month} \times 1 = \$60$

Step 5: Record and Total all income

Step 6: Record and Total all expenses

Step 7: Calculate savings by subtracting total expenses from total income

**Things to note:**

- Always write a heading for the budget
- The budget should appear in one piece. Draw it on a new page if need be but do not leave part of it on one page and draw the rest on another page.



- c. Always keep some scrap pages at hand for quick calculations. This will help you make your work look neat!
- d. Keep a sharpened pencil and a calculator when doing calculations.
- e. Be careful when you are interpreting the conversion table. The standard rule is : convert all figures or amounts equivalent for a year then divide it for the specified period.
- f. All amounts will be rounded off to 2 decimal places.
- g. Do not forget to underline the last amounts when totaling.
- h. Finally always add a dollar sign \$ to the first and the last amounts to indicate that they are in money terms

**Solution:**

*Mr. Turagas' Personal Monthly Budget*

<i>Particulars</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
<i>Income</i>			
<i>Salary</i>		<i>1187.50</i>	
<i>Sale of Produce</i>		<i><u>108.33</u></i>	
<i>Total Income</i>			<i>1295.83</i>
<i>Less Expenses</i>			
<i>Variable Expenses</i>			
<i>Food</i>	<i>325.00</i>		
<i>Electricity Bill</i>	<i>8.67</i>		
<i>Clothing</i>	<i>25</i>		
<i>Travelling</i>	<i>21.67</i>		
<i>Medical Expenses</i>	<i>4.17</i>		
<i>Recharge Card</i>	<i><u>23.83</u></i>	<i>408.34</i>	
<i>Fixed Expenses</i>			
<i>Social Committee Levy</i>	<i>4.33</i>		
<i>Insurance Premium Payment</i>	<i><u>60.00</u></i>	<i><u>64.33</u></i>	
<i>Total Expenses</i>			<i><u>472.67</u></i>
<i>Savings</i>			<i><u>\$823.16</u></i>

### Activity 12.1

Dipti and Dev receive their salaries every two weeks. Their family budget is given below:

Take home pay (every two weeks):

	\$
Dipti	230
Dev	380

610

Expenses

\$

Rent per month	210
Food per month	270
Hire purchase per month	75
Insurance per year	250
Travelling per month	100
Car payment per month	150
Oil and petrol per month	35

Balance in the Savings Account	\$ 870.00
Balance in the Fixed Deposits	\$3 100.00

Required:

- Calculate Dipti's and Dev's expenses for a fortnight.
- Identify the two payments made by installment
- What percentage of their monthly income do they use for paying installments?
- What is a fixed deposit?

### Activity 12.2

Mr. Charles Miller earns \$2,000 per month from his taxi business. He rents out part of his house for \$200 per month. Each of his three sons gives \$100FJD per month from abroad towards the family's living expenses. The family monthly expenditure is as follows:

	\$
HOUSE PAYMENTS	600
FOOD	230
SCHOOL SUPPLIES	60
CLOTHING	120
TRANSPORT	245
INSURANCE	140
MEDICAL	56
OTHER EXPENSES	250

Required:

- Prepare Charles Miller's Family budget for a year.
- Calculate the total amount of money that the Miller family can save in 3 years if they keep strictly to this budget.

### Activity 12.3

Use the extract given below and your knowledge to answer the questions that follow:

Christina Kumar is a tertiary student. She has \$250 a month to spend. And she believes she must spend the following amounts each month.

Food	\$85
Housing	80
Recreation	35
Laundry	25
Miscellaneous	45

- i. Total amount Christina feels she must spend each month is \$.....
- ii. Christina has an economic problem – her resources are .....than the amount she thinks she must spend.
- iii. The personal problem confronting Christina is not at all unusual. The .....available to her is .....relative to her wants.
- iv. The world is made up almost entirely of people like Christina. Their wants are.....and, as a result their resources are always .....compared with their wants.

### Activity 12.4

Mrs. Troika works as an accounts clerk and her net wages per week is \$140. Her husband, Tomu runs a poultry farm and earns \$100 a week.

Their family expenses are as follows:

Electricity	\$25.00 a month
Food	55.00 a month
Telephone	40.00 a month
Hire Purchase on furniture	30.00 a week
Clothing	25.00 a fortnight
Travelling	300.00 a year
Medical Expenses	25.00 a week
School fees	30.00 a year

Required:

- a. Prepare a monthly budget for the family.
- b. Calculate the amount of money the family can save in a year if they follow this budget closely.
- c. State two reasons why it is important to save.

## Activity 12.5

### Saving Program

Track your income and expenses for one week using this table. Record the results in your note book.

	Day 1		Day 2		Day 3		Day 4		Day 5	
<b>Income</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total Income</b>										
<b>Fixed expenses</b>										
<b>Variable Expenses</b>										
<b>Total Expenses</b>										
<b>Savings</b>		\$		\$		\$		\$		\$

## Activity 12.6

Prepare your weekly budget using the information from the tracking sheet.

## Monitoring a Budget

It is important that once a budget is completed it is not merely written on a piece of paper and left in a drawer. It must be regularly checked or monitored for easier achievement of our goals

### Activity 12.7

Here is a list of steps for developing and monitoring a budget. Explain **why** you would take each step. (Solutions on pg 105 of Form 3 Manual)

What?	Why?
1. Set Goals	
2. Gather information on the income received	
3. Collect information on your payments each week- keep receipts	
4. Get a list of monthly and annual payments	
5. Set a weekly savings amount	
6. Calculate income on a weekly basis	
7. Calculate all payments on a weekly basis	
8. Total All Income	
9. Separate payments into essentials and discretionary items	
10. Identify from the essentials list fixed and variable	
11. Total All Payments	
12. Calculate surplus/ Deficit	
13. If in Deficit make alterations	
14. Monitor a budget	

### Activity 12.8

- A. Write your savings plan using the Personal Budget you have drawn above.
- B. List some of the rules you will observe so that you strictly adhere to your Savings Plan in order to achieve your STG and LTG.

## Activity 12.9

- Monitor the savings program for a few months to achieve the short term goal.
- The following table will be of great assistance in guiding you to keep track of your actual income, expenditure and savings for each week in a month.
- Attach the evidence in your workbook after you deposit your savings. Your teacher will sight evidence, sign and give you a mark which will be counted towards your internal assessment for this year.

	Wk 1	Wk 2	Wk 3	Wk 4	Total	Evidence
Income						(Attach evidences here)
Total Income	\$	\$	\$	\$	\$	
Fixed Expenses						
Variable Expenses						
Total Expenses	\$	\$	\$	\$	\$	
Savings	\$_____	\$_____	\$_____	\$_____	\$_____	
Student's Signature	_____	_____	_____	_____	_____	Date _____

### **Inflation and Its Impact on Spending and Savings**

Our purchasing power does not remain the same throughout the year or over a period of time. Inflation or the rise in the general level of prices affects the amount of money we spend to enjoy the constant level of consumption. If our income does not increase, then we may have to make some sacrifices by forgoing some expenses or identifying other ways of keeping our budget in shape.

Let us see how inflation affects an average family's budget. We will revisit the following exercise to illustrate this.

*Mrs. Troika works as an accounts clerk and her net wages per week is \$140. Her husband, Tomu runs a poultry farm and earns \$100 a week.*

*Their family expenses are as follows:*

Electricity	\$25.00 a month
Food	55.00 a month
Telephone	40.00 a month

Hire Purchase on furniture	30.00 a week
Clothing	25.00 a fortnight
Travelling	300.00 a year
Medical Expenses	25.00 a week
School fees	30.00 a year
Entertainment	100.00 a year

Additional Information:

The following changes took place after a few months:

- Travelling costs increased by 40% due to increase in the rate of taxi fare
- Food costs increased by 2.5% due to an increase in VAT rate
- Electricity costs rose by 1% due to tariff imposed by Power Authority
- The Ministry of Health announced new charges for health services thus Medical expenses is expected to increase to \$45.00 a week
- A new mobile phone service provider entered the communications industry and telephone charges are expected to fall by 25%
- Other expenses and income did not change

**Required:**

- Prepare a NEW monthly budget for Torika and family.
- Compare the new budget with the previous one and explain the difference in savings.
- What are some of the things Torika and her family do to reduce costs?
- What can be an opportunity cost in making decisions for a better budget?
- If the deficit still exists even after carrying out the above, what will Torika and her family do in order to satisfy all the necessary needs of the family?

---

We all enjoy spending money to meet our needs and wants. However, we need to evaluate different alternatives and opportunity costs of spending for better decision making.

To understand further lets play a realistic game that will encourage us to think before we spend!!!

### Activity 12.10

**"What is My Budget?" Game - OPTIONAL**

Allocate 4 students in a group of 4 using the resources provided in Form 3 Manual on pgs 168-171 and then read out the rules and instructions highlighted on pg 167.

Now let the "GAME BEGIN". Roll the dice. Player 1 takes the lead on the Grid provided on pg 166.

It is a must that teachers encourage students to play this game. Not only they will enjoy but pupils will learn the realistic way of savings, planning and better decision making.

---

**Remember a budget is a tool that allows us to do what we want now and in the future. This means we need to use skills such as spending our income wisely as well as not impulse buying. If we can do these things it can make it easier for us to stick to our goals.**



### Activity 12.11

The Thompson family have budgeted \$20 a month for entertainment expenses. In March they spent \$50, in April they spent \$35, in May they spent \$20, in June they spent \$40 and in July they spent \$15.

MONTH	BUDGET	ACTUAL	VARIANCE
March	\$20	\$50	(\$30)
April			
May			
June			
July			

- Complete the table
- Explain the significance of the variance column
- What advice would you give the Thompson family?

### Activity 12.12

Budget control sheet of Meenal's family

ITEM	BUDGET	ACTUAL	VARIANCE
Groceries	\$142	\$142	
Clothing	60	78	
Entertainment	45	100	
Medical Expenses	35	80	
Travelling Expenses	29	20	

- Complete the table
- Name two items in relation to which control is necessary
- Suggest how control could be most easily achieved
- Which expense is uncontrollable? Give your reasons.

### Activity 12.13

Write a paragraph to discuss the impact of unplanned spending.

### Activity 12.14

In a paragraph discuss how the factors given below influence decision making in terms of spending and savings:

1. income levels	2. personal values
3. beliefs	4. obligations
5. priorities	6.

### Activity 12.15

List at least 3 external economic factors, beyond the control of the individual, which influence decision making.

### Activity 12.16

In pairs, discuss and note what you understand by the terms we have discussed in this lesson. You can use a dictionary to help you.

1. Variable expenses	2. Fixed expenses
3. Budget	4. Savings
5. Short term	6. Medium term
7. Long term plan	8. Inflation
9. Purchasing power	10. Opportunity cost
11. Budgetary control	12. Unplanned spending

# Lesson 13.0

# Issues and Trends

### Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* Identify prudent money management practices for two different communities in Fiji
  - \* Investigate personal finance issues facing Fiji people
  - \* Identify and Apply solutions to identified financial issues.
- 

Over the years, the rising cost of goods and services and many other factors have been putting pressure on the income of all consumers in Fiji. There have been concerns particularly on the consumption patterns of the two major ethnic groups in Fiji and how they manage their finances.



To understand the investigation process better let's carry out one in the class.

1. So form your ethnic groups. Use the tables given and carry out the investigation process. Add the columns wherever necessary.

2 Make a list of sources of income for both the ethnic groups. Tabulate your responses in table as follows:

*a. Sources of Income*

	<i>iTaukei community</i>		<i>Indo-Fijian community</i>
1		1	
2		2	
3		3	

b. Make a list of sources of expenditure items for both the ethnic groups. Tabulate your responses in table as follows:

**Major Expenses**

	<i>iTaukei community</i>		<i>Indo-Fijian community</i>
1		1	
2		2	
3		3	

3-5. Make a list of problems faced by both the ethnic groups and suggest some solutions. Tabulate your responses in table as follows.

**Problems**

	<i>iTaukei community</i>	
	<i>Problems</i>	<i>Solutions</i>
1		
2		
3		

**Solutions**

	<i>Indo - Fijian community</i>	
	<i>Problems</i>	<i>Solutions</i>
1		
2		
3		

**Activity 13.1**

In groups discuss how the following problems affect the communities:

1. access to banking facilities
2. increase in VAT
3. flow of cash
4. lack of financial understanding

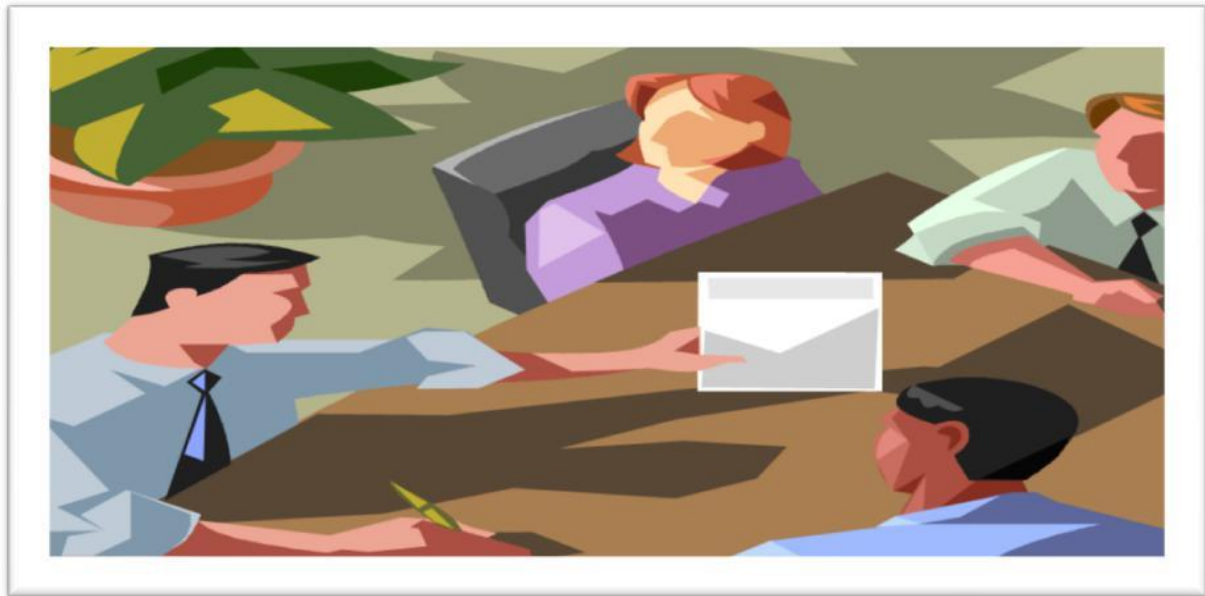
## Activity 13.2

### Vocabulary

In pairs, discuss and note what you understand by the terms we have discussed in this lesson. You can use a dictionary to help you.

a. consumers	b. Inflation
c. Income constraint	d. Purchasing power
e. Living within our means	f. Prudent
g. Money management	h. Personal finance
i. VAT	j. Financial understanding
k. Flow of cash	

# **STRAND TWO:** ***BUSINESS INFORMATION*** ***SYSTEM I***



## ***STRAND OUTCOME:***

**Recognize the different types of businesses, investigate how they operate and identify the procedures to follow to start own business for financial well being.**



## Overview

This strand introduces the students to “Enterprise Education in Fiji” It discusses the nature and various types and kinds of business entities engaged in various economic activities in Fiji. Students are also given an insight into possible entrepreneurship or business venture that would be beneficial in their latter part of their life. Business planning in its basic format forms an integral part of this strand.

# Lesson 1.0 Nature, Purpose, Scope and Environment of Accounting

## Achievement Indicators

Upon completion of this lesson, you should be able to:

- \* Define accounting
  - \* Investigate the nature, purpose and functions of accounting
  - \* Describe the business ethics and use it to address some accountability issues
- 

History of Accounting dates back to thousands of years when records for properties were kept for monarchs [royal families]. The function of accounting then performed a stewardship role and is very much part of the function of modern day accounting. The double-entry system forms the basis of carrying out accounting. Though originating from India, it was first documented many centuries later by an Italian named Luca Pacioli in 1494.

Ever since the 15<sup>th</sup> century, accounting has been gaining and developing rapidly, especially in accounting for businesses and governments all over the globe. As seen in the first unit, individuals also need some form of accounting to help them with their personal finances. Businesses need accounting to measure their financial performance and position in a fiscal year. While governments need it to account for the large sums of revenue it collects and spends every year. As we shall see later, there are various parties who would be interested in the financial reports to make some decisions.

## Lesson 1.1 So What Is Accounting?

*Accounting is the system or tool which businesses use to **record, summarize, analyze, interpret and report business transactions to interested parties for useful decision making.***

From the above definition, the following very important phases can be identified:

- i. Recording business transactions
- ii. Summarizing business transactions
- iii. Analysis of business transactions
- iv. Interpreting business transactions
- v. Reporting the results of the above to decision makers [stakeholders]

Thus, accounting plays a very crucial role in communicating financial information to the decision makers or stakeholders who use it to make some decisions.



Accounting is a systematic process of identifying, recording, measuring, classifying, verifying, summarizing, interpreting and communicating financial information. It reveals profit or loss for a given period, and the value and nature of a firm's assets, liabilities and owners' equity.

Accounting provides information on the following:

1. Resources available to a firm,
2. The means employed to finance those resources, and
3. The results achieved through their use.

Source: <http://www.businessdictionary.com/>

### **Purpose/ Functions of Accounting:**

1. Establishes accountability: analyses how money was used in a financial year.
2. Communicates financial information to various users.
3. Helps in business decision making.
4. A control device for the management.
5. Helps interested parties to make useful decisions.
6. It is a business language.

### **Users of Accounting Information:**

There are two groups of users of accounting information:

1. **Internal Users:** these are groups who have direct access to the businesses "books" or accounting records. They can also request for Special Purpose Financial Reports [SPFRs] and have access to internally generated management reports.
2. **External Users:** these groups rely on General Purpose Financial Reports [GPFRs] to make decisions and they do not have direct access to accounting records of the business. Some influential stakeholders may be able to obtain SPFRs tailor made to suit their needs.

Let us analyze the user groups and reasons why they are interested in the financial reports.

#### **1. Internal Users**

- a. User: The internal users include the management or the owners of the firm/business.

Reason: They want to evaluate the performance of the business to help them in effective planning and control of business activities.

#### **2. External Users**

- a. Shareholders: These are people who buy shares in a company.

Reason: They are interested in the profitability of the business as they want a better return [dividend] on their investment.

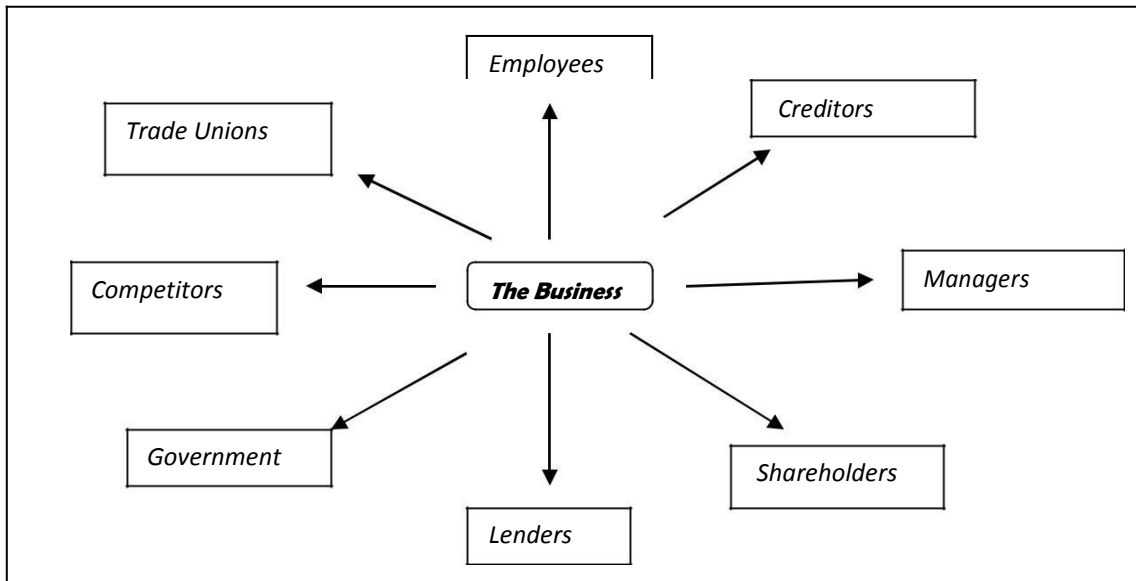
- b. Investors: These are people who have contributed capital [money] in the business.

Reason: They are interested in the rate of return [profit] on their investment.

- c. Potential Investors: These groups of people are interested in investing in a particular business.
- Reason: They want to decide whether or not to invest by assessing the firms' profitability.
- d. Lenders: These are people or institutions that give money to the business as loans.
- Reason: They want to assess whether the businesses have ability to pay back the loans.
- e. Suppliers/Creditors: These are people/businesses to whom firm owes money to.
- Reason: They want to assess the credit worthiness of the firm.
- f. Government: The government is the main regulating authority in the nation.
- Reason: It needs taxes to operate efficiently [in providing its services to the people]. Therefore, it is interested in whether or not the firm is paying its fair share taxes. The government departments like Fiji Islands Bureau of Statistics [FIBS] need other information for its data base.
- g. Employees: These are people who work in the firm.
- Reason: They want to see if the firm makes profits which will help their unions negotiate a better wage for them and also guarantee a secure job for them.
- h. Trade union: These are organizations formed by the collective effort of workers. Its aim is to look into the workers grievances and negotiate with their employers on their behalf.
- Reason: They want to seek better working conditions and a wage increase for their members especially when the firm is making good returns.
- i. Customers: These are people/entities that buy goods and services from the firm.
- Reason: They want to see if the business will continue to provide/produce the goods and services they need/want.
- j. Competitors: These are entities that are also carrying out similar business activities.
- Reason: They want a greater market share.

### Activity 1.0.1

- i. Explain the term **Accounting**.
- ii. Use the diagram to identify the user who would be most interested in the following information about a business?



- a. Is the business providing a return on out investment?
- b. Has the business achieved the objectives that have been set?
- c. Can the business repay the loan on time?
- d. Can the business make payments on time as it falls due?
- e. Better wage negotiations and working conditions?
- f. Are the taxes paid on time?

### Specialized Fields in Accounting

Accounting has developed itself in various specialized fields over the years. Given below are some common ones.

1. **General Accounting:** This deals with recording transactions and preparing various financial reports for various stakeholders.
2. **Private Accounting:** This is carried out by accountants employed by private businesses.
3. **Public Accounting:** This is carried out by accountants who offer their professional services to everyone [the general public] at a fee.
4. **Government Accounting:** This is carried out by accountants employed by the government like in the Auditor General's office.
5. **Cost Accounting:** This deals with determining, allocating and controlling the cost of various goods and services produced by a particular firm.
6. **Budgeting:** Involves forecasting future business operations. Comparing the future income and expenses to actual and analyzing the variances.

7. **Taxation Accounting** : This involves preparation of Tax Returns for businesses and individuals. This is carried out by tax accountants or tax agents registered with the Tax Agents Board. The Fiji Revenue and Customs Authority [FRCA] is the main body of the Government which regulates taxation in Fiji.
8. **Management Consultants:** These are accountants who offer advice to the firms who wish to improve their business performance. They are given corrective suggestions to improve procedures and operations.
8. **Auditing:** Involves those accountants who check the accuracy of the accounting reports prepared by each department in a business.

### Activity 1.1.1

1. State the name of the specialized field of accounting for each of the descriptions given below.
  - i. It is a specialized branch of accounting that keeps track of companies' financial transactions
  - ii. It is concerned with the provision and the use of accounting information to managers within the organization to provide them with the basis to make informed decisions.
2. Using the resource list, match the job description given in the table below.

#### Resource List

<b>Accounting Technician</b>	<b>Cost Accountant</b>
<b>Auditor</b>	<b>Financial Accountant</b>
<b>Management Accountant</b>	<b>Tax Accountant</b>

Type of Accountant	Job Description
a.	Controlling costs of producing the goods or services the business sells.
b.	Coordinating the flow of financial information that is preparing internal reports and budgets.
c.	Preparing financial reports and analyzing and interpreting this information for decision making.
d.	Independently checking a business's financial records to ensure accuracy and reliability.
e.	The bookkeeper who collects financial information and records transactions.
f.	Advising on taxation issues, and calculation and payment of taxes.

*Source: Accounting NCEA Level1*

## Lesson 1.2 Business Ethics and Use It to Address Some Accountability Issues

The term **ethics** refers to conduct that leads to arriving at a good judgement from wrong things. **Business ethics** are guidelines or regulations used in making sound decisions that will eventually have effect on internal and external parties that either have direct or indirect relationship with the organization.

Ethical behaviour and corporate social responsibility can bring significant benefits to a business. For example, they may:

- *attract customers to the firm's products, thereby boosting sales and profits*
- *make employees want to stay with the business, reduce labour turnover and therefore increase productivity*
- *attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees*
- *attract investors and keep the company's share price high, hence protecting the business from takeover.*

Unethical behaviour or a lack of corporate social responsibility, by comparison, may damage a firm's reputation and make it less appealing to stakeholders. Profits could fall as a result. **Read more:** <http://businesscasestudies.co>.

Business ethics can be divided into:

- Social ethics
- Economic ethics
- Financial ethics
- Religious ethics

### Social Ethics

*Social ethics refer to those business behaviours or obligations that strengthen or develop stronger bonds between employer, employee, customers, communities, societies as a whole.*

- a. The business must take responsibility for environmental conservatism and social costs incurred by its actions for example pollution, waste disposal etc
- b. The business should take social responsibility to work with the government to solve or reduce social problems by contributing to charity, for medical, job creation etc.

#### c. Responsibility to Employees

- The business should have on-going training for its workers to increase productivity and efficiency rather than substituting workers with technology.
- The business should contribute employees share to the superannuation funds [FNPF], provide fringe benefits if need be to motivate its workers, medical or accident insurance cover to strengthen the employee- employer relationship.
- The business should include women in the workforce to promote gender equality in employment opportunities.

- The business should have an environment that is conducive for working and complies with Occupational Health and Safety regulations.
- The business should use sound accounting practices such as surveillance to prevent any unethical practices by the employees or users of the premises.

**d. Responsibility to Customers**

- The business is obliged to offer quality, safe, reliable and effective products.
- The business should be honest and truthful while marketing or advertising their product.
- The business should be professional and uphold code of conduct when dealing or addressing consumer complaints. It is obliged to provide all necessary accurate information relating to the product.

**e. Religious ethics**

- The business should work together to achieve a common goal for progress and development whereby everyone benefits rather than restricting trade due to some bad religious impacts.

f. The business should not engage itself in unethical or illegal activities that deal with any form of drugs.

## **Economic Ethics**

*Economic ethics are those ethics that allows business to be honest, fair and “clean” in terms of trade to generate maximum income.*

- a. The business should engage in open and free competition to maximize profit.
- b. The business should never get itself involved in unethical practices such as bribes, scandals or scams to achieve its outcome.
- c. It becomes unethical for a business to delude any person(s) by creating bogus business units.
- d. It is unethical for a business to either print or use counterfeit notes.

## **Financial Ethics**

*Financial ethics deals with accountability, transparency and true reporting of business information.*

- a. The business is obliged to accountability and documentation in order to disclose all information fully such as employment of resources and assets, profits/losses made to its users.
- b. The internal records need to be verified by an independent auditor for accuracy before the information is disclosed for decision making.
- c. It is unethical for the business to falsify records to deceive or mislead its users or government to avoid any forms of payments.

- d. Having insufficient funds, it is unethical for the business to issue or write any cheques for payment knowing it will be dishonored, causing trouble to others.

### Activity 1.2.1

1. Explain the term business ethics with examples.
2. Using the available media identify and list some of the unethical practices of business in Fiji.
3. Discuss some of the social ethics of the business that are present in your locality.

### Activity 1.2.2

Form a group and carry out a research on as how Fiji Institute of Accountants in its best capacity promotes business ethics? Present your findings to the class.

### Activity 1.2.3

Study the cartoon and answer the questions that follow.



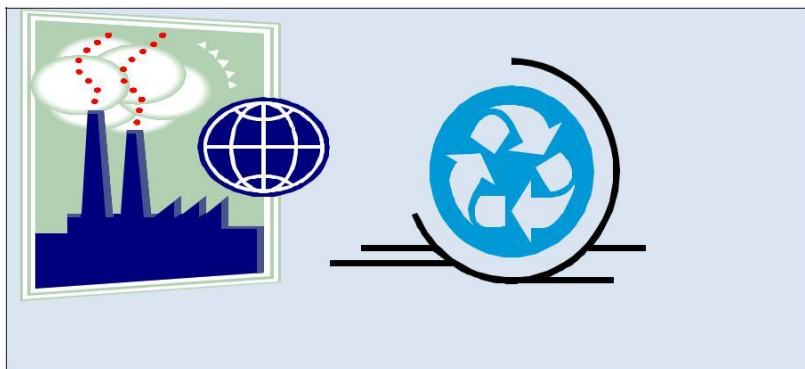
Source: Junior Accounting For Fiji Islanders

Source: Junior Accounting

- a. Do you support the suggestion made by the Managing Directors? Give a reason for your answer.
- b. Which business ethics is violated?

### Activity 1.2.4

Study the pictures given below and answer the questions that follow.





- a. Identify the environmental issue and suggested solution to the issue shown in the picture above.
- b. Identify and explain the business ethics illustrated by the picture.

# Lesson 1.3      Accounting Concepts

## **Achievement Indicators:**

*Upon completion of this lesson, you should be able to:*

- \* Identify and describe the different types of accounting concepts.
- 

Before we embark on our journey to understand why accounts are drawn it is necessary to lay the foundation of this subject with some very crucial concepts which form the basis of accounting. The business reports are prepared on the basis of these accounting concepts.

There are numerous accounting concepts. Six of which is explored here as an introduction. These are:

1.      Separate Entity Concept
2.      Legal Entity Concept
3.      Monetary Concept
4.      Historical Cost Concept
5.      Accounting Equation Concept
6.      Double-Entry Concept

### **1.      Separate Entity Concept**

The separate entity concept is also known as the accounting entity concept. It means that, for accounting purposes, the business records are regarded as separate and distinct from the dealings of the owner (s).

Thus, all transactions are to be recorded from the businesses point of view. Therefore, if the owner takes money or goods for personal use from the business, this will be regarded as drawings by the owner.

Example; Suppose Hannah has just started her business with \$10,000.00 [her capital]. This \$10,000.00 was Hannah's money before now it belongs to the business. If Hannah wants to take this money back, it will decrease her investment [capital] in the business.

### **2.      Legal Entity Concept**

In the eyes of the law, the business is regarded as a separate entity from the person(s) owning the business.

This does not apply to sole traders and partnership enterprises as they have unlimited liability which means that if the business is unable to repay its debts, the outsiders can claim owners personal belongings to recover the money owed to them.

Companies on the other hand, have limited liability thus they enjoy separate legal entity.

### **3.      Monetary Concept**

This concept states that all business transactions must be recorded in money terms, that is, in dollars and cents.

By having a common medium of measuring the values of goods and services, it is easier to add and compare the cost of items.

#### 4. Historical Cost Concept

The historical cost concept states that business transactions are recorded at their original cost that is, at the time the transaction took place. This means that same value in current years books of accounts even though their real values may have changed.

It is argued that historical costs provide a verifiable evidence of the transaction.

#### 5. Accounting Equation Concept



This concept states that all sources of funds [equities] should be equal to uses of funds [assets].

This equality can be expressed using an equation as:  $ASSETS = EQUITIES$

These are the two basic elements in the basic accounting equation.

##### Assets

These are items of money value that have come about through past events and are expected to give economic benefit in the future.

This includes items like building, equipment, stock, delivery van, and cash at bank to name a few.

*There are two types of assets:*

- a. **Current Assets:** these are assets that can be converted to cash within one financial year.  
Examples: Cash at bank, Accounts receivable, and stock
- b. **Fixed or Non-Current Assets:** these are assets that take more than one financial to be converted into cash.  
Examples: Motor Vehicle, Land, and Building.

##### Equities

These are claims against the business by the owner for his/her investment and the outsiders whom the business owes money.

*There are two types of equities:*

- a. **Internal Equity:** refers to the owners claim over the business. Also called *proprietorship*, owners' equity, net assets, capital or net worth of the business.
- b. **External Equities:** refers to the outsiders claims against the business. These are called *liabilities*.

*Liabilities are of two types:*

- i. **Short – term liabilities [Current Liability]**  
Are those claims by the outsiders that can be settled or paid within one accounting period.

Examples: Accounts Payable, bank overdraft, and short-term loans.

ii. **Long-term liabilities**

Are those claims by outsiders that can take more than one accounting period to be met / paid off.

Examples: long-term loans and mortgage.

**Summary:**



The accounting equation states that the sources of funds in the business are equal to the uses of funds. These two have to be in equality because the funds [money] of the business sourced from the owner(s) [proprietorship] and outside parties [liabilities] are used to finance the purchase of assets which is expected to generate more income [revenue] for the business.

Thus the value of the uses of funds [assets] will equal the value of the sources of funds [liabilities and proprietorship].

*This can be expressed using the following accounting equation:*

Uses of funds = Sources of funds

$$\text{Assets} = \text{Equities}$$

$$\text{Assets} = \text{External Equities} + \text{Internal Equity}$$

$$\text{Assets} = \text{Liabilities} + \text{Proprietorship}$$

$$\mathbf{A = L + P}$$

The last equation will now be our new BASIC ACCOUNTING EQUATION.

It can also be mathematically expressed as:

$$L = A - P$$

$$P = A - L$$

**6. Double – entry Principle**

This concept originated in the 15<sup>th</sup> century by an Italian book-keeper named Luca Pacioli.

The books of accounts have two sides, the **left half** is called the **debit side** and the **right half** is called the **credit side**.

The double – entry concept states that for every transaction, a debit entry should have a corresponding credit entry in the books.

### Activity 1.3.1

Ron is running a plumbing business in Tavua Town. You tell him to keep his private expenses separate from the business expenses

i. Which concept did you apply?

Ron told you that the business is doing very well because of a very good location. Therefore, it should be shown as an asset. You tell him location cannot be recorded as an item in accounting records.

ii. Which concept did you apply?

### Activity 1.3.2

#### FILL IN THE BLANKS

Use the resource list and fill in the blanks.

#### RESOURCE LIST

**Double Entry Concept**

**Accounting Entity**

**Matching Concept**

**Historical Cost Concept**

**Monetary Concept**

1. The Concept which states that for every debit entry there should be a corresponding credit entry is \_\_\_\_\_.
2. \_\_\_\_\_ states that transactions with money values are only to be recorded.
3. Recording of transactions at their original cost is called \_\_\_\_\_.
4. \_\_\_\_\_ states that all expenses are to be matched against the revenues of the same accounting period to calculate the correct profit.
5. The affairs of the business are kept separate and distinct from the affairs of the owner is known as \_\_\_\_\_.

### Activity 1.3.3

Define the following accounting concepts

- a. Separate Accounting Entity
- b. Double Entry Concept
- c. Monetary Concept
- d. Matching Concept
- e. Legal Entity Concept
- f. Accounting Period Concept
- g. Historical Cost Concept

### Activity 1.3.4

Match the transactions in column A with the concept in column B.

Column A	Column B
1. Owner takes \$50 for own use	a. Accounting Equation Concept
2. Paid \$200 rent of which \$50 belongs to the next accounting period	b. Historical Cost Concept
3. Sales amounted to \$50 000 and this was all because of good team work.	c. Accounting Entity Concept
4. The business bought a motor vehicle for \$70 000 five years ago, however it is still recorded at its purchase price.	d. Matching Concept
5. The owner started business with Assets of \$10 000, Liabilities \$ 4 000 and Capital \$6 000.	e. Monetary Concept

# Lesson 1.4 Career Opportunities in Commerce

## Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* The roles of accountants in our society
- \* Identify the career opportunities available in Fiji
- \* Critically analyze the information gathered to make informed decision

## Roles of Accountants

An accountant is a person who prepares financial reports from accounting records of a business. He/she has to:

- Plan, summarize, analyze and interpret financial information
- Prepare various financial reports and assist owners and managers in making financial decisions
- Supervise work of other staff in the accounts dept and checking the accuracy of their work

## Subject combinations

Accounting and Economics with English and Mathematics and any of the following electives: Computer Studies/ Geography/History/TVET [not physics]

## Tertiary Qualifications

Certificate/Diploma/Degree/Post Graduate – cert/dip/Masters/PhD/Doctorate  
In: Accounting/Finance/Economics/Commerce/Business and much more....

## Tertiary Institutions

USP  
FNU  
UNIFIJI

## Career opportunities in commerce

Group 1	Group 2	Group 3
<b>Degree/ Diploma/ higher qualification</b>	<b>Diploma/Certificate + experience</b>	<b>Certificate/Form 6/7 + experience</b>
Admin officer	Admin officer	Clerical Assistant
Agricultural Economist	Sales Clerk	Book-keeper
Auditor	Import/Export Clerk	Cashier
Chartered Accountant	Town Clerk	Sales rep
Company Secretary	Private Secretary	Receptionist
Economist	Farm Manager	
Investment Advisor	Law Clerk	
Lecturer	Insurance Clerk	
Management Consultant	Stock Brokers Clerk	
Personnel Officer	Employment Officer	



Planning Officer	Finance Clerk	
Public Relations Consultant	Insurance Assessor	
Research officer	Marketing Clerk	
Sociologist	Assistant Accountant	
Statistician	Loans Officer	
Stock Broker	Real Estate Agent	
Teacher	Purchasing Officer	
Town and Region Planner	Bank officer	
Valuers	Teacher	

### Career Environments

1. Business Environment
2. Government Environment
3. Non-Profitable Organization
4. Academic Environment
5. Self Enterprising

### Activity 1.4.1

Discuss your career choices with each other in class and list the places from where you can obtain information.

# Lesson 2.0: Financial Accounting

## **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Explore their business ideas and explain the reasons for starting the own business
  - \* Investigate the kind of decisions that small businesses and entrepreneurs must make before they plan to start their own business.
  - \* Exploring an income generating project using a business plan
- 

## **Definition**

We normally come across this word “business” very often in our everyday language. Anyone would be able to relate a shop, a factory or farm to a business. However, we do not really understand what it means.

*According to International Corporate Reporting: a **business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants. It is not just a group of assets; rather, it is an entity able to produce output.***

## **History of Businesses**

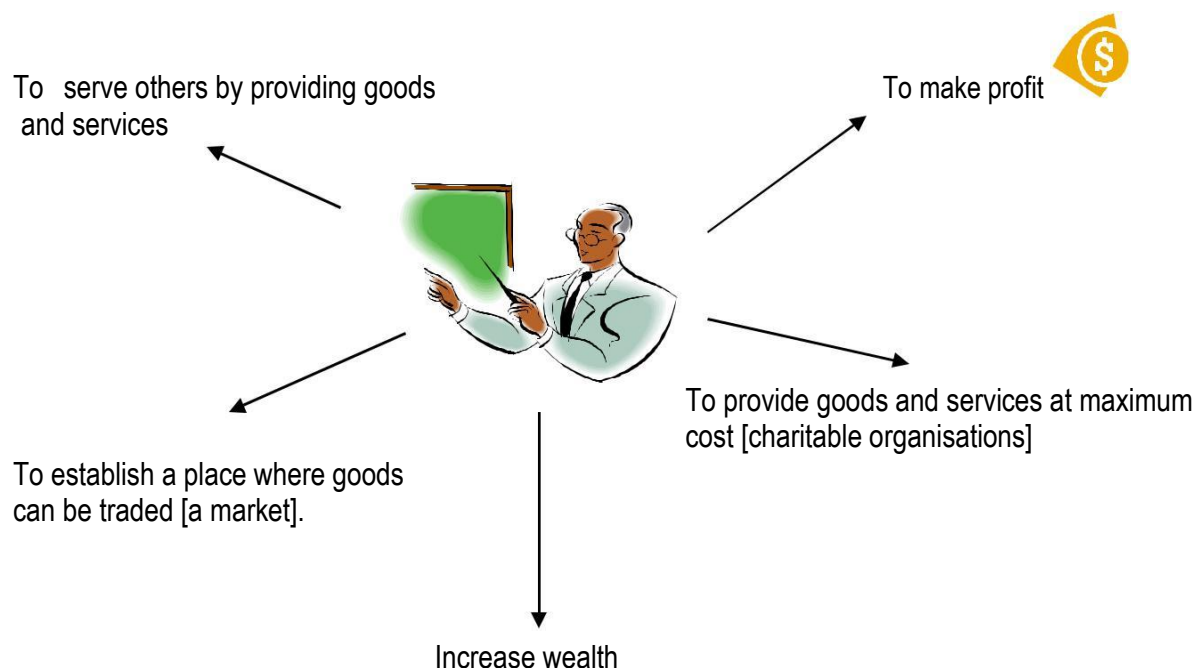
Most societies in the olden days were traditional or they had subsistence economic system. Production was for their own use only. Due to geographical locations, climate, skills and other factors, trading developed.

Barter system started when people started trading surplus goods but due to the problem of finding a trading partner to an agreeable value, rare objects became medium of exchange. These objects were feathers of rare birds, shells, beads, Whale tooth and so on.

People slowly started specialising in producing items that they were good at and could be exchanged. This gave start for market economy. Small trading posts were set up by traders which gave rise to the need for a convenient medium of exchange.

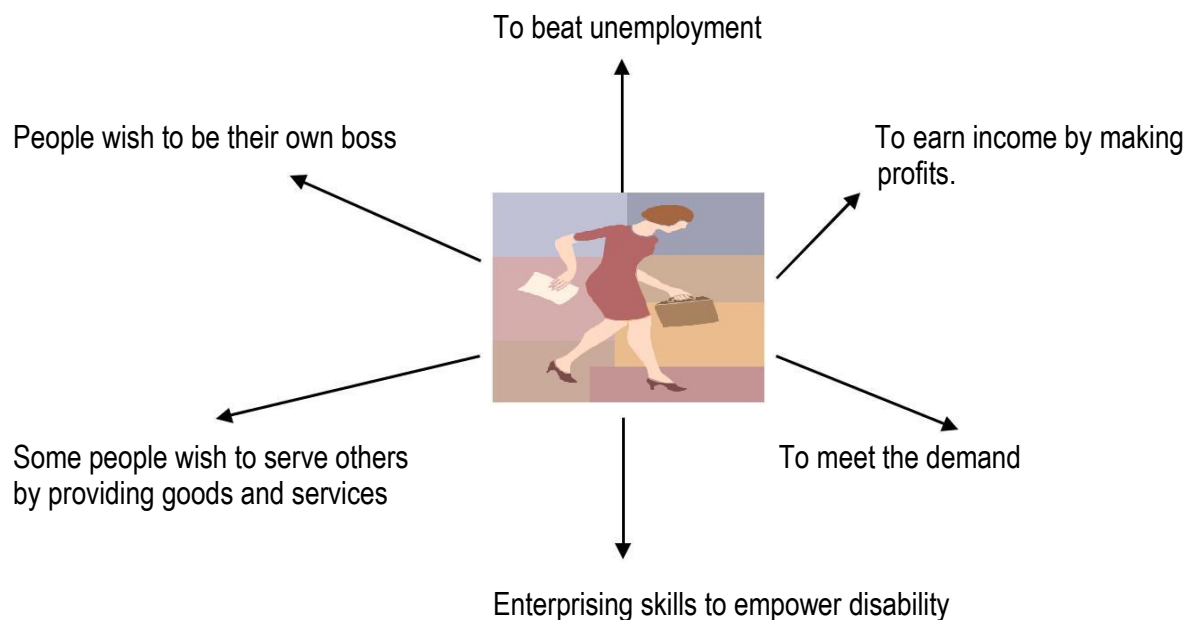
In Europe, gold coins were used and then Goldsmith’s notes came to be accepted. Later notes and coins became legal tender.

## Reasons for Existence of Businesses



## Lesson 2.1: Reasons for Starting a Small Business

### Reasons for Starting a Business



### Activity 2.1.1

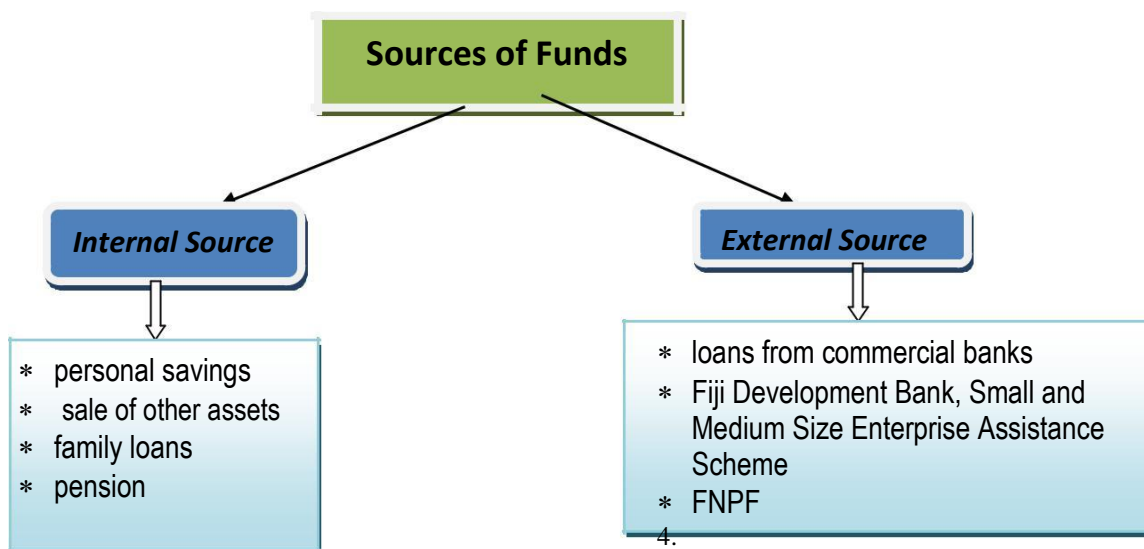
Conduct a survey in your community and identify the reasons as to why the entrepreneurs started their own business.

## Lesson 2.2

# Starting a Small Business and Decision Making Processes

### Making Decisions to Start a Business

1. What goods and services to produce/provide?
  - Demand of the goods
  - Quality/quantity
  - Local/import
  - Competitive price
  - Competitors
2. Labour/Skill requirement?
  - Type of labour: skilled/unskilled. Males/females
  - Number of laborers
  - Work experience/salaries & wages to be paid
  - Local workers/overseas
3. Materials required?
  - Availability: local/import
4. Equipment required?
  - Type of equipment
  - Affordability if need to import
  - Ability of workers to use equipment
  - Reliability of equipment
5. Location
  - Purchase of land
  - Income of people and population size
  - Rent
  - Electricity and water facilities
6. Finance [capital] - funds, equipment and technology to start a business.



7. **Cost of Funds**
  - Interest rates?
8. **Legal requirements**
  - Business license
  - Labour laws
  - OHS Regulations
  - Factory rules
9. **Profitability**
  - Will the business make profits?
  - Will the business survive?
  - Future expansion?

10. **Sources of information:**

**Informal** – information gathered from newspapers, magazines, listening to radio, T.V., and discussions with people.

**Formal** – information gathered from business reports, textbooks, business consultants and the government ministries.

### Activity 2.2.1

Nicolas plans to start a Poultry Farm in Waia in association with Crest Chicken. He has his personal savings of \$20 000.

State **five [5]** things he needs to consider before he gets started.

### Activity 2.2.2

An investor has opened a jewellery store and a bakery shop in your village which is near sea side. Do you consider the location of the business appropriate? Give reasons and suggest better location for these businesses.

### Activity 2.2.3

**Vocabulary**

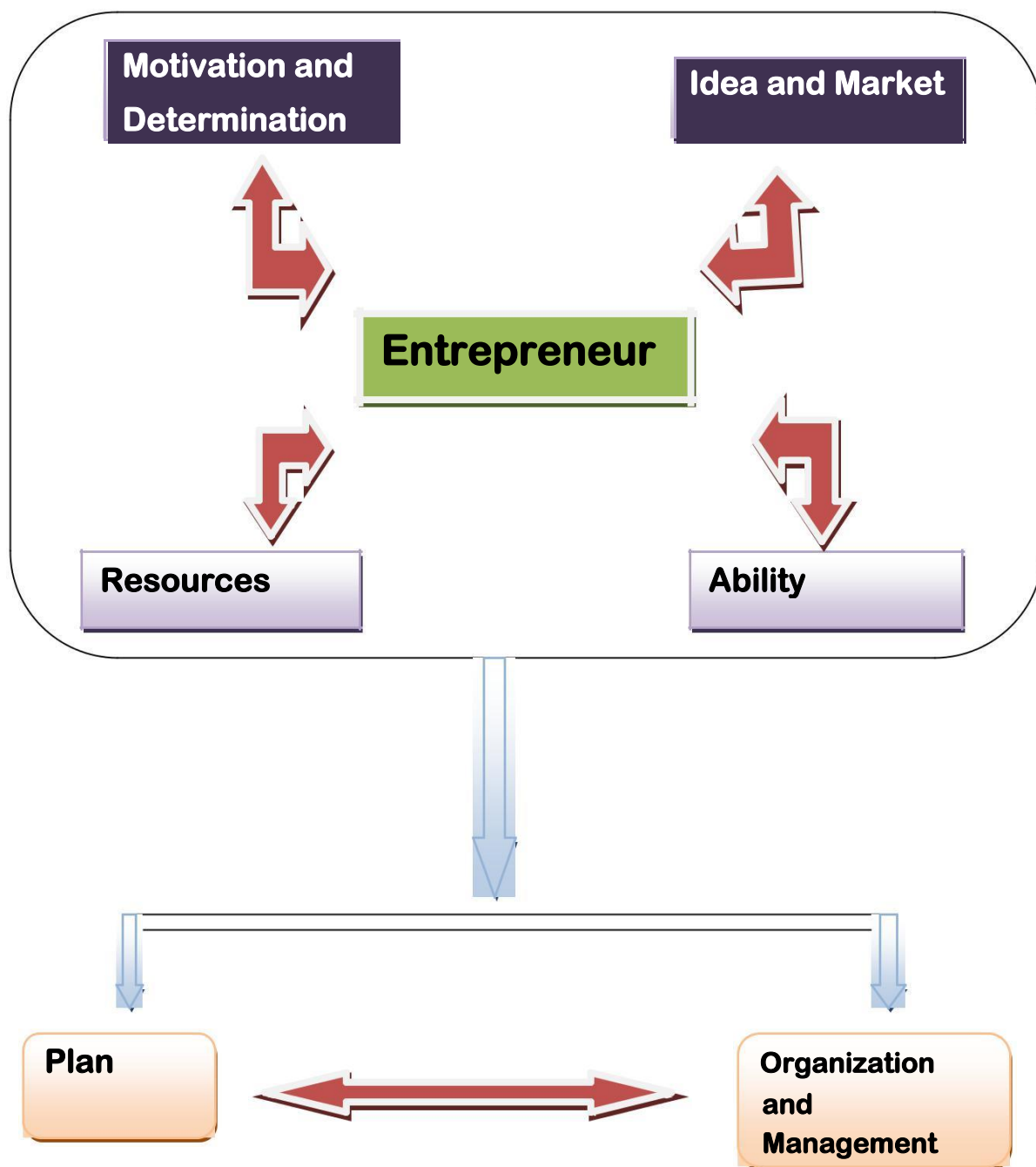
Explain the following terms with examples:

a. capital	f. legal requirement
b. interest	g. import
c. invest	h. loan
d. competition	i. consultants
e. demand	j. income

## Lesson 2.3

# Key Success Factors in Establishing a Small Business in Fiji

### Key Factors in Establishment

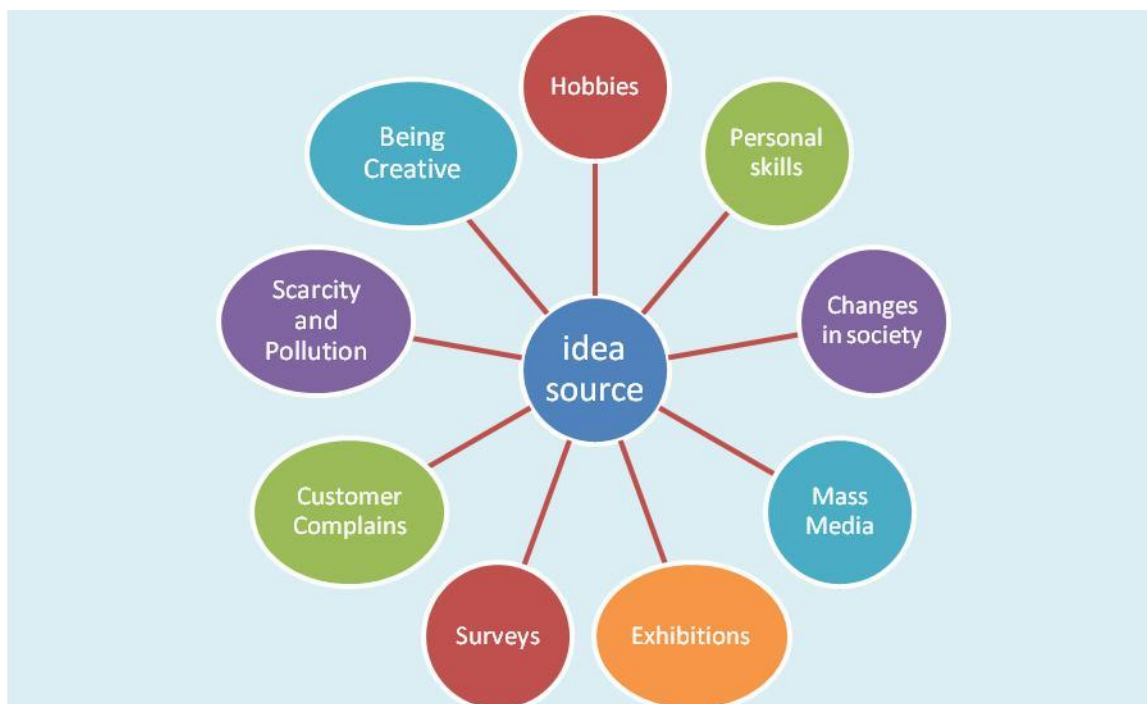


Source: Know About Business

## Business Idea

Business Idea is the solution to the identified problem or meeting demands in the economic and social environment. Having a good idea is the beginning of fulfilling an entrepreneurs dreams, desires and churning it into a business opportunity. However, to fuel any business idea creativity is the key component.

### Sources of Business Idea



Source: Know About Business

## Ability

Another essence for success is ability. Ability refers to knowledge, technical skills or managerial skills that are needed in managing the said project.

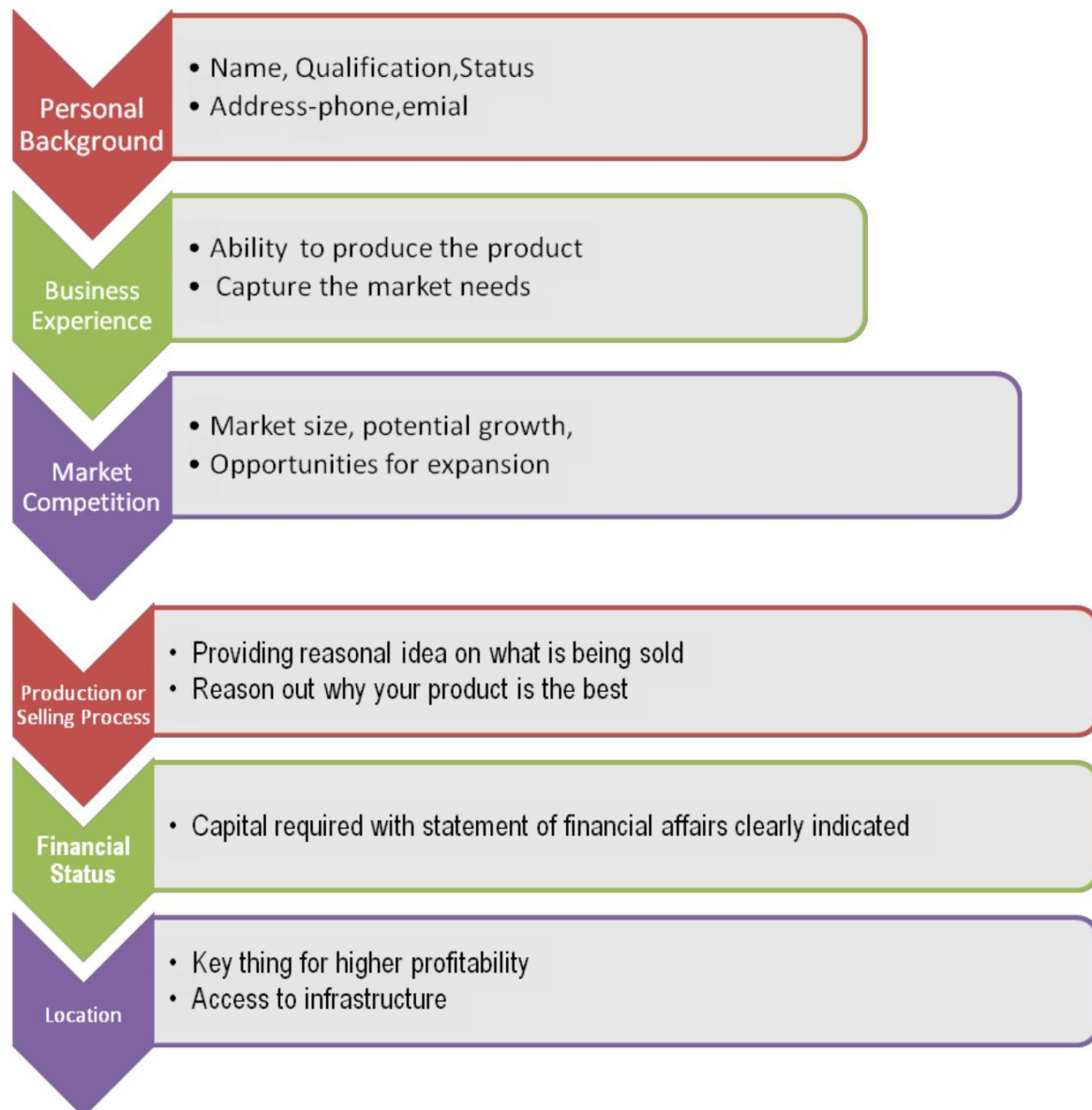
## Resources

Physical, money and natural materials need to be well analyzed as well. Resources could include labour, capital, cash, materials, natural resources, building or premises, equipment. However, infrastructure such as electricity, communication, road, water, waste care etc plays a vital role in development.

## Business Plan

A business plan is a *detailed action programme outlining every conceivable aspect of the proposed business venture.* [Know About Business]

## Structure of a Business Plan



Source: Know About Business

### Activity 2.3.1

Explore and state some of the small business or income generating projects in your locality.

### Activity 2.3.2

- i. Suppose you want to start a small internet café in your area. State the key factors such as resources, ability, motivation and determination and idea and market in initiating an internet café
- ii. Draw up a business plan for an internet café that includes information on customers, competitors, suppliers, financiers, employees, products, locations, equipment.



## Lesson 3.0

# The Accounting Process

### **Achievement Indicators:**

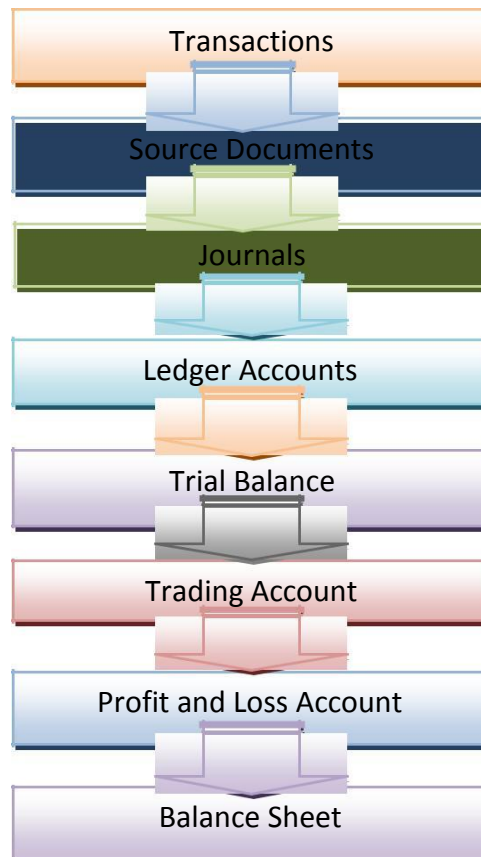
*Upon completion of this lesson, you should be able to:*

- \* Identify and draw the various stages of Accounting Process from transactions to the final accounts
  - \* Explain the various stages of Accounting Process.
  - \* Identify the different types of transactions into cash, credit, revenue and capital.
  - \* Define and give examples of the five elements of accounting.
  - \* Use the double entry concepts to analyze the different types of transactions
  - \* Prepare the analysis chart
  - \* Define ledger accounts
  - \* Use the double entry concept to post the ledger account
  - \* Identify the basic and extended accounting equation and its relationship to the balance sheet
  - \* Show the effect of transactions on the accounting equation
  - \* Describe the possible transaction from the accounting equation
- 

## Lesson 3.1

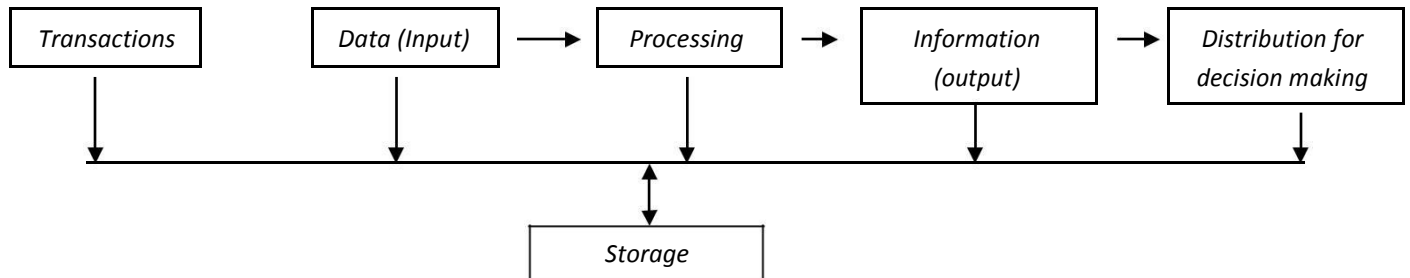
# Stages of Accounting Process

Generally, the accounting process in any business follows certain steps in accomplishing the aim of accounting.



## Lesson 3.2      Significance of Accounting Process

Like any other system, accounting also follows a systematic way of disseminating information which can be illustrated as follows:



### Transactions

These are financial events that take place in a business every day. It is called financial because it involves money.

### Data [input]

Is a set of raw facts and figures extracted from the evidence of transactions [source documents] for analysis. This includes documents such as cheque butts, invoices, receipts and bank statements.

### Processing

Involves recording and summarizing the data for analysis and interpretation. Accountants use either manual or computerized methods to carry this out. Various accounting packages such as ACCPAC is available to enable fast, accurate and efficient processing of data.

### Information [output]

Is the processed data in form of final financial reports ready for distribution to stakeholders for decision making. These are printed and binded in form of booklets. Annual Reports for companies are good examples of these.

### Distribution

Is the process of delivering the reports to the stakeholders or interested parties for decision making. It can be sent through mail or collected personally from the office of the business.

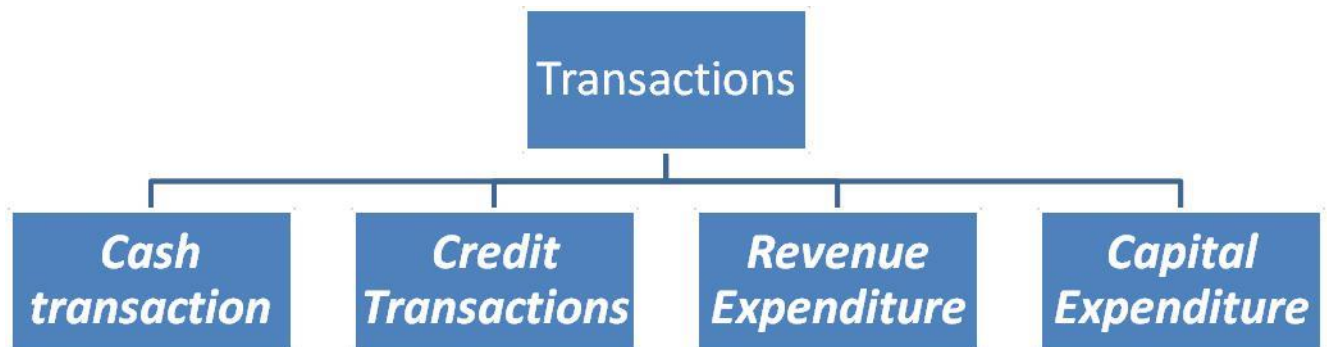
### Storage

This is another very important part of the accounting system. It is the facility where the processed information and data is kept for reference or future use. Many businesses which use manual methods still retain the hard cover bound accounting books while those that use computers have disks or hard drives with vast storage capacity to store data and information.

## Lesson 3.3 Nature and Types of Transactions

Like individuals, businesses also keep “diaries” which they refer to as “books of accounts”. Their day-to-day events are called “transactions”. A transaction is a **financial event which takes place in a business**. It must have a date, an amount and details of what occurred between the parties related to the event.

Transactions can be classified into four categories.



**Cash transactions:** are those financial events that involve immediate transfer of cash.

Examples;

02/05/X1 Paid Wages \$350.00

17/06/X2 Received Rent \$750.00

25/08/X3 Cash Sales \$235.00

**Credit transactions:** are those financial events which involve payment or receipt of cash at a later date.

Examples;

08/08/X4 Sold goods to Jadu Ram \$120.00

31/07/X5 Bought a Tractor from Smart Autoz Ltd \$47 500.00

### Activity 3.3.1

Samantha operates a Fish Processing business in Navua. Given below are the transactions that took place in March, 2010.

- March
- 1 Invested \$3 000 in the business. 9
  - Paid interest on loan for \$15
  - 17 Bought fish cleaning equipment from Fisheries Suppliers \$300
  - 23 Owner took cash for personal use \$100
  - 26 Sold fish to Anare \$200
  - 27 Paid wages \$150

**Required:**

State whether the above transactions are **cash or credit** transaction.

**Revenue Expenditure:** refers to buying of goods for sale and meeting expenses such as freight, customs duty etc.

For Example:

June 2      Cash Purchases \$200  
      5      Paid Wages \$100  
      7      Vilame Supplies charged Cartage to us \$45

**Capital Expenditure:** refers to buying of fixed assets for cash or buying of fixed assets on credit and paying off liabilities.

For Example:

July 3      Paid Loan \$300  
      6 Bought Delivery Truck from Asco Motors \$ 57 000. 9  
      Bought a Filing Cabinet for cash \$200

### Activity 3.3.2

Harry Marlos owns a bakery in Labasa. Given below are the transactions that took place in January, 2010

1. Bought bakery machines from Courts Homecentres.\$5 500.
2. Purchased fuel and oil for cash for \$200.
3. Bought flour and yeast for the bakery.\$100.
4. Bought a computer table and chair for cash \$1080.
5. Purchased sugar for cream from the supermarket \$80
6. Paid Wages to the labour.

**Required:**

State whether each of the transactions 1-6 is **capital expenditure or revenue expenditure**.

### Activity 3.3.3

**Vocabulary**

Use flash cards to explain the terms:

1. Cash Transaction
2. Revenue Transaction
4. Credit Transaction
5. Source Documents
6. Transactions
7. Journal

## Lesson 3.4

## Chart of Accounts

Like any other discipline, accounting has a list of items that we have to familiarize ourselves with. This will help us in preparing accounts and also enable us to analyze and understand the nature of accounts much better.

A **chart of accounts** is a complete list of ledger account titles and account numbers used in the accounting system.

### Elements of Accounting



Businesses differ in nature of their operations thus a standard set of Chart of Accounts cannot be applied to all business. Each business rather tailor makes it to suit its accounting system.

Chart of account for a small trading business can be illustrated as follows:

Assets [A] 100 – 199	Liabilities [L] 400 – 499
<i>Current Assets</i>	<i>Current Liabilities</i>
100 Cash in Hand	400 Bank Overdraft
101 Cash at Bank	401 Accounts Payable/Creditors
102 Accounts Receivable/Debtors	402 Expenses Due
103 Petty Cash Advance/Imprest	403 Income in Advance
104 Stock/Inventory	404 Short-term Loan
105 Income Due	<i>Long term Liabilities</i>
106 Expenses Prepaid	410 Long term/Secured Loan
<i>Fixed Assets</i>	411 Mortgage
150 Land	

151	Buildings		
152	Furniture		
153	Plants		
154	Equipment	500	Capital
155	Motor Vehicles	501	Drawings [negative capital]
156	Fixtures		
157	Fittings		
<b>Expenses [E] 200-299</b>		225	Office Expense
		226	Printing
200	Purchases	227	Water Bills
201	Purchases Returns [negative exp]	228	Accounting Fees
202	Wages	229	Sales Expenses
203	Insurance	230	Sundry Expenses
204	Rates	231	License Fees
205	Cartage Inwards	232	Petty Cash Expenses
206	Customs Duty	233	Advertising
207	Freight Inwards	234	Salaries
208	Freight Outwards	235	Depreciation
209	Carriage Inwards	236	Bad debts
210	Carriage Outwards	237	Doubtful Debts
211	Delivery Expenses	238	Rent
212	Repairs	239	Electricity
213	Maintenance	240	Painting
214	General Expenses	241	Cleaning
215	Stationery	242	Discount Allowed
216	Commission Expense	243	Travelling Expense
217	Postage	244	Gross Loss
218	Cartage Outwards	245	Bank Charges
219	Telephone	246	Miscellaneous Expenses
220	Photocopying	247	Bank Fees
221	Wrappers	248	Fuel
222	Landing Charges	249	Other Expenses
223	Duty	250	Depreciation
224	Interest	251	Accumulated Depreciation [negative asset]
<b>Revenues [R] 300 – 399</b>			
300	Sales	304	Interest Received
301	Sales Returns [negative revenue]	305	Rent Received
302	Commission Received	306	Bad Debts Recovered
303	Discount Received	307	Other Revenues

Source: Commercial Studies for Form 3

### Activity 3.4.1

1. The chart of accounts is a listing of the accounts presently having balances in the general ledger.

**True / False**

2. Some accounting software classifies some accounts as "income" accounts, while accountants might refer to these accounts as "revenue" accounts. **True / False**

3. The digits of the account numbers assigned to general ledger accounts often have significance. For example, an account number beginning with a "1" might signify that the account is an asset account; a "6" might signify an operating expense, etc.  
**True / False**
4. The accounts shown in the chart of accounts can be broadly classified into two categories: balance sheet accounts and \_\_\_\_\_ accounts.
5. Every transaction will affect how many accounts?  
a. only one      b. Only two      c. Two or more
6. In addition to the standard chart of accounts for a specific industry, you will likely want to expand and/or modify the chart of accounts to fit your business. One tool that would be helpful in determining the accounts for your company would be your company's \_\_\_\_\_ chart.

### Activity 3.4.2

#### Vocabulary

Explain the following terms in pairs.

1. Assets
2. Expenses
3. Liabilities
4. Chart of Accounts
5. Revenue
6. Proprietorship

## Lesson 3.5 Analysis Chart

Transactions can be analyzed in many ways. The first method of analyzing transactions is using the Analysis Chart.

Given below is an example of an Analysis Chart which summarizes some common business transactions.

### ANALYSIS CHART

Date	Transactions	Accounts Affected	Inc/Dec	Elements [A,E,L,P,R]	Amount \$
01/01	Cash Sales \$250	Cash at Bank	Inc	A	250
		Sales	Inc	R	250
02/01	Credit Sales \$125	Accounts Receivable	Inc	A	125
		Sales	Inc	R	125
03/01	Sold goods to Jasbir \$125	Jasbir [Debtor]	Inc	A	125
		Sales	Inc	R	125
04/01	Goods sold on cash returned by The customer \$50	Sales Returns	Inc	-R	50
		Cash at Bank	Dec	A	50
05/01	Cash Purchases \$355	Purchases	Inc	E	355
		Cash at Bank	Dec	A	355
05/01	Goods bought for cash returned by the business \$55	Cash at Bank	Inc	A	55
		Purchases Returned	Inc	-E	55
06/01	Credit purchases \$315	Purchases	Inc	E	315
		Accounts Payable	Inc	L	315
06/01	Bought goods from Sher Singh \$135	Purchases	Inc	E	135
		Sher Singh [creditor]	Inc	L	135
07/01	Credit Purchase goods returned \$15	Accounts Payable	Dec	L	15
		Purchases Returns	Inc	-E	15
08/01	Cash sale of fixed assets \$12,000 [cost price \$11,000]	Cash at Bank	Inc	A	12 000
		Fixed Asset	Dec	A	11 000
		Gain on Sale	Inc	R	1 000
09/01	Credit Sale of fixed assets \$21,000 [cost price \$25,000]	Accounts Receivable	Inc	A	21 000
		Loss On Sale	Inc	E	4 000



		Fixed Asset	Dec	A	25 000
10/01	Received from Jasbir [debtor] \$100 less 10% discount	Cash at Bank	Inc	A	90
		Discount Allowed	Inc	E	10
		Jasbir [Debtor]	Dec	A	100
11/01	Received from Jasbir [debtor] \$20 and allowed \$5 discount	Cash at Bank	Inc	A	20
		Discount Allowed	Inc	E	5
		Jasbir [Debtor]	Dec	A	25
12/01	Received loan \$750	Cash at Bank	Inc	A	750
		Loan	Inc	L	750
13/01	Received Income [or any revenue] \$233	Cash at Bank	Inc	A	233
		Income [specify revenue]	Inc	R	233
14/01	Earned income/revenue \$323 [income has been earned but not yet received in form of cash]	Accounts Receivable	Inc	A	323
		Income/ Revenue [specify]	Inc	R	323
15/01	Paid expenses/ expenses paid \$75	Expenses [specify]	Inc	E	75
		Cash at Bank	Dec	A	75
16/01	Incurred expenses \$42 [Expenses has taken place but not yet paid in form of cash]	Expenses [specify]	Inc	E	42
		Accounts Payable	Inc	L	42
17/01	Received electricity bill \$35	Electricity Exp	Inc	E	35
		FEA	Inc	L	35
18/01	Bad debts written – off \$400	Bad Debts	Inc	E	400
		Accounts Receivable	Dec	A	400
19/01	Bad debts recovered \$275	Cash at Bank	Inc	A	275
		Bad Debts Recovered	Inc	R	275
20/01	Cash taken by owner for personal/own use \$120	Drawings	Inc	-P	120
		Cash at Bank	Dec	A	120
21/01	Goods taken by owner for family thanksgiving \$56	Drawings	Inc	-P	56
		Purchases	Dec	E	56
25/01	Goods stolen from the business valued at \$2,100	Stock Loss/Theft	Inc	E	2 100
		Purchases	Dec	E	2 100

### Activity 3.5.1

Sham owns a sugarcane farm in Labasa. Below are the transactions that took place on his farm from January to June 1997

- i. Bought goods from Tractor Spares Co. \$900.
- ii. Purchased fuel and oil for \$185 cash.
- iii. Received sugarcane income \$8 900.
- iv. Paid for tractor repairs \$90.
- v. Paid loan \$1600

**Required:**

Show the effects of this transaction on the Analysis Chart with heading as accounts affected, account type, increase/decrease, Dr, Cr, amount.

### Activity 3.5.2

On 2 July 2007, Bobby started a video shop with \$2 500 cash in Sigatoka. His transactions for the month were as follows:

- July 9 Bought original DVD movies on credit from Pacific Video Limited for \$900.
- 19 Paid Pacific Video Limited \$500
- 23 Sold DVD movies to Vicky's Video Hire \$1 950
- 31 Paid wages \$160

**Required:**

Show the effects of this transaction on the Analysis Chart with heading as accounts affected, account type, increase/decrease, Dr, Cr and the amount.

### Activity 3.5.3

On 1<sup>st</sup> March 2007, Oliver who operates a fishing business in Navua had the following transactions for the month.

- March 5 Sold fish for cash \$2 500 and banked all takings.
- 7 Bought fishing equipment on credit from Boats Limited for \$1 300 and made a down payment of \$300.
- 9 Oliver drew a cheque for \$1 000 and paid \$700 to creditors and used \$300 for his family.
- 15 Sold fish to Kana Vinaka for \$1 400 22
- Paid wages \$150

- 27 Kana Vinaka paid \$400 less 10% discount.
- 31 Repaid loan \$3 000.

**Required:**

Show the effects of this transaction on the Analysis Chart with heading as accounts affected, account type, increase/decrease, Dr, Cr and the amount.

## Lesson 3.6

## The Basic Accounting Equation

Another way of analyzing transactions is using the BASIC ACCOUNTING EQUATION. The basic accounting equation was derived when we were discussing accounting concepts. It is expressed as:

$$\text{ASSETS} = \text{LIABILITIES} + \text{PROPRIETORSHIP}$$

OR

$$\text{LIABILITIES} = \text{ASSETS} - \text{PROPRIETORSHIP}$$

Shows the outsiders interest in the business

OR

$$\text{PROPRIETORSHIP} = \text{ASSETS} - \text{LIABILITIES}$$

To show the owner[s] interest in the business

Usually the three elements [Assets, Liabilities and Proprietorship] will not be given as a total figure but rather it will be broken down into smaller parts or specified. This allows us to see the **effect** of each transaction on the accounting equation.

***The following points must be noted when we are using a BASIC ACCOUNTING EQUATION:***

1. All REVENUES or INCOME received will increase CAPITAL
2. All EXPENSES paid will decrease CAPITAL
3. Any ADDITIONAL CAPITAL contributed by the proprietor/owner will increase CAPITAL and the respective asset that has contributed
4. Any DRAWINGS will decrease CAPITAL and either CASH or STOCK depending on whether CASH or GOODS were taken by the owner.
5. If STOCK/INVENTORY is given, all PURCHASE/SALE of GOODS will increase/decrease STOCK respectively unless otherwise stated. If no stock/inventory is given, all purchases will be treated as expenses and will decrease capital.
6. The nature of the business has a significant effect on how each transaction affects the equation and you shall learn this through practice.

### CASH AT BANK SITUATION

When there is CASH AT BANK given. That is, when there is money in the bank, the following have to be noted with those given above:

1. All CASH OUTFLOWS will decrease CASH AT BANK
2. All CASH INFLOWS will increase CASH AT BANK

### BANKOVERDRAFT SITUATION

When there is NO CASH AT BANK but BANKOVERDRAFT given. That is, when there is no money in the bank, the following have to be noted with those given from 1 – 6 above:

1. All CASH OUTFLOWS will **Increase** BANKOVERDRAFT
2. All CASH INFLOWS will **decrease** BANKOVERDRAFT

## WRITING POSSIBLE TRANSACTIONS

One can also identify possible transactions that could have taken place on a certain date when the accounting equation is given.

The following should be noted when writing possible transactions:

- a. Write short transactions.  
For example, Cash Sales \$100, Credit Sales \$312, Paid expenses \$210 and so on.
- b. Avoid using names.  
When writing possible transactions, one does not know the identity of the parties involved in the transactions. We only know that a transaction has taken place. The nature of the parties involved is not known.
- c. Always include the amount of the transactions in DOLLARS. Without the monetary value it is not a transaction.
- d. Pay attention to the nature of the business/type of business.
  - \* If **service organization**: use words like “**service rendered**” or “**service fees**”
  - \* If **merchandising firm**: use words like “**cash sales**” or “**sold goods**”...

## ILLUSTRATIVE EXAMPLE 1 :

Gokul Bhai started his grocery business with the following assets and liabilities on 1<sup>st</sup> March:

Cash at Bank \$4,500	Accounts Receivable \$450
Equipment \$12,000	Building \$35,000
Loan \$9,000	Accounts Payable \$200

The following transactions took place during the month:

- 02/03 Bought equipment for cash \$2,500
- 15/03 Sold goods for cash \$450
- 19/03 Peter, a debtor, paid his account \$50
- 25/03 Paid Water Bill \$38
- 26/03 Received commission \$350

### **Required:**

- a. Prepare the analysis chart
- b. Calculate the Capital for Gokul Grocery Store on 1<sup>st</sup> March
- c.. Show the effects of each transaction on the BASIC Accounting equation

**Solution:**

a.

Date	Transactions	Accounts Affected	Inc/Dec	Elements [A,E,L,P,R]	Amount \$
02/03	Bought equipment for cash \$2 500	Cash at Bank	Dec	A	2 500
		Equipment	Inc	A	2 500
15/03	Sold goods for cash \$450	Cash at Bank	Inc	A	450
		Sales	Inc	R	450
19/03	Peter, a debtor, paid his account \$50	Cash	Inc	A	50
		Peter [Debtor]	Dec	A	125
25/03	Paid Water Bill \$38	Water Bill	Inc	E	38
		Cash at Bank	Dec	A	38
26/03	Received commission \$350	Cash at Bank	Inc	A	350
		Commission	Inc	R	350

**b. Capital = Assets - Liabilities**

Assets =	Cash at Bank	\$ 4,500
	Accounts Receivable	\$ 450
	Equipment	\$12,000
	Building	<u>\$35,000</u>
		<u>\$51,950</u>

Liabilities =	Loan	\$ 9,000
	Accounts Payable	<u>\$ 200</u>
		<u>\$ 9,200</u>

<b>Capital</b>	<b>=</b>	<b>Assets</b>	<b>-</b>	<b>Liabilities</b>
	=	\$51,950	-	\$9,200
	=	<u>\$42,750</u>		

c. **Accounting Equation:** Accounting Equations can be presented in two ways:

**Option 1: Showing effects and totaling after last transaction:**

Date	Cash at Bank	+	Equipment	+	Accounts Receivable	+	Building	=	Loan	+	Accounts Payable	+	Capital
01/03	\$4,500	+	\$12,000	+	\$450	+	\$35,000	=	\$9,000	+	\$200	+	42,750
02/03	-\$2500		+\$2500					=					
15/03	+\$450							=					+\$450
19/03	+\$50				-\$50			=					
25/03	-\$38							=					-\$38
26/03	+\$350							=					+\$350
<b>Total</b>	<b>\$2,812</b>	<b>+</b>	<b>\$14,500</b>	<b>+</b>	<b>\$400</b>	<b>+</b>	<b>\$35,000</b>	<b>=</b>	<b>\$9,000</b>	<b>+</b>	<b>\$200</b>	<b>+</b>	<b>\$43,512</b>

**Option 2: Showing effects and totaling after every transaction:**

Date	Cash at Bank	+	Equipment	+	Accounts Receivable	+	Building	=	Loan	+	Accounts Payable	+	Capital
01/03	\$4,500	+	\$12,000	+	\$450	+	\$35,000	=	\$9,000	+	\$200	+	42,750
02/03	-\$2500		+\$2500					=					
	\$2,000	+	\$14,500	+	\$450	+	\$35,000	=	\$9,000	+	\$200	+	\$42,750
15/03	+\$450							=					+\$450
	\$2,450	+	\$14,500	+	\$450	+	\$35,000	=	\$9,000		\$200		\$43,200
19/03	+\$50				-\$50			=					
	\$2,500	+	\$14,500		\$400		\$35,000	=	\$9,000		\$200		\$43,200
25/03	-\$38							=					-\$38
	\$2,462		\$14,500		\$400		\$35,000	=	\$9,000		\$200		
26/03	+\$350							=					+\$350
<b>Total</b>	<b>\$2,812</b>	<b>+</b>	<b>\$14,500</b>	<b>+</b>	<b>\$400</b>	<b>+</b>	<b>\$35,000</b>	<b>=</b>	<b>\$9,000</b>	<b>+</b>	<b>\$200</b>	<b>+</b>	<b>\$43,512</b>

**ILLUSTRATIVE EXAMPLE 2 :**

Gokul Bhai started his grocery business with the following assets and liabilities on 1<sup>st</sup> March:

Bank overdraft \$4,500	Accounts Receivable \$450
Equipment \$12,000	Building \$35,000
Loan \$9,000	Accounts Payable \$200

The following transactions took place during the month:

- 02/03 Bought equipment for cash \$2,500
- 15/03 Sold goods for cash \$450
- 19/03 Peter, a debtor, paid his account \$50
- 25/03 Paid Water Bill \$38
- 26/03 Received commission \$350

**Required:**

- a. Prepare the analysis chart
- b. Calculate the Capital for Gokul Grocery Store on 1<sup>st</sup> March
- c. Show the effects of each transaction on the BASIC Accounting equation.

*DO NOT TOTAL AFTER EVERY TRANSACTION.*

**Solution:**

a.

Date	Transactions	Accounts Affected	Inc/Dec	Elements [A,E,L,P,R]	Amount \$
02/03	Bought equipment for cash \$2 500	Cash at Bank	Inc	A	2 500
		Equipment	Inc	A	2 500
15/03	Sold goods for cash \$450	Cash at Bank	Dec	A	450
		Sales	Inc	R	450

19/03	Peter, a debtor, paid his account \$50	Cash	Dec	A	50
		Peter [Debtor]	Dec	A	125
25/03	Paid Water Bill \$38	Water Bill	Inc	E	38
		Cash at Bank	Inc	A	38
26/03	Received commission \$350	Cash at Bank	Dec	A	350
		Commission	Inc	R	350

**b . Capital = Assets - Liabilities**

Assets =	Accounts Receivable	\$450
	Equipment	\$12,000
	Building	<u>\$35,000</u>
		<u>\$47,450</u>

Liabilities =	Loan	\$9,000
	Accounts Payable	\$200
	Bank overdraft	<u>\$4,500</u>
		<u>\$13,700</u>

<b>Capital</b>	<b>=</b>	<b>Assets</b>	<b>-</b>	<b>Liabilities</b>
	=	\$47,450	-	\$13,700
	=	<u>\$33,750</u>		

**c. Accounting Equation:**

Date	Equipment	+	Accounts Receivable	+	Building	=	Bank overdraft	+	Loan	+	Accounts Payable	+	Capital
01/03	\$12,000	+	\$450	+	\$35,000	=	\$4,500	+	\$9,000	+	\$200	+	33,750
02/03	+\$2500					=	+\$2500						
15/03						=	-\$450						+\$450
19/03			-\$50			=	-\$50						
25/03						=	+\$38						-\$38
26/03						=	-\$350						+\$350
<b>Total</b>	<b>\$14,500</b>	<b>+</b>	<b>\$400</b>	<b>+</b>	<b>\$35,000</b>	<b>=</b>	<b>\$6,188</b>	<b>+</b>	<b>\$9,000</b>	<b>+</b>	<b>\$200</b>	<b>+</b>	<b>\$34,512</b>

**Activity 3.6.1**

Calculate the following Elements:

<u>ASSETS</u>	==	<u>LIABILITIES</u>	+	<u>PROPRIETORSHIP</u>
a. \$20 000	==	1 000	+	-----
b. \$22 000	==	3 000	+	-----
c. -----	==	12 000	+	60 000
d. \$90 000	==	-----	+	80 000
e. \$200 000	==	_____	+	120 000



### Activity 3.6.2

S. Patel operates a canteen in Dilkusha. The assets and liabilities of her business as at 1<sup>st</sup> March, 2006 were as follows:

	\$
Cash at Bank	2 300
Debtors	600
Furniture and Equipment	3 000
Creditors	1 500
Proprietorship	?

During March 2006 the following transactions took place:

- March
- 5 Cash Sales \$100
  - 8 Bought a refrigerator from M.H .Homemaker for \$600 and made a down payment of \$200.
  - 10. Sold goods on Credit \$50
  - 15 Received \$190 from a debtor
  - 19 Bought goods on Credit from A .Cama \$130.
  - 24 Paid electricity bill \$50
  - 26 Paid A. Cama \$100
  - 31 The proprietor took cash for own use \$80

**Required:**

- a. Prepare the analysis chart
- b. Calculate the value of the proprietorship
- c. Show the effects of the transaction on the equation.

### Activity 3.6.3

Sia operates a grocery business in Rakiraki. Given below is the financial position of her business as at 1<sup>st</sup> June, 2008

*Debtors \$12 750, Stock \$23 000 , Fixed Assets \$42 000,  
Bank Overdraft \$16 800, Creditors \$9 500, Capital-Sia \$51 450*

The following transactions took place during the month of June 2008:

- June
- 2 Bought goods from DB Wholesalers \$ 5 100
  - 7 Sold Goods to Nur Ali for \$750
  - 11 Nur Ali returned goods \$80
  - 14 Bought a computer from M.H.Homemaker for \$3 500 and made a deposit of \$1 500
  - 16 Returned goods to DB Wholesalers \$300.
  - 20 Paid DB Wholesalers \$3 000.
  - 24 Sold delivery van for \$3 500

**Required:**

- Prepare the analysis chart
- Calculate the value of the proprietorship
- Show the effects of the transaction on the accounting equation.

**Activity 3.6.4**

Joshua started a vegetable and fruit business in a rental shop in Suva market. His financial position on 1 August 2009 is given below. **Write down the possible transactions.**

Date Aug/09	Bank	Stock	Debtors	Equipment	=	Creditors	Loan	Capital
01	+10 000						+4 000	+6 000
08		+2 800				+2 800		
12	+600	-300						+300
15		-200	+350					+150
18	-780					-800		+20
22	-2 000			+10 000		+8 000		
26							+36	-36
29	-250							-250
31	+150		-150					

## Lesson 3.7      Ledger Accounts

### Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* Define ledger accounts
- \* Use the double entry concept to post the ledger account.
- \* Extract a Trial Balance

**Ledger:** is a record of all accounts of a business. A ledger is prepared using Double entry concept whereby for every transaction two accounts are affected: one a debit entry and the other corresponding credit entry. Therefore, it is equally important to know the posting rules.

Sample of a ledger in a “T” Form.

Date	Particulars	Folio	\$		Date	Particulars	Folio	\$
	←		→			←		→
	<b>Debit Side</b>					<b>Credit Side</b>		

[Right hand side]

[Left hand side]

### Rules for ledger Posting



So now we add the debit and credit column to our previous analysis chart.

Date	Transactions	Accounts Affected	Inc/ Dec	Elements [A,E, L,P,R]	Dr \$	Cr \$
01/01	Cash Sales \$250	Cash at Bank	Inc	A	250	
		Sales	Inc	R		250
02/01	Credit Sales \$125	Accounts Receivable	Inc	A	125	

		Sales	Inc	R		125
03/01	Sold goods to Jasbir \$125	Jasbir [Debtor]	Inc	A	125	
		Sales	Inc	R		125
04/01	Goods sold on cash returned by The customer \$50	Sales Returns	Inc	-R	50	
		Cash at Bank	Dec	A		50
05/01	Cash Purchases \$355	Purchases	Inc	E	355	
		Cash at Bank	Dec	A		355
05/01	Goods bought for cash returned by the business \$55	Cash at Bank	Inc	A	55	
		Purchases Returned	Inc	-E		55
06/01	Credit purchases \$315	Purchases	Inc	E	315	
		Accounts Payable	Inc	L		315
06/01	Bought goods from Sher Singh \$135	Purchases	Inc	E	135	
		Sher Singh [creditor]	Inc	L		135
07/01	Credit Purchase goods returned \$15	Accounts Payable	Dec	L	15	
		Purchases Returns	Inc	-E		15
08/01	Cash sale of fixed assets \$12,000 [cost price \$11,000]	Cash at Bank	Inc	A	12,000	
		Fixed Asset	Dec	A		11,000
		Gain on Sale	Inc	R		1,000
09/01	Credit Sale of fixed assets \$21,000 [cost price \$25,000]	Accounts Receivable	Inc	A	21,000	
		Loss On Sale	Inc	E	4,000	
		Fixed Asset	Dec	A		25,000
10/01	Received from Jasbir [debtor] \$100 less 10% discount	Cash at Bank	Inc	A	90	
		Discount Allowed	Inc	E	10	
		Jasbir [Debtor]	Dec	A		100
11/01	Received from Jasbir [debtor] \$20 and allowed \$5 discount	Cash at Bank	Inc	A	20	
		Discount Allowed	Inc	E	5	
		Jasbir [Debtor]	Dec	A		25
12/01	Received loan \$750	Cash at Bank	Inc	A	750	
		Loan	Inc	L		750
13/01	Received Income [or any revenue] \$233	Cash at Bank	Inc	A	233	
		Income [specify revenue]	Inc	R		233

14/01	Earned income/revenue \$323 [income has been earned but not yet received in form of cash]	Accounts Receivable	Inc	A	323	
		Income/ Revenue [specify]	Inc	R		323
15/01	Paid expenses/ expenses paid \$75	Expenses [specify]	Inc	E	75	
		Cash at Bank	Dec	A		75
16/01	Incurred expenses \$42 [Expenses has taken place but not yet paid in form of cash]	Expenses [specify]	Inc	E	42	
		Accounts Payable	Inc	L		42
17/01	Received electricity bill \$35	Electricity Exp	Inc	E	35	
		FEA	Inc	L		35
18/01	Bad debts written – off \$400	Bad Debts	Inc	E	400	
		Accounts Receivable	Dec	A		400
19/01	Bad debts recovered \$275	Cash at Bank	Inc	A	275	
		Bad Debts Recovered	Inc	R		275
20/01	Cash taken by owner for personal/own use \$120	Drawings	Inc	-P	120	
		Cash at Bank	Dec	A		120
21/01	Goods taken by owner for family thanksgiving \$56	Drawings	Inc	-P	56	
		Purchases	Dec	E		56
25/01	Goods stolen from the business valued at \$2,100	Stock Loss/Theft	Inc	E	2,100	
		Purchases	Dec	E		2,100

**Illustrative Example** on ledger posting using an analysis chart.

Mr. Magan Lal started business with cash \$500 on February 1<sup>st</sup> 2010. The following transactions took place during the month of February.

- Feb 2 Sold goods to C. Lal \$20
- 5 Bought a typewriter for cash \$200
- 6 Bought goods for cash \$100
- 7 Sold goods to P. Chand \$80
- 8 Sold goods for cash \$80
- 9 Bought furniture from A.B.Ltd \$150
- 10 Bought goods from Niresh Deo \$75
- 11 Paid Niresh Deo \$73 and received a discount of \$2
- 17 Received from P. Chand \$78 and Discount Allowed \$2

**Required:**

1. Prepare an analysis chart to analyze the transactions
2. Post to the relevant ledger accounts.
3. Extract a trial balance

**Solution:**

## 1. Analysis Chart

Date	Transaction	Account Affected	Account Type	Increase/Decrease	Debit /Credit
Feb 1	Mr. Magan Lal started business with cash \$500	Cash at Bank	A	increase	Debit
		Capital	P	Increase	credit
5	Bought a typewriter for cash \$200	Typewriter	A	increase	Debit
		Cash	A	Decrease	Credit
6	Bought goods for cash \$100	Purchase	E	Increase	Debit
		Cash	A	Decrease	Credit
7	Sold goods to P. Chand \$80	P. Chand	A	Increase	Debit
		Sales	R	Increase	Credit
8	Sold goods for cash \$80	Cash	A	Increase	Debit
		Sales	R	Increase	Credit
9	Bought furniture from A.B.Ltd \$150	Furniture	A	Increase	Debit
		A.B.Ltd	L	Increase	Credit
10	Bought goods from Niresh Deo \$75	Purchase	E	Increase	Debit
		Niresh Deo	L	Increase	Credit
12	Paid Niresh Deo \$73 and received a discount of \$2	Niresh Deo	L	Decrease	Debit
		Cash	A	Decrease	Credit
		Discount Received	R	Increase	Credit
17	Received from P. Chand \$78 and Discount Allowed \$2	Cash	A	Increase	Debit
		Discount Allowed	E	Increase	Debit
		P. Chand	A	Decrease	credit

## 2. Ledger Posting

## Cash at Bank [A]

Date	Particulars	Folio	\$	Date	Particulars	Folio	\$
Feb 1	Capital		500	Feb 2	Typewriter		200
8	Sales		80	6	Purchase		100
17	P. Chand		78	12	Niresh Deo		73
					<b>Balance c/f</b> <b>[carried forward ]</b>		285
			<u>\$658</u>				<u>\$658</u>
Mar 1	Balance b /f [ brought forward]		285				

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**Capital [P]**

				Feb 1	Cash		500
--	--	--	--	-------	------	--	-----

**Typewriter [A]**

Feb 2	Cash		200				
-------	------	--	-----	--	--	--	--

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**Purchase [E]**

Feb 6	Cash		100	Feb 28	Balance c/f	175	
10	Niresh Deo		<u>75</u>				
			<u>175</u>			<u>175</u>	
Mar 1	Balance b /f		175				

**Sales [R]**

Feb 28	Balance c /f		160	Feb 7	P. Chand		80
				8	Cash		80
			<u>160</u>				<u>160</u>
				Mar 1	Balance b /f		160

**P. Chand [A]**

Feb 7	Sales		80	Feb 17	cash		<u>7</u> 8
					Discount Allowed		<u>2</u>
			<u>80</u>				<u>8</u> <u>0</u>

Note: P. Chand's account has balanced off thus it will not appear in the trial balance .

**Furniture [A]**

Feb 9	A. B. Ltd		150				
-------	-----------	--	-----	--	--	--	--

**A. B. Ltd [L]**

				Feb 9	Furniture		150
--	--	--	--	-------	-----------	--	-----

**Niresh Deo [L]**

Feb 12	Cash + Discount		<u>75</u>	Feb 10	Purchase		<u>75</u>
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**Discount Received [R]**

				Feb 12	Niresh Deo		2
--	--	--	--	--------	------------	--	---

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### Discount Allowed [E]

Feb 17	P. Chand		2				

**Trial Balance:** is a list of ledger account balances at a certain date.

#### Trial Balance of Mr. Magan Lal as at 28th February, 2010

A , E- Dr Side		L, P, R – Cr side	
Cash at Bank	285	Capital	500
Typewriter	200	Sales	160
Purchase	175	A. B. Ltd	150
Furniture	150	Discount Received	2
Discount Allowed	<u>2</u>		
	<u>\$812</u>		<u>\$812</u>

#### Activity 3.7.1

Using the analysis chart for activity 6.7, prepare the appropriate ledger accounts and extract a trial balance

#### Activity 3.7.2

C. Pandey started a small general store in Lomaivuna with the following transactions that took place during the month were:

Dec 3 Sold goods to L. Motufaqa on credit \$100 6 Paid P.

Fong \$140 less 5% discount.

8 Cash Sales \$220

10 L. Motufaqa returns goods \$2

12 Paid for electricity \$70

16 Owner took goods for own use from the business\$33 21

M. Ali sold goods to C. Pandey \$55

24 L. Motufaqa paid on account \$380 was allowed \$20 discount

25 Owner wrote a cheque for himself \$50.

26 Sold goods to Alice Wong \$40

29 Wrote off Rahemat Ali' s account.

**Required:**

1. Prepare an analysis chart to analyze the transactions
2. Post to the relevant ledger accounts.

### 3. Extract a trial balance

#### Activity 3.7.3

Sashi Patel started a shoe store called Comfort Feet. During the first week of June, 2013, the business had the following transactions.

- June
- 1 Sold shoes for cash \$300
  - 2 Sold shoes to Samu \$160 on credit
  - 3 Charged commission to Labasa Slippers Store \$80
  - 4 Cash Sales \$208
  - 5 Paid - Insurance \$125 and Dhaia Shoe Dealers \$800
  - 6 Cash received from shoe repairs \$56
  - 7 Cash takings \$194
  - 8 Bought shoes from Nagin Shoes Company \$1 100
  - 9 Jamal's cheque of \$60 was dishonored
  - 10 Owner took a pair of shoes worth \$25 for his son.
  - 11 Bank charges \$3
  - 12 Cash received from shoe repairs \$48.
  - 13 Received commission from Labasa Slippers Store of \$55
  - 14 Paid Paulini Limited on account \$43, discount received \$7
  - 15 Received loan from Coral Bank \$ 1 500
  - 16 Cheque paid to Naisoro for wages \$69

#### Required:

1. Prepare an analysis chart to analyze the transactions
2. Post to the relevant ledger accounts.
3. Extract a trial balance

#### Activity 3.7.4

- Jan
- 1 K. Bola commenced business with cash \$9 000 and Leasehold Property \$26 000 and
  - 2 Purchased goods on credit from Chandrika Patel, \$5 000.
  - 3 Sold goods to Fong Lee, \$95
  - 4 Paid telephone bills \$250
  - 5 Commission received \$200
  - 6 Paid electricity bills for his living house \$76
  - 7 Wrote off C. Singh's account a debtor \$1 200
  - 8 Cash Sales for \$300
  - 9 Sold goods to Rashmi for Cash \$55

10 Fong Lee settled his account \$90 and allowed discount \$5

11 Paid Chandrika \$400 less 10 percent discount

**Required:**

1. Prepare an analysis chart to analyze the transactions
2. Post to the relevant ledger accounts.
3. Extract a trial balance

# Lesson 4 .0 Measuring Periodic Income Statement of Financial Position

## **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Balance the accounting equation.
  - \* Use the accounting equation to prepare a balance sheet
  - \* Describe and classify the components of Balance Sheet.
  - \* Prepare the balance sheet
- 

A **Statement of Financial Position** is a statement of the Assets, Liabilities and Proprietorship at a certain date showing what the business **owns** and what it **owes**. It is also known as Balance Sheet .

**Purpose of a Balance Sheet:** is to shows the **financial position** of a business at a certain date.

## **Assets and Liabilities**

### **Assets:**

Assets are classified into Current and Non – Current.

#### Current Assets

These are assets held by the business and can be turned into cash within the Accounting period.

Example include :

- Petty Cash
- Cash in Hand
- Cash at Bank
- Debtors/ Accounts Receivable
- Stock / Inventories
- Expenses Prepaid
- Income Due

#### Non Current Assets (Fixed Assets)

These are assets held by the business to earn revenue for several accounting periods

- Land and Building
- Vehicle
- Furniture
- Fixtures and Fittings
- Premises
- Equipment

### **Liabilities**

These are classified into Current and Long Term

#### Current Liabilities

These are liabilities which have to be paid off within the Accounting period.

Example;

- Bank Overdraft
- Creditors / Accounts Payable
- Expenses Due
- Income Received in Advance
- Short Term Loan

Loan Term Liabilities

These are liabilities which can be paid over a period of years.

Example ;

- Long Term Loan
- Mortgage

**Illustrative Example 1: Format of a Fully Classified Statement of Financial Position**

Statement of Financial Position of (the business name)

As at (date)

<u>Current Assets</u>	\$\$	\$\$	<u>Current Liabilities</u>	\$\$	\$\$
Petty cash Imprest	20		Accounts Payable		3000
Cash in Hand	50				
Cash at Bank	5000		<u>Long Term Liabilities</u>		
Accounts Receivable	2500		Mortgage	20000	
Inventories	<u>1000</u>	8570	Loan	<u>5000</u>	25000
<u>Fixed Assets</u>			<u>Proprietorship</u>		
Equipment	10000		Capital	40000	
Plant	4500		Add Net Profit	<u>6570</u>	
Land and building	<u>50000</u>	64500		46570	
			Less Drawings	<u>1500</u>	<u>45070</u>
		<b><u>\$73070</u></b>			<b><u>\$73070</u></b>

**Illustrative Example 2: Worked Example using the extended accounting equation from previous lesson:**

Statement of Financial Position of Gokul Grocery Store

As at 26<sup>th</sup> March 20..

<u>Current Assets</u>	\$\$	\$\$	<u>Current Liabilities</u>	\$\$	\$\$
Cash at Bank	2,812		Accounts Payable		200
Accounts Receivable	<u>400</u>	3,212			
			<u>Long Term Liabilities</u>		
<u>Fixed Assets</u>			Loan		9,000
Equipment	14,500				
Building	<u>35,000</u>	49,500	<u>Proprietorship</u>		
			Capital	42,750	
			Add Net Profit	<u>762</u>	
				43,512	
			Less Drawings	<u>0</u>	<u>43,512</u>
		<b><u>\$52,712</u></b>			<b><u>\$52,712</u></b>

### Activity 4.1

Prepare a Balance sheet as at 31<sup>st</sup> March, 2006 for S. Patel.

### Activity 4.2

Prepare a Balance sheet as at 30<sup>th</sup> June, 2008 for Sia

### Activity 4.3

R. Daniva is the proprietor of Super Brite Laundry in Suva. His assets and liabilities as at 31<sup>st</sup> December 2010 were as follows:

Cash	\$5 000
Equipment	\$20 000
Buildings	\$40 000
Debtors	\$2 000
Loan	\$10 000
Capital	\$57 000

**Required:**

Prepare R. Danivas' Balance Sheet As At 31<sup>st</sup> December 2010

## Lesson 5.0 Analyzing and Interpreting Periodic Accounting Statements

### Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* State the formula for the ratios.
  - \* Identify the purpose of ratios
  - \* Calculate the ratios.
  - \* Interpret the ratios.
  - \* Identify ways to improve the ratios.
- 

Financial statements are the key to understanding the financial position of your entity. They help you determine where your money comes from, how it was spent and if funds are available to support your payments. The objective of financial statement is to communicate information to users. They provide users with information about the allocation and use of funds, the source and type of revenues and to what extent revenues were sufficient to meet expenditures? They also provide a snapshot of how much money was spent and for what purposes, and how cash needs were met. A financial statement assists businesses in decision making.

**Analysis** involves applying a set of formulae to find relationships between figures in the final reports like balance sheet then comparing for better decision making.[ Frewen and Spurdle 2006 : Year 12 Accounting]

**Liquidity:** is how quickly a business can convert or turn its assets into cash. Cash is the most liquid asset. Liquidity ratios assist to assess the financial stability of a business and its ability to pay its short term debts as they fall due.

Liquidity consists of working capital in dollars, current ratio and liquid ratio. For this year we will only look at current ratio or working capital ratio.

**Working Capital:** is the money on which business operates on.

Working Capital = Total Current Assets – Total Current Liabilities

### Illustrative Example:

Given below is the calculation of working capital of two entities.

	Business X	Business Y
Total Current Assets	\$230 000	\$200 000
Total Current Liabilities	\$180 000	\$95 000
Working Capital in dollars	\$50 000	\$105 000

## Current Ratio or Working Capital Ratio

**Current Ratio:** measures the business ability to pay the short term debt as they fall due. In other words it measures liquidity and is always expressed as either as a percentage or ratio.

**Formula:**

$$\text{Current Ratio} = \frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$$

### **Illustrative Example:**

Given below is the information taken from Mario's business for two years

	<b>2010</b>	<b>2011</b>
Total Current Assets	\$152 000	\$210 000
Total Current Liabilities	\$120 000	\$90 000

### **Required:**

Calculate and interpret the current ratio

### **Solution:**

i. 2010 Current Ratio =  $\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$

$$= \frac{152\,000}{120\,000}$$
$$= \$1.26: \$1.00 \text{ or } 126.67\%$$

ii. **Interpretation:** For every one dollar of payment the business has \$1.26 available to pay the debt as it falls due. This shows the current ratio is satisfactory and needs measures to improve it. However, it is advisable for the business to **follow rule of thumb that is 2:1** to be better off.

2011 Current Ratio =  $\frac{\text{Total Current Assets}}{\text{Total Current Liabilities}}$

$$= \frac{210\,000}{90\,000}$$
$$= \$2.33: \$1.00 \text{ or } 233.33\%$$

ii. **Interpretation:** For every one dollar of payment the business has \$2.33 available to pay the debt as it falls due. This shows the business is in a better position to pay its debts in a short term. Thus the current ratio has strengthened in 2011.



## How to Improve Working Capital or Current Ratio

To improve working capital the business may either increase current assets or decrease current liabilities. In reality it may not be as easy as it sounds, however, the following measures could ease off a severe liquidity problem:

- Reduce Drawings
- The owner could contribute or invest more funds into the business
- Improve the debtors' collection period- helps to increase liquidity.
- Have good internal control measures on stock so that cash is not tied with stock.

**Financial Stability** looks at how secured the business is from lenders and creditors in the long run. It consists of debt ratio and equity ratio.

## Debt Ratio

A financial ratio is the one that measures the extent of a company's or consumer's leverage. The **debt ratio** is defined as the **ratio of total debt to total assets, expressed in percentage, and can be interpreted as the proportion of a company's assets that are financed by debt**. Debt ratio measures the financial stability of the firm where it examines the proportion of total assets financed by creditors. It is expressed as a percentage or a ratio and is acceptable if it is between 35%-55%.

**Formula:**

$$\text{Debt Ratio in percentage} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \times \frac{100}{1}$$

### Illustrative Example:

Given below is the information taken from Mario's business for two years

	2010	2011
Total Assets	\$356 731	\$345 000
Total Liabilities	\$162 450	\$221 200

**Required:**

Calculate and interpret the debt ratio

**Solution:**

$$\begin{aligned} \text{. 2010 Debt Ratio} &= \frac{\text{Total Liabilities}}{\text{Total Assets}} \\ &= \frac{162\,450}{356\,731} \\ &= \$0.45: \$1.00 \text{ or } 45.5\% \end{aligned}$$

ii. **Interpretation:** The debt ratio is satisfactory. It shows that for every dollar of claim the creditors have only 45% or \$0.45 contributions made to the business. That is owner has more

claim over the business than the creditors. In this way the owner is in a better position to meet any loans due for repayment.

$$\begin{aligned} \text{2011 Debt Ratio} &= \frac{\text{Total Liabilities}}{\text{Total Assets}} \\ &= \frac{221\,200}{345\,000} \\ &= \$0.64: \$1.00 \text{ or } 64.12\% \end{aligned}$$

- ii. **Interpretation:** The debt ratio has weakened in 2011. It shows that the outsiders have more claims over the business than the owner. It is always advisable for the business to have a low debt ratio.

## Equity Ratio or Proprietorship Ratio

The **equity ratio** is a [financial ratio](#) indicating the relative proportion of [equity](#) used to finance business assets. The two components are often taken from the firm's [balance sheet](#) or statement of financial position. It is expressed as a percentage or a ratio and is acceptable if it is between 45%-65%.

### Formula:

$$\text{Equity Ratio} = \frac{\text{Proprietorship}}{\text{Total Assets}}$$

### Illustrative Example:

Given below is the information taken from Mario's business for two years

	2010	2011
Total Assets	\$356 731	\$345 000
Proprietorship	\$121 637	\$107 633

### Required:

Calculate and interpret the equity ratio

### Solution:

$$\begin{aligned} \text{Equity Ratio} &= \frac{\text{Proprietorship}}{\text{Total Assets}} \\ &= \frac{121\,637}{356\,731} \\ &= \$0.34: \$1.00 \text{ or } 34.09\% \end{aligned}$$

- ii. **Interpretation:** The equity ratio is unsatisfactory or alarming. It shows that for every dollar of assets contributed the creditors have contributed 66% while the owner's contributions made to the business is 34%. That is creditors have more control over the business assets than the owner.

$$\begin{aligned}
 \text{2011 Equity Ratio} &= \frac{\text{Proprietorship}}{\text{Total Assets}} \\
 &= \frac{107\,633}{345\,000} \\
 &= \$0.31: \$1.00 \text{ or } 31.20\%
 \end{aligned}$$

**Interpretation:** The equity ratio is unsatisfactory or alarming. It shows that for every dollar of assets contributed the creditors have contributed 69% while the owner's contributions made to the business is 31%. That is creditors have more control over the business assets than the owner. In this case if the business is dissolved or liquidated than creditors have first claim on assets a head of the owner. Thus the owner should invest further cash capital into the business.

### Activity 5.1

The following information has been taken from the records of Asinate's Tours for the year ending 31 December 2007.

Financial Highlights	31/12/2007 \$
Closing Stock	22 600
Fixed Assets	185 000
Accounts Receivable	21 000
Bank Overdraft	9 000
Term Loan -10 years	35 000
Investments	7 500
Accounts Payable	15 000
Capital	167 900

**Required:**

Calculate and interpret the following ratios and percentages to two **decimal places**. Show full working with the formula.

- a. Working Capital Percentage
- b. Amount of Working Capital in Dollars
- c. Debt Ratio
- d. Equity Ratio

### Activity 5.2

Dylan has the following records of his performances in the past two years.

Financial Highlights	31/12/10	31/12/11
Capital	112 637	107 363
Creditors	67 336	75 525
Current Assets	122 000	176 000
Fixed Assets	143 147	132 363
Mortgage	148 000	212 031
Investments	65 126	89 300

**Required:**

Calculate and interpret the following ratios and percentages to two **decimal places for the two years**. Show full working with the formula.

- a. Working Capital Percentage
- b. Amount of Working Capital in Dollars
- c. Debt Ratio
- d. Equity Ratio

## Lesson 6.0

# Systems for Implementing Accounting Process

### *Achievement Indicators:*

*Upon completion of this lesson, you should be able to:*

- \* *Define cash*
  - \* *Identify the internal control procedures for cash received and cash payments*
- 

**Internal Control:** refers to measures undertaken by the business to increase efficiency and protection against any fraud, error or misappropriations.

In this lesson we will only focus on control over cash receipts and cash payment.

### **Internal control Principles**

- ❖ Adequate Documentation: refers to any cash received or paid has to be recorded. For example any cash received is to be receipted and banked like money smart task.
- ❖ Verification: is where the records are cross- checked with the documents to rectify for any errors or fraud. For example checking the deposit slips with the bank statements.
- ❖ Authorization: refers to endorsing or giving approval for the payments to be made.

**Cash:** is the most liquid asset that has higher risk of fraud and error.

### **Control over Cash Received**

- ❖ All cash received is to be recorded promptly and accurately.
- ❖ All cash received is to be banked daily or more often if not daily.

### **Control over Cash Payments**

- ❖ All relevant documents are to be cross –checked or verified before any payments are made.
- ❖ Regular bank reconciliations are to be prepared to identify for errors and to detect theft.
- ❖ Duties of authorization, preparation, issuing, and recording of cheques or payments are separated as far as possible.

## Activity 6.1

*Kaliti is in charge of a petty cash box in a small office. She is not very efficient and often gets her own money mixed with the firm's cash. However, nobody seems to worry about this and when funds are running low, she simply asks the cashier for more cash. She does not bother to keep a record of payments made as she found that it is too hard to remember everything that is paid*

*The cash box is often kept unlocked under the office counter so that is convenient to other staff members to use when small cash payments*

### Required:

- a. With the reference to the case study, identify **three** internal control weaknesses in the petty cash imprest system
- b. Suggest **three** steps that can be taken to improve the weaknesses mentioned in [a] above.

# **STRAND THREE:** ***ECONOMY I***



## **STRAND OUTCOME:**

**Explore and express relationship between people and events and their relation to culture, resources and environment and apply their knowledge and skills to become responsible and productive citizens.**

## Overview

This strand introduces the student to the basic economic concepts and how they can apply the skills to their daily lives. It highlights some basic economic theories that will become an essence for their career path in future.

## Lesson 1.0: Introduction to Economics

### Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* Describe the term 'Economics'
  - \* State the reasons for studying economics
  - \* Identify the roles of economists in our society
- 

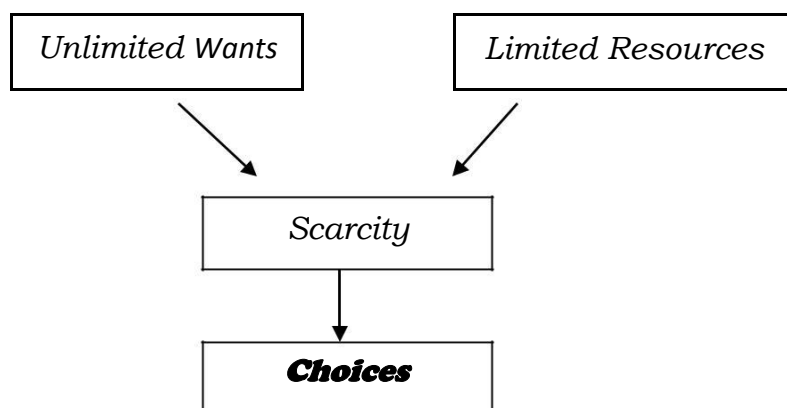
## HISTORY OF ECONOMICS

Economics come from the Greek word (Oi-konomia). It means the art of housekeeping. The Greeks were not too interested in the studying of business and economic decisions of government. They lived in small city-states that had its own way of making rules and choosing government. Economics as the subject originated in the 18th Century with the publications of Adam Smith's "The Wealth of Nations". He is known as "the father of Economics".

## DEFINITION OF ECONOMICS

- ❖ **Economics** is the study of how individual and societies chooses to use scarce resources to satisfy their needs and unlimited human wants.
- ❖ . It also includes the way in which society chooses how to allocate means of production and resources between alternative uses. The study of economics therefore has to deal with society and choice

The **Economic problem** is the **scarcity of resources** i.e. resources are not enough to satisfy the wants of consumers.





Whenever we make a **choice** it always results in **opportunity cost**. Opportunity Cost is the next best alternative foregone. For example , to stay home and watch movies or go to school. So when we pick school movies becomes our opportunity cost.

**Choice:** is act of choosing or selecting between many economic variations or options.

## Reasons for the Studying Economics and Its Implications

- ❖ It helps us to understand why people around us behave the way they do.
- ❖ It helps us different fields of work since many jobs require economics knowledge e.g. Accountants, Managers, Governments Advisors, Tax Consultants etc.
- ❖ It helps us to understand the actions of governments and business organizations.
- ❖ It allows us as individuals to play a more active role in the workplace and the community.

## Role of Economists

Economists are experts in economics; they research on issues such as:

- ❖ Effect of changes on tax rates.
- ❖ The relationship between interest rate and investment
- ❖ Ways of reducing unemployment
- ❖ Developing theories and models that predict or explain behavior of individual and business

### Activity 1.1

i. Define the term scarcity in economics.

ii. Economics is that social science concerned with

- A. Investing successfully on the stock exchange
- B. the allocation of society's scarce resources
- C. establishing and running a profitable business firm
- D. sound accounting and financial management practices

iii. The way in which given amounts of land, labor and capital are combined in the production process is

- A. A financial problem
- B. A technical problem
- C. An economic problem
- D. A statistical problem

iv. Which of the following statements is the best definition of Economics? It is the study of:

- A. How people use money
- B. How people live in society
- C. Living things in their environment
- D. How people deal with the problem of scarcity

## Lesson 2.0 Economic Resources

*Achievement Indicators:*

*Upon completion of this lesson, you should be able to:*

- \* Name and define the factors of production.
  - \* Explain the factor return for each factors of production.
- 

The most important feature of resources is their scarcity and diversity. **Factors of Production:** are input into production process that is used to produce goods and services. Factors of Production are also known as **economic resources**. The demand for these resources depends on the products that are expected to be made. This is called '**derived demand**'. Economic Resources are scarce, and we are faced with economic problems of "What "goods and services to produce and "For Whom" to produce. To overcome this problem resource are allocated for those commodities which are required by the people.

### The Basic Economic Resources are:

1. Land (Natural Resources)
2. Capital (Manmade resources)
3. Labor (Human resources)
4. Entrepreneurship (Management resources)

**1. Land (Natural Resources):** Includes all natural resources found on earth, sea and minerals.

Some of the features are:

- Land is fixed in supply
- It is (immobile) and non renewable
- Land is unique and non identical
- Land is subjected to the law of diminishing return which means that in other words as more and more of a variable unit is increase the output will increase and then decreased.
- Land can be used for variety of purpose but only one at a time
- Land is gift of nature. Therefore there is no cost of producing land.

### Activity 2.0.1

a. List the natural resources which are:

- i. Relatively abundant in Fiji (Sun, Water, air, natural vegetation, clay soil)
- ii. Relative shortage in supply (Clean Water; land mass, minerals, and tropical fruits)

b. Which types of energy used in Fiji are:

- i. Renewable (ans: Solar energy, hydro, windmill)

- ii. Non renewable (Petrol, (Fossil fuels) (oils, petrol), Natural resources (forests, bio oil.)
- iii. Indigenous (Mahogany, pine trees, forests)
- iv. Imported (Fuel and oil (energy))
- c. Name 3 Primary Industries in Fiji (Forestry, Agriculture, Dairy, Fisheries, and Mining)

**2. Labour (Human Resources):** Refers to all human resources of either physical or mental efforts in the production of goods and services. Includes all types of productive work for which payment is made for example doctor, teacher, Carpenter, etc.

- The **quality of labour** depends on intelligence on work culture, training and education level.
- The **supply of labour** force depends on the size of working population.

### Characteristics of Labour

- Each labour is unique in appearance and abilities. There is no one perfect substitute of a labour.
- Labour is mobile and can be moved from one place to another
- It cannot be stored
- It has a weak bargaining power. They could rather receive a low wage than being unemployed. But the establishment of trade unions has managed to change this.
- Labor is perishable (non – renewable). In terms of labour hours lost due to absents from work.

**Specific/ skilled Labour:** This refers to highly trained people who are specialized in a specific work.  
E.g. heart surgery, pilot engineer, architect etc.

**Non specific / Unskilled Labour:** This refers to unskilled (and semi – skilled workers) who have many alternative work or uses. They have minimum level of education  
E.g. Sales girl, Taxi driver.

### Activity 2.0.2

- a. What is the key factor that determines the size of the labour force?
- b. What does the efficiency of labour depend on?
- c. To be a member of the labour force a person must be employed full time? Do you agree with the statement? Why and why not?
- d. Study the resource given below and answer the following questions.

Figure A

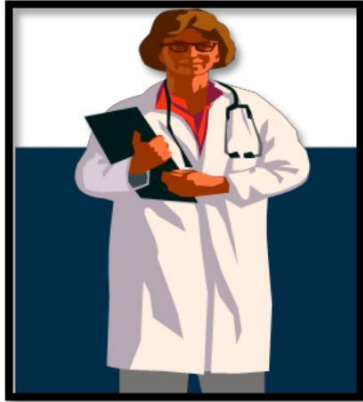
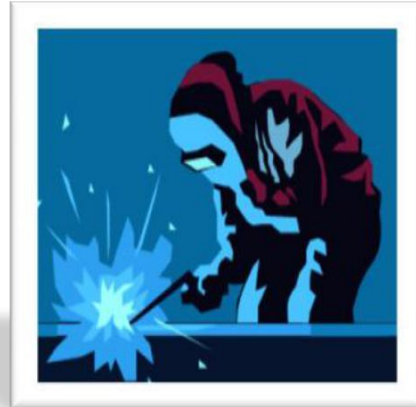


Figure B



- i. Identify the type of labour shown figure A and B.
- ii. Which type of resource is labour referred to as?
- iii. State at least two characteristics of labour.

3. **Capital (Man made Resources)**: refers to manmade goods which are used in the production of goods and services. It includes the real physical assets that are used by the producer. E.g. machines, tools, hammer etc.

#### **Features of Capital**

- It is wealth (assets used for production)
- It required continuous maintenance and replacement due to wear and tear. This is called capital consumption and depreciations.
- Capital originates from savings income not used in consumption.

#### **Capital Formation (or Capital Accumulations)**

Capital formation is **investment**. It refers to the process of adding to the net physical capital stock of an economy in an attempt to achieve greater total output. Savings is required in order to have investment. The economy will have to forego current consumption to produce capital goods.

### **Activity 2.0.3**

- I. Which two resources are regarded as substitutes? Land and Capital
- II. Explain the term automation and state some disadvantages of it.

#### **What Is Automation?**

The use of machines to do the work that previously was done by people (human) e.g. the use of robots which makes the production process self regulator thus eliminating the use of labors.

#### **Impact of Using Automation in Production of Goods and Services**

- More input will be produced, as machines do not get tired and machines do not need rest. Unemployment or loss of jobs.
- It also reduces the variable and average cost per unit termed as Economy of Scale.

### Activity 2.0.4

- What are the advantages and disadvantages of having automated technology e.g. ATM and services?

[**Advantages** - increases production (mass production) standardise production, flexible manufacturing system, can perform repetitive task accuracy. **Disadvantages** – it will result in redundancy of employees]

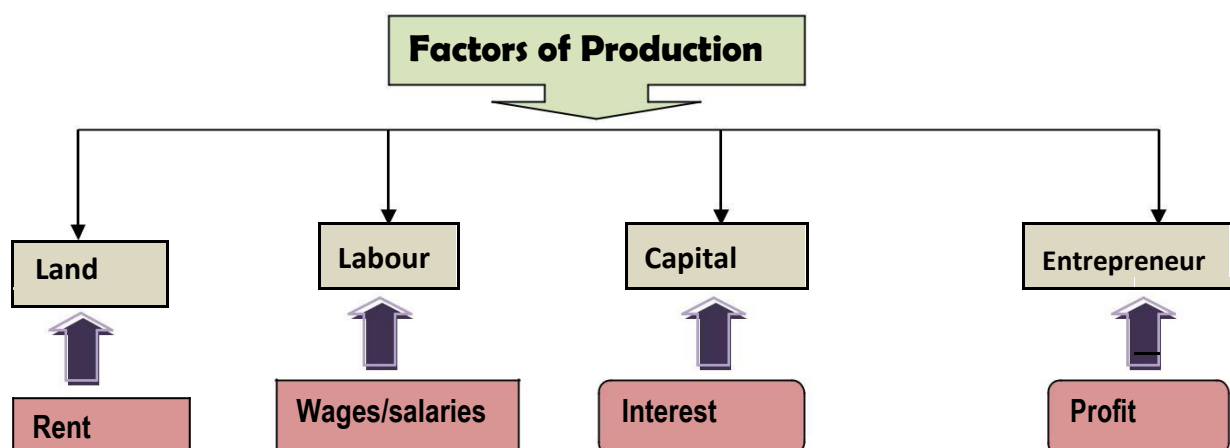
- Explain the meaning of the statement “save now and eat better later”. [The statement shows the benefits of saving which is a way to improve our standard of living in the future.]

**Entrepreneurship (Human Resources):** refers to the ability to make difficult and new decisions, risk taking inventing new things such as those that starts up a new business and face the risk of uncertainties

#### Characteristics of Entrepreneur

- Provides managerial skills
- Takes financial risks of uncertainties in the business and making decision,
- Managing and organizing other factors of production to produce goods and services.
- Innovator with creative talents and skills
- Performs the function of risk bearing of uncertainties associated with the continuity or the success of the business investments.

#### Return for Factors of Production



### Activity 2.0.5

- i. Who is an entrepreneur?
- ii. Is an entrepreneur different from managers? Explain
- iii. List the advantages and disadvantages of an economic system run by entrepreneur
- iv. In an enterprise the reward to entrepreneurs for the risk taken for innovation or ideas contributed is
  - a. rent
  - b. shares
  - c. interest
  - d. profit

### Activity 2.0.6

#### a. Fill in the Blanks

1. The four factors of production are \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.
2. Another name for economic resources is \_\_\_\_\_.
3. The main function of an entrepreneur is to \_\_\_\_\_ and \_\_\_\_\_.
4. Land is a \_\_\_\_\_ because it is not made by \_\_\_\_\_.
5. Another name for man made resource is

#### \_\_\_\_\_. b. True or False

1. All factors of production are state owned in Fiji. \_\_\_\_\_
2. Entrepreneurs organise factors of production. \_\_\_\_\_
3. Money is a factor of production. \_\_\_\_\_
4. Labour refers to physical efforts only. \_\_\_\_\_
5. Land is natural and man made resource. \_\_\_\_\_
6. Land is fixed in quantity. \_\_\_\_\_

### Activity 2.0.7

1. Economics is that social science concerned with
  - a. Investing successfully on the stock exchange
  - b. the allocation of society's scarce resources
  - c. establishing and running a profitable business firm
  - d. sound accounting and financial management practices
2. The way in which given amounts of land, labor and capital are combined in the production process is

- a. A financial problem
  - b. A technical problem
  - c. An economic problem
  - d. A statistical problem
3. . Which of the following is classified as a **land** resource?
- a. Ideas
  - b. Forests
  - c. Machinery
  - d. Managerial skills

### Activity 2.0.8

- i. Identify the four economic resources from the picture given below.
- ii. Define the identified resource.
- iii. State a feature of the resources.



### Activity 2.0.9

Write a paragraph between 75 -100 words on the given questions:

1. Land is **one** of Fiji's most important resources. Discuss the four characteristic of land.
2. Explain what **entrepreneurship** is? Discuss the aims and functions of an entrepreneur in a private enterprise.
3. Identify **two** types of labour resources in Fiji. Discuss the characteristics of labour and importance of the two kinds of labour to the economic growth of Fiji.

## Lesson 2.1: Economic and Non Economic Activities

### Achievement Indicators:

Upon completion of this lesson, you should be able to:

\* Define and List Economic and Non Economic Activities.

---

**Economic Activity** – is concerned with the production of goods and services that give satisfaction to our wants. There include activities such as production, exchange, consumption and distribution of goods and services.

Economists regard any production thing that can be measured in terms of money and included in the national income as an economic activity.

**Non-Economic Activity** – activities that have no economic value. They include issues of value judgment that cannot be proved to be either right or wrong or leisure time activities .For e.g. a cat running across the road, singing, playing for relaxation. These are not included in the national income.

### Activity 2.1.1

Place a tick in the correct column.

	Economic Activity	Non- Economic Activity
Picking flowers to sell		
Picking flower in the garden		
Helping mother to cook		
Stealing a car		
Odour from fish market		
School attendant		
Cleaning a drain		
Singing for pleasure		
Dancing to generate income		



## Lesson 2.2 Goods and Services

### **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Identify and give examples of goods and services.
- 

Goods and services are anything that satisfies our needs and wants, helping us to meet our day to day living requirements. Any economy cannot operate without them. Those things that make our lives easier, more comfortable or better in some way are our wants and we can live without them. Example T.V. Our wants are unlimited. People always want more and more goods and services. No matter how many goods we have we will always want more because our wants are instable.

**Goods** – tangible or material things we make or buy to satisfy our needs and wants. For example paper, shoes, car etc.

### **Types of Goods:**

1. Free Goods
2. Economic Goods

**Free Goods:** are abundant in supply and they cost nothing to obtain. They are **not** relatively scarce in relation to human wants. They include air, sunshine, ice in Greenland, sand in deserts. Free goods have no opportunity cost.

**Economic Goods:** are scarce relative to human wants and one has to pay a price to obtain them. They are valued in monetary terms thus have opportunity cost. Example cars, phone food, water etc. Economic Good can be further divided into **consumer** and **capital** goods.

i. **Capital or Producer Goods:** are man made goods which are used for making other goods and services. They are needed by producers to manufacture other goods and services. Examples: machinery and equipment such as sewing machine and plough. In a school the teacher uses a blackboard which a capital good, a farmer uses a plough to till the land which is a producer good.

ii. **Consumer Goods:** goods used by consumers to satisfy their needs. Consumer goods are classified into two types

a. **Durable Consumer Goods:** are used several times over a period. Example- radios, cars, furniture, stoves, etc

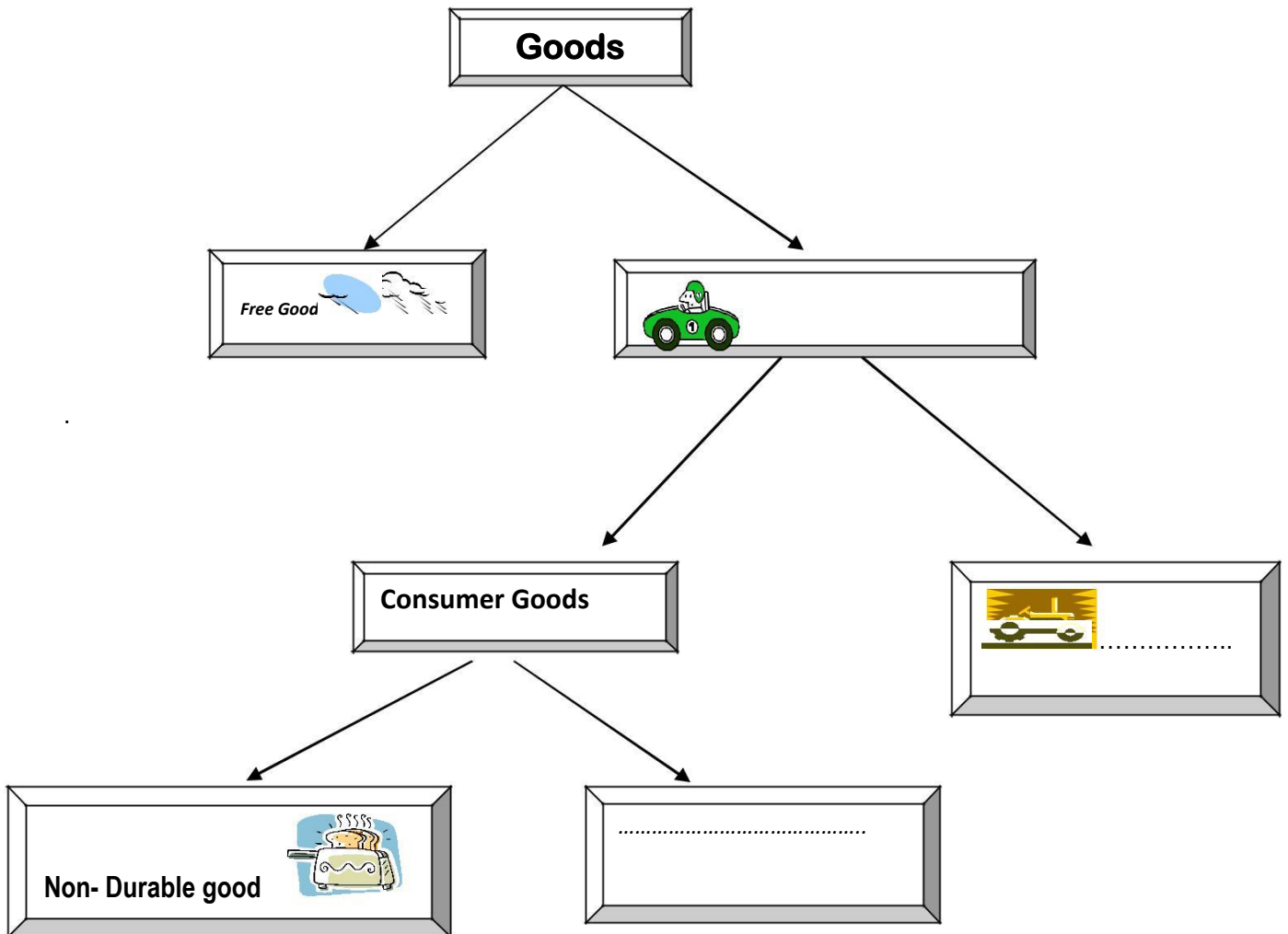
b. **Non Durable Consumer Goods:** are used on a single occasion. Example- bread, milk, lighting a matchstick, etc

### Activity 2.2.1

- i. List the free goods which are available in your country
- ii. List at least four services provided by the government
- iii. Is water supplied by WAF a free good or an economic good? Give your reason.
- iv. In what circumstances does a capital good become a consumer good?

### Activity 2.2.2

Copy and complete the diagram.



**Collective Goods:** these are goods used by the general public for their collective wants and are normally provided by government or religious or charitable organization. Example - hospitals, schools, roads, police force, water supply. Some of these goods are essential and socially desirable so they are described as merit goods.

**Services:** are non material things which are provided to consumers to give them satisfaction. These are intangible jobs and work that people do for themselves or for others that cannot be touched. Example - restaurants, cafes, banks, transport, supermarkets, shops, Medical checkups, tourism, education etc.

**Producers:** are those who produce or make goods and services.

**Consumers:** are those who buy and use the goods and services.

### Activity 2.2.3

#### Fill in the Blanks

- i. Obtaining satisfaction from a intangible job is known as \_\_\_\_\_
- ii. A tractor used for farming is an example of \_\_\_\_\_ good.
- iii. \_\_\_\_\_ are also called single use goods.
- iv. Goods used by the general public for their collective wants are called \_\_\_\_\_
- v. \_\_\_\_\_ are people who consume or buy and use goods while \_\_\_\_\_ are the makers of these goods.
- vi. \_\_\_\_\_ have no opportunity cost while \_\_\_\_\_ are valued in monetary terms.

### Activity 2.2.4

Write a paragraph between 75-100 words. Each question is worth 5 marks.

With reference to **Economic Goods**, Discuss under the following guidelines:

- Define the term Economic Goods
- State **two** examples
- Describe **two** features of economic goods

### Activity 2.2.5

In pairs explain the meaning of the following terms:

i. Goods	ii. Free Goods
iii. Non –Durable Goods	iv. Durable Goods
v. Consumer Goods	vi. Collective Goods
vii. Services	viii. Economic Activity
ix. Non –Economic Activity	x. Capital Goods

## Lesson 2.3: Production and Producer

### Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* Identify and discuss the stages of production.
  - \* Demonstrate the different stages of production process
- 

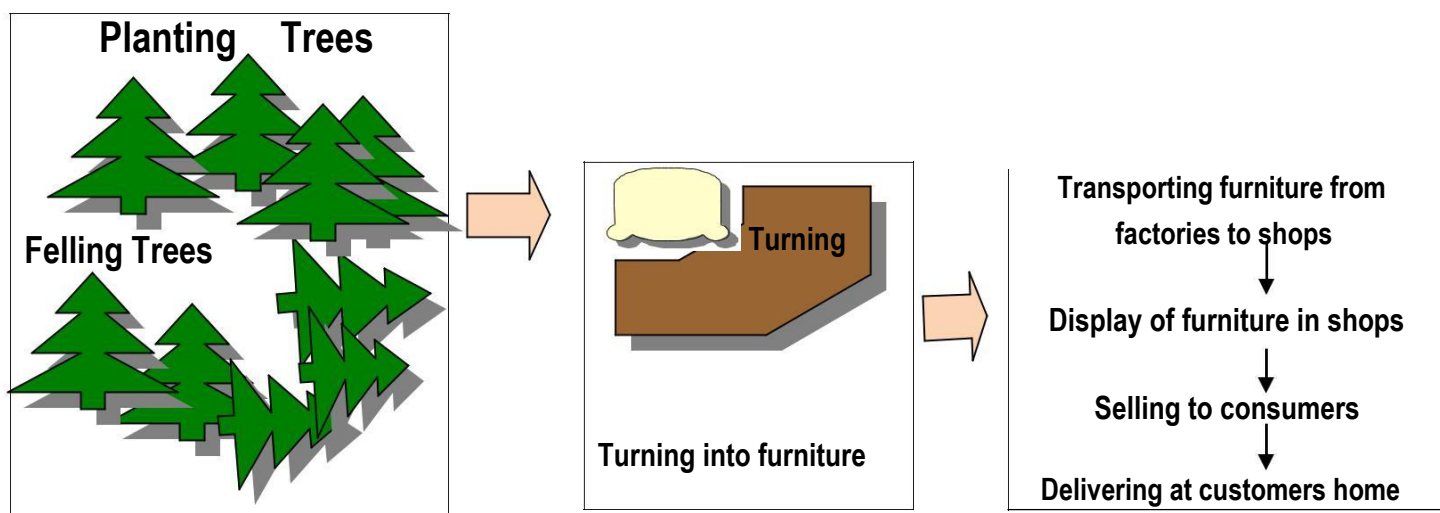
**Production:** is an act of producing goods and services.

### Stages of Production Process

Different types of production produce different kinds of goods and services. Thus, we can group these productions in three common stages of production:

1. **Primary Production:** is *extractive* in nature that involves all activities directly involved with land and sea. For example, farming, fishing, forestry, mining,
2. **Secondary Production:** refers to the process of converting raw material into semi-finished or finished consumer goods. This is the second stage of production. It is one of the fastest growing productions in our economy. For example, factories, mills, construction businesses etc.
3. **Tertiary Production:** refers to services whereby people do things for others. For example, banking, transporting, repairing, teachers, doctors, sales assistants etc. It also involves the distribution and selling of goods produced by primary and secondary productions.

The three stages of production can be demonstrated in a flow diagram.

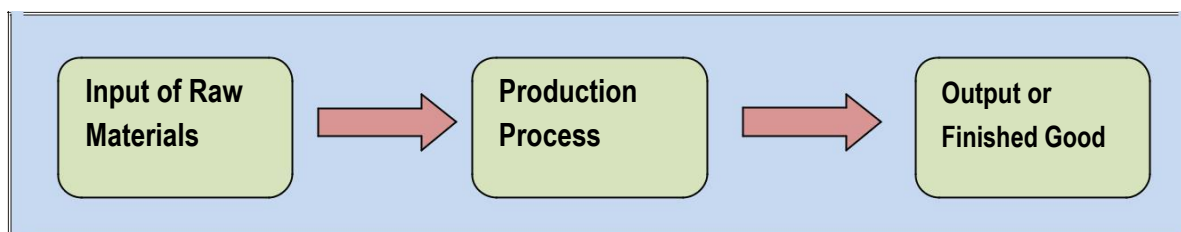


Primary Production → Secondary Production → Tertiary Production

## Production Process

**Production Process:** refers to the way in which goods are made. In other words it is a process where factors of production are combined together by firms to produce goods and services. For example, cultivating vegetables, making houses, visiting a dentist etc.

The nature of production within entities varies because of different kinds of goods or services produced. Thus, the production process will vary as well. The production process could be labour or capital intensive, mass production and craftsman production. Whatever the production process is the business needs to achieve optimum production efficiently.



Source: Year 11 Economics

## Contributions made by Primary, Secondary and Tertiary Productions

- Creates employment opportunities
- Earns foreign exchange
- Contributes towards the GDP
- Satisfies the needs of the local
- Leads to development of infrastructure in semi-urban areas
- Development of other sectors example transportation, banking, insurance and so on.
- Improves peoples' standard of living

### Activity 2.3.1

1. Define production in your words?
2. Use the sugar industry to explain and demonstrate the stages of production?

### Activity 2.3.2

1. Which of the following industries uses more than capital in its primary production?

- A. fishing industry
- B. mining industry
- C. forestry industry
- D. sugar industry

2. Which of the following is the product of aquaculture?

- A. pine chips
- B. *gold*
- C. ginger
- D. prawn

3. An example of secondary production would be

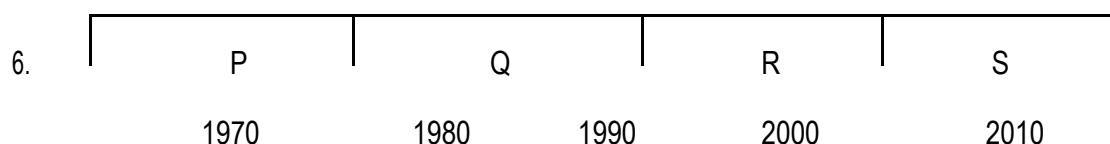
- A. an entrepreneur buying goods for resale
- B. a freezing works
- C. a truck driver working at two jobs
- D. a primary school teacher

4. Garment industries can be classed as

- A. primary production
- B. secondary production
- C. tertiary production
- D. semi-secondary production

5. Fiji's major garment export is to

- A. Australia
- B. USA
- C. Japan
- D. New Zealand



Garment export became a leading foreign exchange earner in Fiji during period?

- a. P
- b. R
- c. Q
- d. S

### Activity 2.3.3

#### Fill in the Blanks

- i. Another name for tertiary production is \_\_\_\_\_.
- ii. Secondary production \_\_\_\_\_ raw materials into \_\_\_\_\_ goods that are provided by primary industries.
- iii. The purpose of production is to satisfy our \_\_\_\_\_ and \_\_\_\_\_.
- iv. \_\_\_\_\_ production involves extraction either from sea or land.
- v. The major primary production in our country are \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.

### Activity 2.3.4

1. Copy and complete the table.

Product	Production		
	Primary	Secondary	Tertiary
Sugar	Farming	Sugar Mill	Sales and distribution
Fish			
Rice			
Butter			
Cigarettes			
Paper			

2. Classify the following people according to whether they work in primary, secondary or tertiary industries:

a. Hair Dresser	a. Alpine flight pilot
b. Trout farmer	c. Rental car operator
d. Home spun knitters	e. Sheepskin processor
f. Pig farmer	g. Photographer

*Source: Year 11 Economics*

### Activity 2.3.5

1. Study the table and answer the questions that follow.

Year	Sugarcane (000) tones	Sugar (000) tones
1990	4016	408
1991	3380	389
1992	3533	400
1993	3704	440
1994	4064	517

- i. Explain the relationship between sugarcane production and sugar production as shown in the table
- ii. How much sugarcane and sugar was produced in the year 1993
- iii. Calculate the percentage change in the production of sugar between the years 1992 and 1993.
- iv. Which year was the best both for the production of sugar and sugarcane.

2. Use the table and your knowledge to answer the questions that follow.

Year	Export Earning
1999	128.9
2000	122.7
2001	160.7
2002	120.8

- a. In which year was export earning
    - i. The highest
    - ii. The lowest
  - b. Explain the trend in export earnings?
  - c. Construct a line graph using information from the table.
  - d. State 2 reasons why garment industries are important to Fiji's economy
3. i. Define
- a) Export orientation
  - b) Import substitution
- ii. State 2 reasons why the manufacturing industry is important for Fiji?
  - ii. State four factors that will hinder the development of the manufacturing industry?

### Activity 2.3.6

Study the picture given below to answer the questions that follow.



Source: Tourism Fiji

- a. Which stage of production does tourism come under?
- b. State an example of a primary and secondary industry that is associated with tourism industry.
- c. Explain **two** ways in which this service industry contributes to economic growth and development?



### Activity 2.3.7

Write the paragraph in between 75 -100 words for the given questions.

1. Discuss **Sugar industry** using the following guidelines:

- The nature of the sugar industry
- Three contributions of sugar industry to Fiji's economy
- One problem that is faced by the industry

2. Discuss the Garment industry using the following guidelines:

- state one feature of the industry
- state two ways in which the industry contributes to Fiji's economy
- state one problem that may affect the production

3. ***Fiji's agriculture sector has contributed significantly to its Gross Domestic Product.***

Analysis the statement given above to include the following:

- The nature of the agriculture sector
- The extent of government involvement in the agriculture sector
- Contributions made by the agriculture sector to Fiji's economy
- Problems faced by the agriculture industry

4. **“An industry or a market is comprised of individual firms that seem to have their line of operation and nature oriented towards a common goal”**

Evaluate the statement given above to include the following:

- The nature of a particular tertiary or secondary industry in Fiji;
- Its major contributions to Fiji's economic developments;
- The problems that affect its development

## Lesson 2.4 Channel of Distribution of Goods

### Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* Illustrate the different channels of distribution

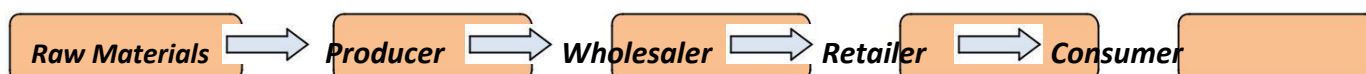
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Goods go through a chain of production from raw materials to final consumption. The process of bringing goods from the producer to the user is called the **channel of distribution**. The passage of goods between the raw material stage and the consumer is referred to as **distribution**.

The flow diagram given below shows the different ways of channel of distribution

#### a. Producer to wholesaler to retailer to Consumer

This channel is suitable when a producer wants to cut his costs of distribution. Sugar, foodstuff and many other items are distributed in this way.



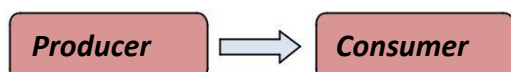
#### b. Producer to retailer to Consumer

The producer may deal directly with the retailer when the retailer buys more than the wholesaler, for example, supermarket owners buy a lot of goods for retailing. The product is very expensive or a luxury item, for example, jewellery and cars.



#### c. Producer to Consumer.

The producer may sell directly to the consumer in order to keep the price down. For example, furniture makers, mail order dealers and milk and vegetable farmers sell directly to the consumer



**PRODUCER:** is a person or business unit which makes goods and services

**WHOLESALER:** buys goods in bulk from a producer or producers and sells them in smaller quantities to the retailer. The wholesaler acts as a middleman between the producer of the manufacturer and the retailer.

## WHOLESALE AND RETAIL

Selling goods to the consumers is a big business involving a lot of people, the producer, wholesaler and retailer. Communications and transport systems are very important in bringing goods to the stores for sale.

### RETAILER

A retailer buys goods at a discount from the wholesalers and producers and sells them in small quantities to consumers. Both the wholesaler and the retailer have to make profit from their sales for their businesses to continue.

### Activity 2.4.1

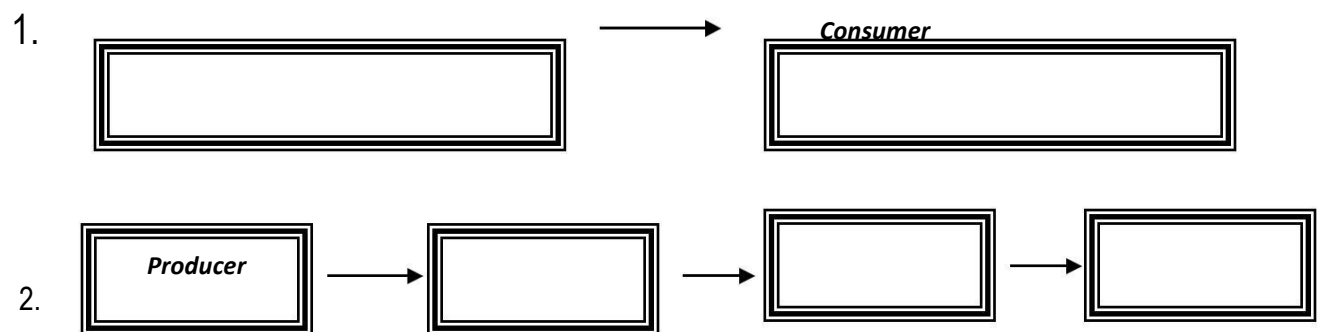
#### A. MATCHING

Choose the term that best matches with the statement.

- |                            |  |
|----------------------------|--|
| 1. Channel of distribution | A. Purchased goods at discount rate and sold them to individual customers. |
| 2. Wholesalers             | B. Duty-free shop selling only cameras                                     |
| 3. Chain stores            | C. Keep small range of stock-grocery, household requirements, clothes etc. |
| 4. Retailing               | D. The process of marketing goods from a producer to consumers.            |
| 5. Specialist shop         | E. Various branches owned by one company.                                  |
| 6. Retail store            |  |

#### B. FILLERS

Copy and write the appropriate terms in the empty boxes for distribution of goods.



- C. a. Name two products which are sold only by direct sellers.  
b. Explain why some retailers no longer deal with wholesalers.

- c. What is the main feature of a discount house?
- D. Explain the meaning of the following terms.
- a. Retailer
  - b. Wholesaler
  - c. Mail order
  - d. Distribution
- v. Make a list of goods that you can buy straight from the producer.
- vi. Provide two examples of trades in which supermarket are not very important.

## Lesson 2.5: Demand and Supply

### Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* Describe the concepts of demand and supply
- \* Draw, describe and interpret the demand and supply schedules and curves
- \* Describe the factors affecting the demand and supply
- \* Derive individual demand curve using concept of marginal utility
- \* Construct the market demand curve by summing individual demand curves
- \* Distinguish between movement along supply/ demand curve/ demand/ supply
- \* Identify reasons for shifts of demand and supply curves

---

This topic becomes challenging for students to understand. Thus play the game before you start the lessons proper. With the game at the back of their mind all the time they will be able to apply the concepts really well.

### Activity 2.5.1

#### ***A Market Game***

Let's set a market in our classroom and see and learn how demand and supply works. Set up a goods [snacks/vegetables/clothes/shoes/etc] market in the corner of the classroom. The facilitator will divide pupils into suppliers, sellers, consumers, score-keeper and audience. There has to be a narrator [to be played by facilitator] as well who needs to announce the changes that take place in the market. The supplier and the seller need to set their prices before the game begins.

#### **GAME BEGINS!!!!**

Consumers start their shopping at a lowest price level. Scorekeeper record the quantity. Now narrator makes a change ["flooding/cyclone/recession"]. So what will the seller and consumer do? Scorekeeper tracks the quantity changes. Audience studies the consumer behavior. Now narrator cause another change increase peoples' income and preference favorable weather condition. Audience studies the consumer behavior and change. Now narrator makes a change ["raw materials gets expensive/ technology changes]. So what will the seller do? Scorekeeper tracks the quantity changes. Audience studies the consumer behavior. Audience studies the supply behavior and change. The facilitator must ensure that concepts like demand, supply, and quantity change due to price, laws, determinants, equilibrium, surplus and shortage are covered in this game. You can take turns to play.

**Market:** is a situation where buyers and sellers exchange money for goods and services.

**Price Mechanism:** is a price system that determines the price of goods and services through interaction of the supply and demand.

## Demand

**Demand:** refers to the amount of goods and services that consumers are willing and able to buy in a given period of time at a particular price.

**Demand Schedule:** is a table which shows the quantity or units of goods or services that will be demanded at different prices over a certain period of time.

**Demand Curve:** is a line graph drawn using the demand schedule that clearly shows quantity demanded at various price levels.

### Illustrative Example of Demand Schedule and Curve

Given below is the Demand Schedule for Dollys' Dalo for a week.

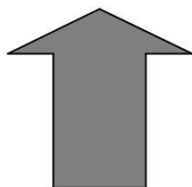
Price/bundle \$\$\$	Qty demanded [Bundles]
12	0
11	8
10	15
9	20
8	25
7	32
6	35

Figure 8.1

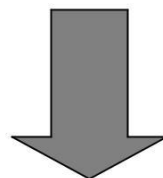
At a price of \$6 Dolly is willing to buy 35 bundles while at a price of \$9 she is willing to buy 20 bundles only. This is a typical behavior of Dolly as a consumer. That is at lower prices consumers are always willing and able to buy more goods and services than at higher prices. This behavior is termed as **Law of Demand** by Economists.

### **Law of Demand**

*Increase in Prices*



*Decrease in Quantity Demanded*



Let's demonstrate this law on the demand curve for Dolly.

### Demand Curve for Dalo for Dolly

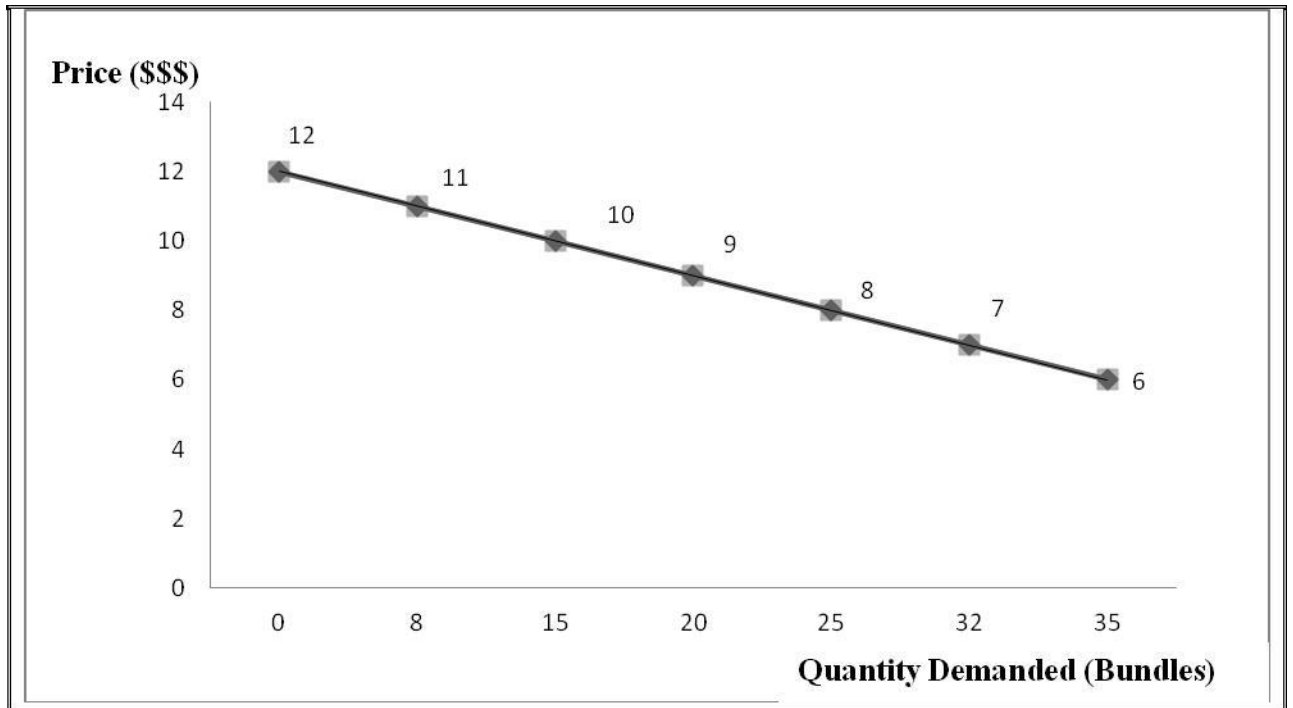


Figure 8.2: Demand Curve

The demand curve slopes downwards from left to right as shown in Figure 8.2 reflecting inverse relationship and clearly demonstrating the law of demand.

#### **Changes in Quantity Demanded**

A change in Quantity demanded results in a movement along the Demand Curve caused by a change in Price only.

#### **Example:**

When the price changes from \$9 to \$10 [from point A to B] in Figure 8.3 then Dolly's quantity demand also changes from 20 bundles to 15 bundles.

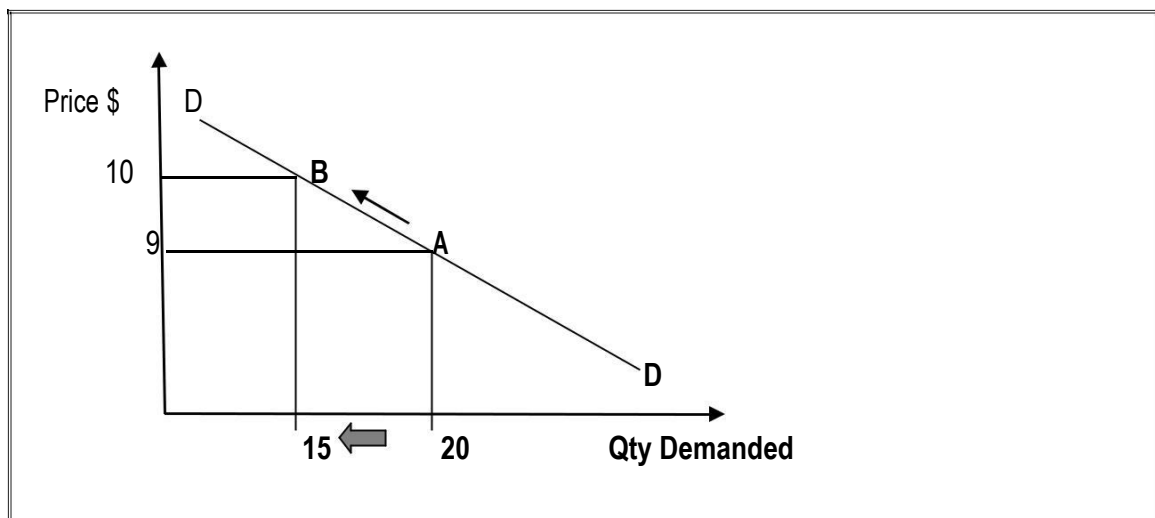


Figure 8.3: Changes in Quantity Demanded

**Contraction of Demand:** is a movement along the demand curve that shows decrease in quantity demanded due to increase in price, other things being equal

**Expansion of Demand:** is a movement along the demand curve that shows increase in quantity demanded due to fall in price, other things being equal

### Changes in Demand

A change in demand is a shift in the entire demand curve either to the right or left due to changes in the determinants of demand other than the price.

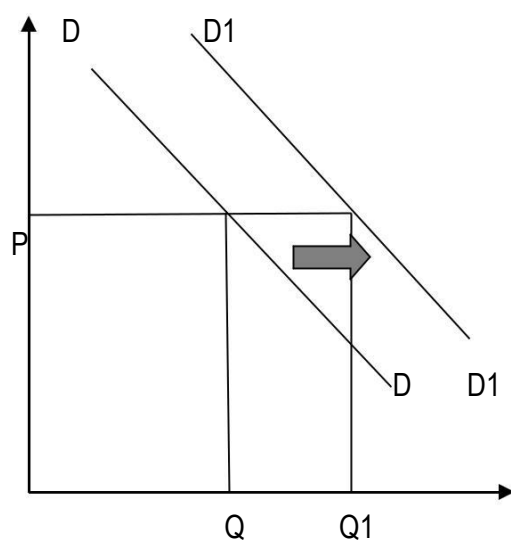
### Factors that Causes Shift in the Demand Curve

1. Change in income, results in increased demand for normal goods.
2. Change in taste and fashion
3. Change in law
4. Change in price of related goods:
  - i. Substitute goods; price increase leads to increase in demand for substitute
  - ii. Complimentary goods; price increase leads to decrease in demand for complimentary [joint demand]
5. Expectations; expected rise in price in the near future results in increased demand now.
6. Changes in weather patterns
7. Changes in Population

### Example:

If Dolly's income increases she will be able to buy more Dalo or vice versa. Thus, these changes will cause the demand curve to shift as shown in Figure 8.4.

### Increase in Demand



### Decrease in Demand

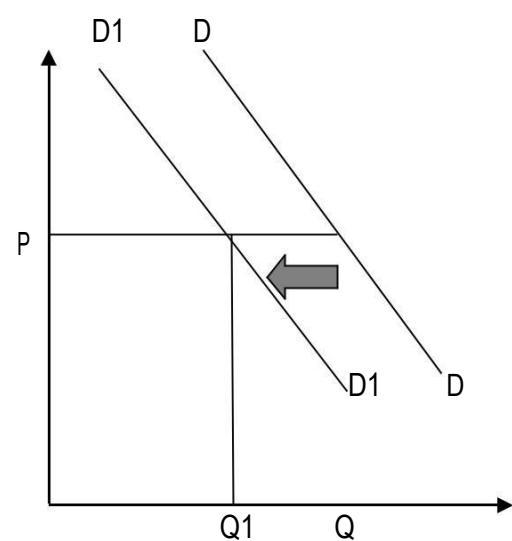


Figure 8.4: Shifts in Demand



**Substitute Goods:** are those goods that can be bought or will take place of the good to satisfy the same need or want. For example, tea could be a substitute for coffee. So if the **price of coffee increases** the **demand for tea will increase**. Likewise butter and margarine, Coca-Cola and Pepsi are other examples of substitutes.

**Complementary Goods:** are those goods that are “**jointly demanded**” or goods that *go together*. For example, car and petrol, rubber and pencil, bread and butter. So if there is **increase in the price of petrol** than **people will demand less** cars.

**Derived Demand** is when demand is caused by the need of the factors of production in the production process .E.g. hotel workers is derived from the demand of tourists.

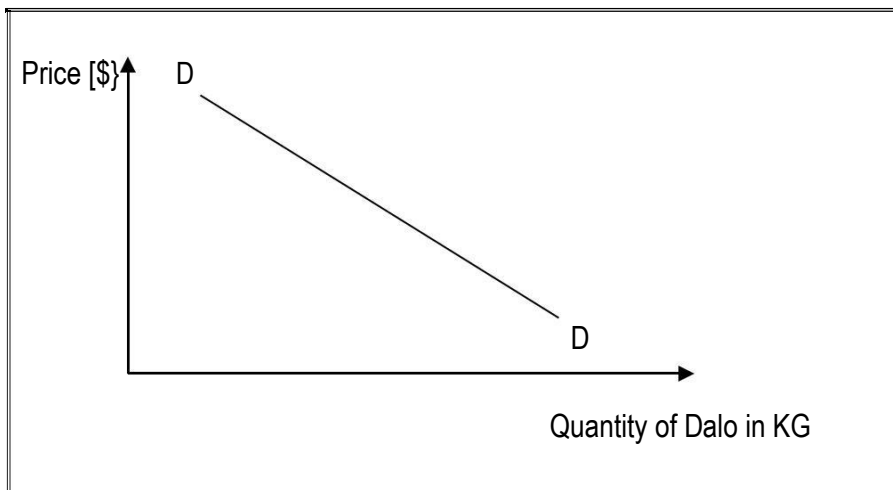
**Composite Demand:** is when a single product can be used for several things e.g. Ginger: Biscuit and medicine, Sand: Cement and garden mixtures. Increase Demand of one will Increase the Price of the other as well.

### Activity 2.5.2

1. Assume Dolly had an increase in her income which will allow her to purchase double the quantity she demanded at each price level in figure 8.1.
  - i. Draw a new demand schedule for Dolly
  - ii. Copy Dolly’s old demand curve and on the same graph draw a new demand curve using the new schedule
2. State three factors that will increase Dolly’s demand for Daloo.
3. Butter and margarine are examples of
  - A. interdependent goods
  - B. joint demand goods
  - C. complementary goods
  - D. substitute goods
4. Tea and coffee are substitutes. Other things being equal a decrease in the demand for coffee will occur if the price of
  - A. coffee increases
  - B. coffee decreases
  - C. tea increases
  - D. tea decreases
5. Joe always has a liking for cheese. His salary increase of 25% enabled him to buy more cheese. Draw a graph to **represents** the effect of this salary on his demand for cheese?

### Activity 2.5.3

Use the information given below and your knowledge to answer the questions that follow



- i. Why does the demand curve slopes downwards?
- ii. Draw a new demand curve for Dalo labeled D1D1 to show the effects of the increase in price of cassava which is a close substitute.
- iii. How does each of these affect the demand curve for Dalo?
  - a. increase in come of Dalo buyers
  - b. change in quantity of Dalo demanded
- iv. Give **two** reasons for changes in the conditions of demand.

### Activity 2.5.4

Copy and complete the table that shows demand for petrol in Fiji by ticking the appropriate column and providing a reason for each.

Change in market for Petrol	Expansion of Demand	Contraction of Demand	Demand Curve shifts to the right	Demand Curve shifts to the left	Reason/Explanation
The price of Gas falls markedly					
Price of petrol falls dramatically					
Car Ownership per person increases					
Rise in consumers income					

# Supply

**Supply:** refers to the quantity of a good that producers are willing and able to sell at various possible prices over a given period of time.

**Supply Schedule:** is a table which shows the quantity or units of goods or services that will be supplied to the market at different prices over a certain period of time.

**Supply Curve:** is a line graph drawn using the supply schedule that clearly shows the range of quantities supplied at various price levels.

## Illustrative Example of Supply Schedule and Curve

Given below is the Supply Schedule for Dalo for a week

Price \$ per Bundle	Quantity Supplied [QS]
12	40
11	35
10	30
9	20
8	15
7	10
6	0

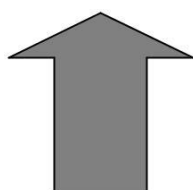
Figure 8.5

## Law of Supply

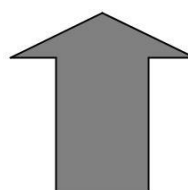
At a price of \$12 Suppliers are willing to supply 40 bundles while at a price of \$11 they are willing to offer 35 bundles only. So as prices increases, quantity supplied increases and as price decreases, quantity supplied decreases. Thus, there is a direct relationship between price and quantity supplied. This behavior is termed as **Law of Supply** by Economists. Higher prices encourage suppliers [producers] to supply more to make more income.

## Law of Supply

*Increase in Prices*



*Increase in Quantity Supplied*



Let's demonstrate this law of supply on the curve

### Supply Curve for Dalo

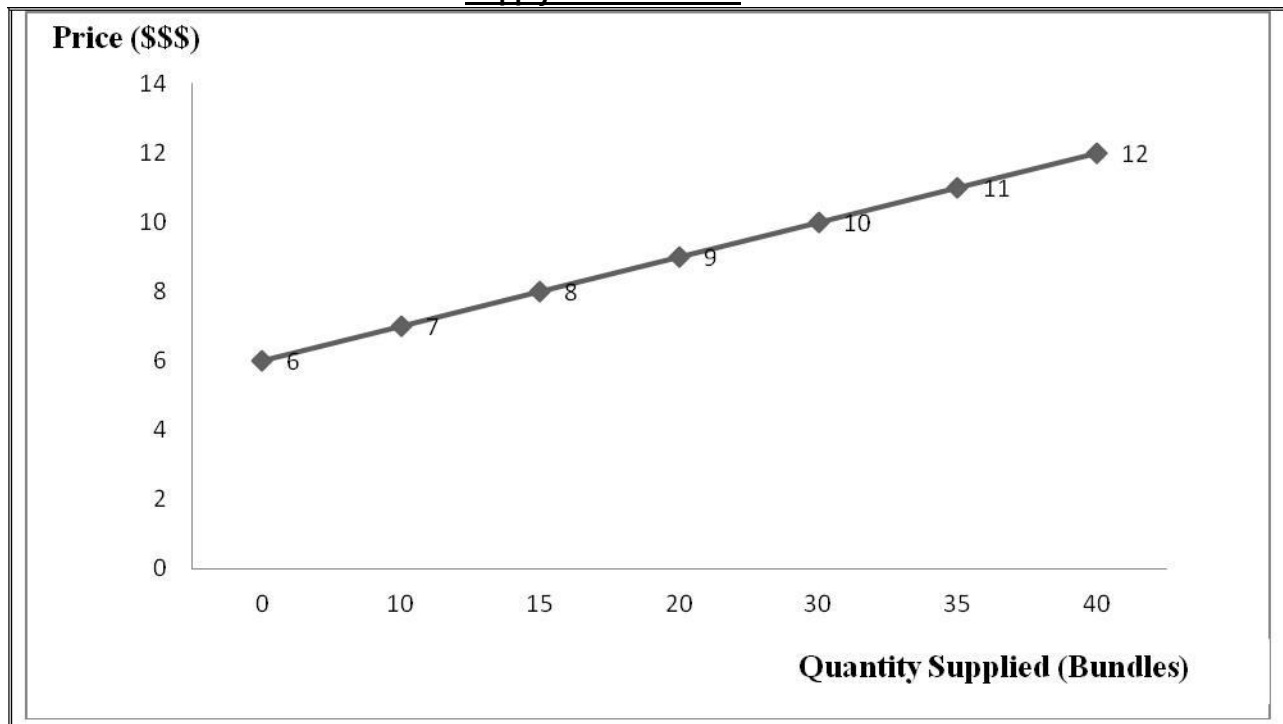


Figure 8.6: Supply Curve

The supply curve slopes positively upwards as shown in Figure 8.8 reflecting direct relationship and clearly demonstrating the law of supply.

### Changes in Quantity Supplied

A change in Quantity supplied results in a **movement along the supply curve** caused by a **change in Price only**.

Example:

When the price changes from \$9 to \$10 [from point A to B] as shown in Figure 8.7 then the suppliers are willing to offer 30 bundles of Dalo at a higher price, instead of 20 thus increasing supply by 10 bundles.

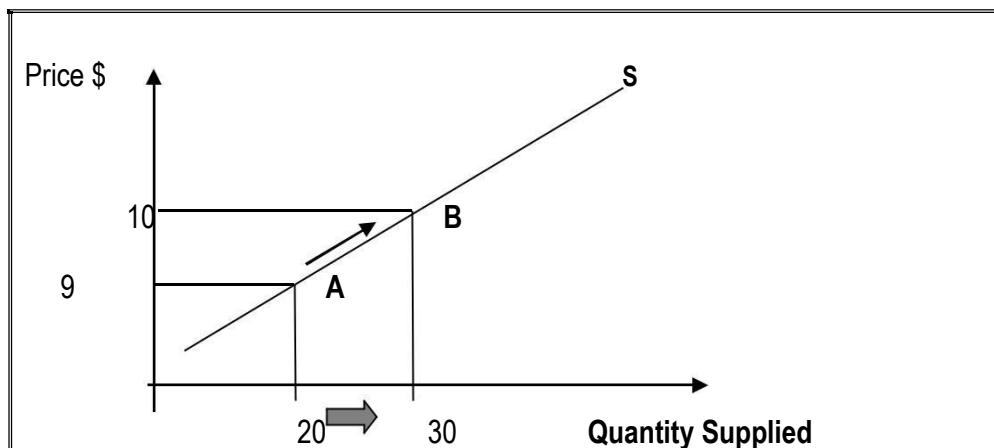


Figure 8.7: Changes in Quantity Supplied

**Contraction of Supply:** is a movement along the supply curve that shows decrease in quantity supplied due to decrease in price, other things being equal

**Expansion of Supply:** is a movement along the supply curve that shows increase in quantity supplied due to increase in price, other things being equal

**Activity 2.5.5**

The following table shows the demand for handicrafts at a resort.

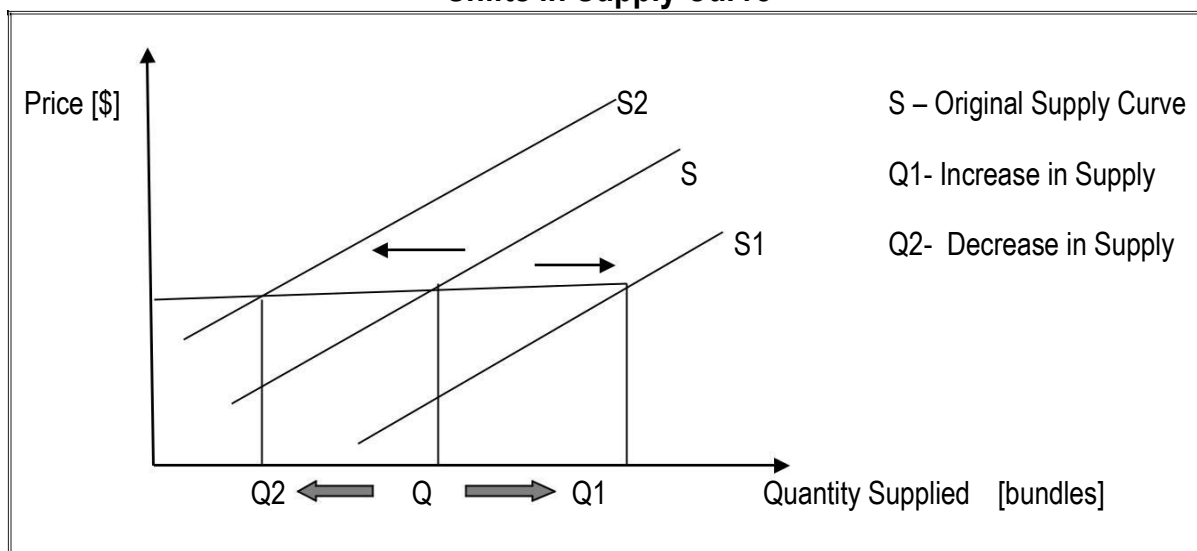
Price [\$]	Quantity Supplied (numbers)
20	200
30	400
40	600
50	800

- Draw and label carefully the supply curve.
- Suppose due to shortage of raw materials, the price of the handicrafts increase from \$30 to \$40. Show this effect on the graph.

**Changes in Supply**

So how much will a supplier supply? The supply is determined by factors that influence supply. Thus a **change in supply** is a shift in the entire supply curve either to the right or left due to changes in the determinants of supply other than the price. Right shift will lead to an increase in supply and left shift means a decrease in supply.

**Shifts in Supply Curve**



**Figure 8.8 Shifts in Supply**

## Determinants that Cause Shifts in Supply

1. Cost of production
2. Changes in government policies
3. Joint supply, eg, sugar, molasses; increase in demand for sugar leads to increase in supply of molasses.
4. Changes in Technology.

### Activity 2.5.6

Examine the following market supply schedule for pencils in the table given below and answer the questions that follow.

Price Per Pencil [cents]	Quantity Supplied [number]
5	5
10	6
15	8
20	10
25	12
30	14
35	16

- i. On the pair of axes draw and label the supply curve.
- ii. How many pencils will be sold at the market price of 20 cents?
- iii. From the graph you have drawn, estimate the price at which the manufacturers sell 15 pencils
- iv. At a market price of 20 cents, manufacturers earn revenue of \_\_\_\_\_. If the price of the pencils rises from 20 cents to 30 cents, they will supply an additional \_\_\_\_\_pencils.
- v. Generally we can say that as the price of the pencils \_\_\_\_\_, the quantity supplied rises, and as the price of the pencils \_\_\_\_\_, the quantity supplied falls.
- vi. Therefore, there is a \_\_\_\_\_relationship between the price of the pencils and the quantity of the pencils supplied. This relationship is known as the \_\_\_\_\_of supply.

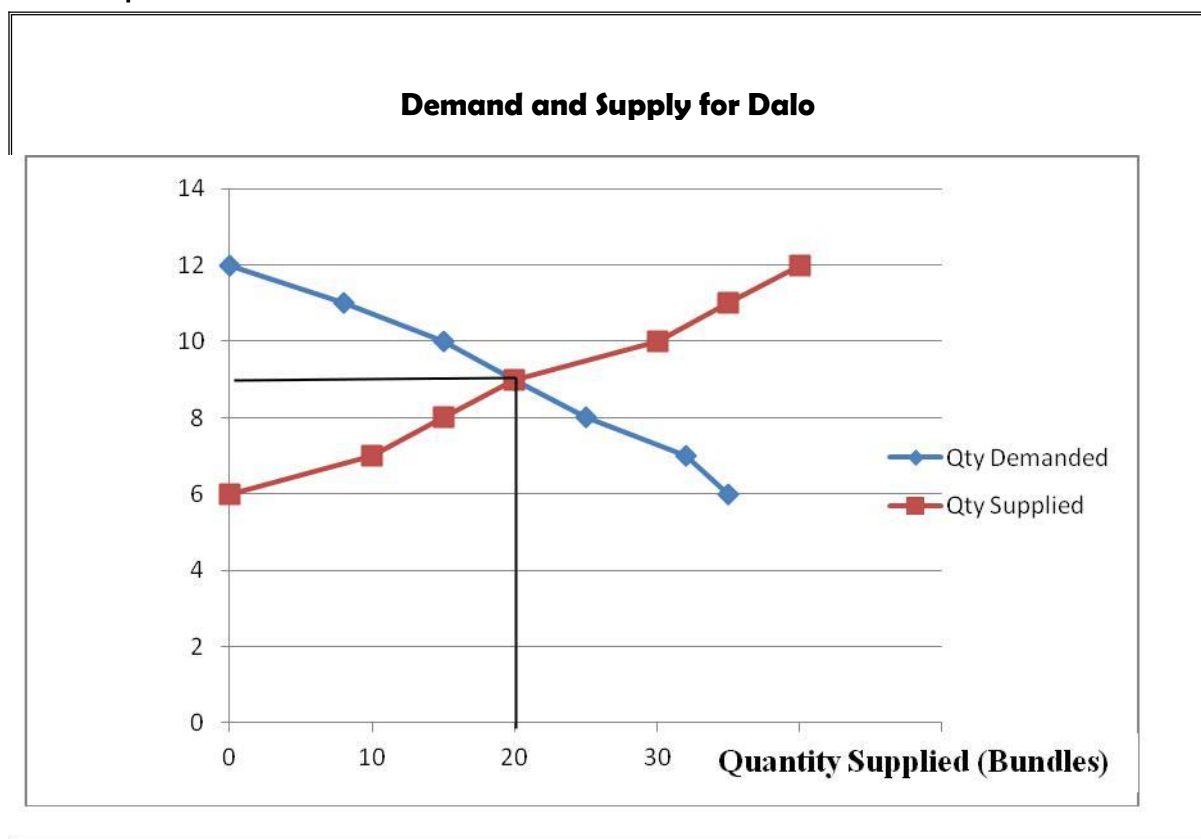
**Equilibrium [Price and Quantity]:** is the price at which the market quantity demanded equals the quantity supplied.  $Q_s = Q_d$

## Illustrative Example : Supply and Demand Curve

**Demand and Supply Schedule of Dalo per week**

Price per bundle \$	Qty Demanded	Qty Supplied
12	0	40
11	8	35
10	15	30
9	20	20
8	25	15
7	32	10
6	35	0

### Market Equilibrium



The graph and the table shows that:

- At the price of \$9 the quantity demanded and quantity supplied are equal thus in equilibrium where there is no surplus or shortage
- At any price above \$10 there will be an excess supply resulting in surplus
- At any price below \$8 there will be an excess demand resulting in shortage.

### Activity 2.5.7

Use the information given in the table below and your knowledge to answer the questions that follow

Price [cents]	Quantity Demanded: Cabbage in Bundles	Quantity Supplied: Cabbage in Bundles
90	30	70
80	38	65
60	40	60
40	45	55
30	50	50
20	55	45
10	60	40
0	65	0

- Draw and label the demand and supply curves on the pair of axes.
- State the equilibrium price and the equilibrium quantity.
- Shade the area on the graph where the quantity supplied exceeds quantity demanded and label it, [iii].
- Distinguish between **complimentary goods** and **substitute goods** and give an example of each.

### Activity 2.5.8

The following table shows the demand and supply schedule for souvenir badges at a popular tourists resort.

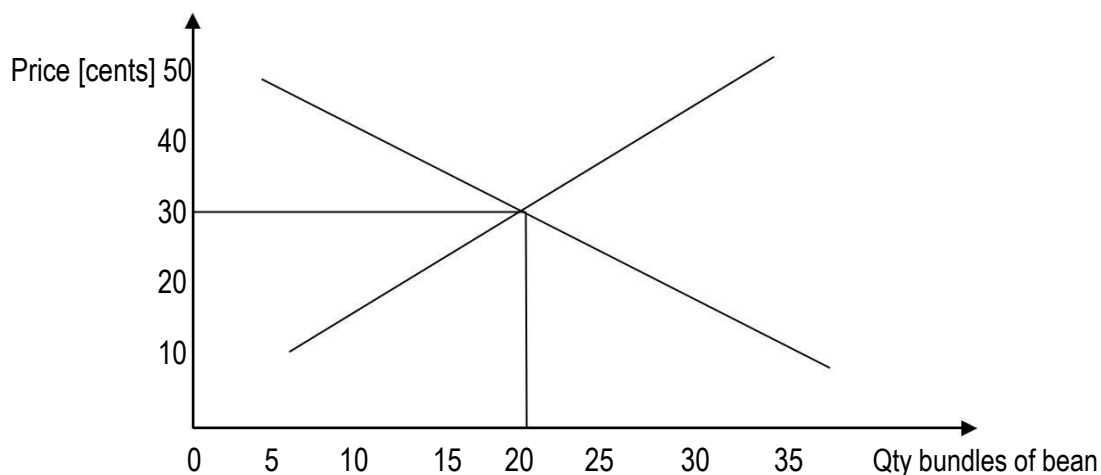
Price per Badge (\$)	Quantity Demanded (numbers)	Quantity Supplied (numbers)
2	4000	1000
3	3000	3000
4	2000	3500
5	1000	4000

- Draw and label carefully the demand and supply curves for souvenir badges
- State the equilibrium price and quantity for the badges
- Shade the area on the graph where quantity supplied exceeds quantity demanded and label it (iii)



### Activity 2.5.9

Use the information given below and your knowledge to answer the questions that follow



- i. Label the demand and supply curve.
- ii. State the equilibrium:
  - a. price
  - b. quantity demanded
  - c. quantity supplied
- iii. At 50 cents will the quantity supplied be greater or less than the quantity demanded?
- iv. If prices fell to 20 cents, find
  - a. the quantity demanded
  - b. the quantity supplied
- v. Who would benefit from a fall in price?

### Activity 2.5.10

Explain the following terms:

1. Demand	2. Supply
3. Law of Demand	4. Changes in Quantity Demanded
5. Supply Schedule	6. Surplus
7. Shortage	8. Equilibrium
9. Complementary Goods	10. Substitute Goods
11. Law of Supply	12. Derived Demand
13. Market Demand	14. Market Supply

## Lesson 3.0:

## Macro Economics

### Lesson 3.1

### Circular Flow Model

#### Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* Describe and explain the two sector flow model
- \* Explain and relate the concept of interdependence
- \* Show the relationship between the two sectors
- \* Define the concept of interdependence
- \* Identify and explain the two sector flow model
- \* Relate the concept of interdependence between the two sectors.

---

The modern economy is a complex system .In order to operate we need to understand the sectors which make up an economy. An economy has 5 sectors.



At this level we will only focus and learn about the **household** and **business sector**.

#### Household Sector

This sector consists of all private individual's within the economy.

#### Functions of Household Sector

- ❖ They are **owners of productive resources** [*land, labour, capital and entrepreneurship*]
- ❖ Receive their income [*rent, wages /salaries, interest, profit*] in exchange for the supply resources.
- ❖ They also dispose their income by purchasing goods and services and savings. Therefore they act as consumers as well and incur consumption expenditure.

## Business Firms

This sector comprises all those business enterprises within the economy that are engaged in the production and distribution of goods and services.

### Functions of Business Firm

- ❖ They purchase factors of production from the household sectors and turn it into goods and services.
- ❖ Pay income to households in exchange for the factors of production.
- ❖ Supply goods and services and earn revenue

**Note:** All the sectors of the economy are *interdependent*

### Activity 3.1.1

- I. Identify the five sectors presented in Fiji's economy?
- II. State the functions of these sectors
- III. Use an example from the household and firm sector to explain the concept of interdependence.

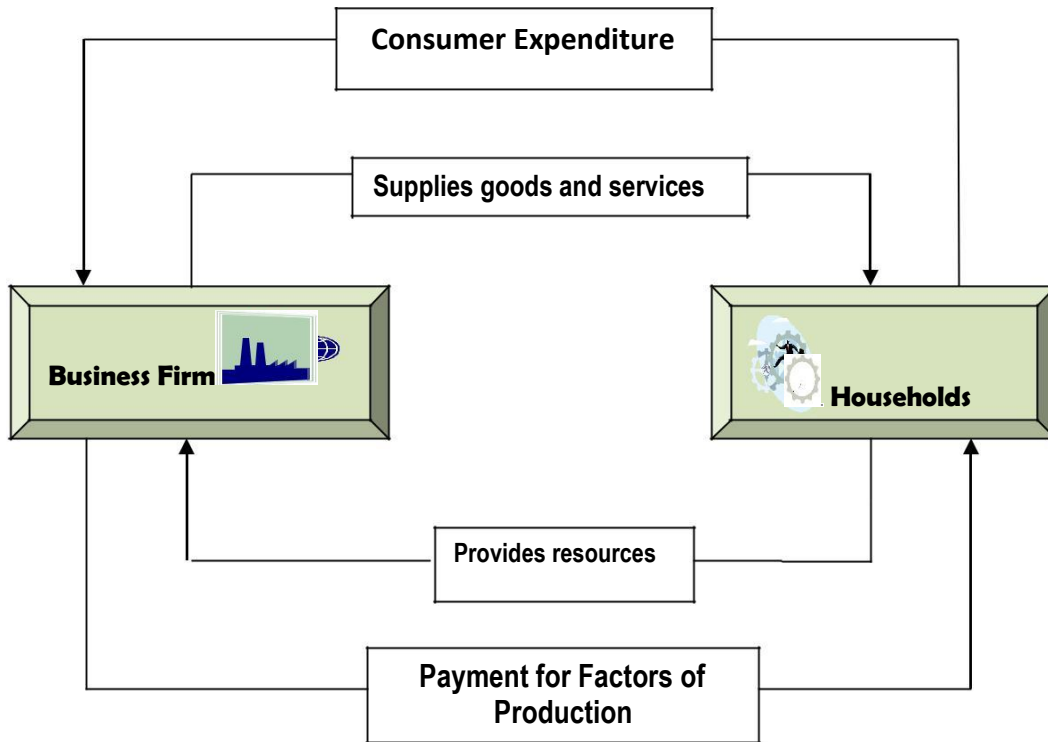
## Interdependence between Household and Business Sector

To depend means relying on someone and *interdependence* means relying on each other for production and satisfaction. Thus, Business Firm relies on household for factors of production and consumer expenditure while households depend on firms for supply of goods and services and payment for their resources. This interdependence could be illustrated in a model to show how our economy really operates.

## Circular Flow Model

Models consist of ideas and thoughts that relate to each other. Thus, a **circular flow model** shows the relationship between a household and business sector. A circular flow model focuses on the exchange of resources in return for household income that are spent on consumption.

## Two Sector Circular Flow Model

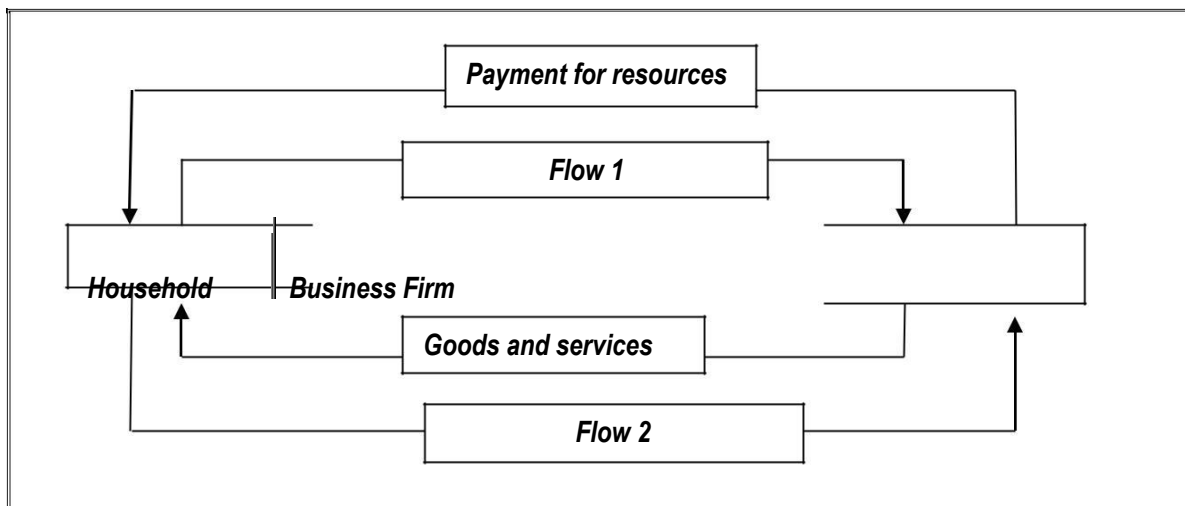


### Concepts Illustrated by the Two Sector Model

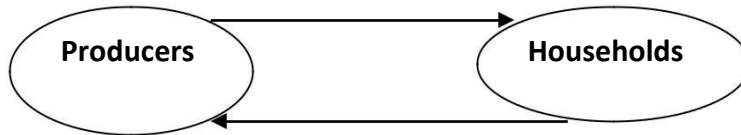
- ❖ Specialization
- ❖ Interdependence
- ❖ Use of money

### Activity 3.1.2

1. Study the diagram and answer the questions that follow.



- i. Explain the function of the household sector.
  - ii. Label the flows 1 and 2.
  - iii. State and explain the **two** fundamental concepts illustrated by the circular flow model
2. The diagram below shows the two sector flow chart.



In the above diagram, the flow from producers to household involves

- A. resources and rewards
  - B. goods and services
  - C. payment and spending for goods
  - D. payment for resources
3. The simple two circular flow model shows relationship between
- E. earnings and spending
  - F. saving and investment
  - G. imports and exports
  - H. taxation and government spending
4. In a two sector circular flow model, the goods and services flow from the firms to the households in return for
- A. consumption spending
  - B. productive services
  - C. investment
  - D. savings

### Activity 3.1.3

#### **Fill in the Blanks**

- i. Confectionaries, fruits and dairies in a shop could be described as \_\_\_\_\_
- ii. Business Firms produce \_\_\_\_\_ and services for \_\_\_\_\_
- iii. Models are \_\_\_\_\_ and \_\_\_\_\_
- iv. \_\_\_\_\_ and \_\_\_\_\_ form two sectors in an economy.
- v. Households are also called \_\_\_\_\_
- vi. Business Firms and household sector are \_\_\_\_\_

### Activity 3.1.4

#### Vocabulary

Explain the following terms:

i.Sector	ii.Circular Flow
iii.Households	iv.Specialization
v.Medium of Exchange	vi.Interdependence
vii.Consumer Expenditure	viii.Real Flow
ix.Physical Flow	

## Lesson 3.2

## Government

### **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Identify the types of government with local examples.
  - \* Describe the objectives and functions of government and how they impact your community
- 

There are two types of Government in Fiji:

- Central government;
- Local government

### **Local Government**

#### **Objectives of Local government:**



Town and  
country planning and administration e.g. Nausori Town Council, Suva City Council

#### **Functions of Local government:**

- ❖ Beautification of town and cities
- ❖ Facility upgrading
- ❖ Provision of sporting facilities
- ❖ Waste disposal
- ❖ Provision for parking
- ❖ Recreation
- ❖ Provides street lights, market place, etc

### **Activity 3.2.1**

Write a paragraph for the following:

**Local Governments are equally important for a nation's development**

Discuss the reasons for local government by using the following guidelines:

- Define local government
- Discuss three services provided by the local government
- Conclude by stating one problem faced by the local governments in Fiji

**Central Government:** is the most powerful and governs the whole nation and looks after the welfare of its people as well.

## Objectives of Central government:

- ❖ Achieve economic growth,
- ❖ Full employment,
- ❖ Economic welfare,
- ❖ Economic stability

## Functions of Central government:

- ❖ **Regulatory Role: Maintaining Legal and Social Framework**

This concerns the regulatory framework which the government establishes for the economy. State ensures that there are adequate laws to protect all economic agents, and to ensure that the laws are followed. Example: Create laws and provide courts, provide information and services to help economy function better, establish a monetary system, define and enforce property rights, price and quantity control, consumer protection etc.
- ❖ **Developmental Role**

The government is to ensure that resources allocation in the nations develops and achieves the objectives which the society sets. Intervention is to create investment either by itself or by foreigners in the targeted areas.  
Example: Create and enforce antitrust laws; regulate natural monopolies.
- ❖ **Allocative Role: Providing Public Goods and Services**

This role allows the government to ensure that public goods are provided that the private sector does not produce. It also involves the state intervening with policies to ensure that resource allocation within private sector is efficient. Example: Provide goods and services that markets are unable or unwilling to provide, such as national defense, infrastructure etc.
- ❖ **Distributive Role**

Is the attempt by the government to change and control income distribution so that the resulting distribution meets with the society's standards and equality is maintained. Example: Higher income tax rates for rich than for poor, provide social security, and aid to dependent children.
- ❖ **Correcting for Externalities**

Example: Taxes to reduce negative externalities, such as environmental pollution; subsidies to encourage positive externalities, such as education. Externalities exist when some of the costs or benefits associated with the production or consumption of a product "spill over" to third parties other than the direct producer or consumer of the product.
- ❖ **Stabilization Role**

Concerns intervention in the economy through monetary, fiscal policy, exchange rate and trade policy to ensure that the economy remains stable at the macroeconomic level. Example: Use government budgets and/or the money supply to promote economic growth, control inflation, and reduce unemployment



### Activity 3.2.2

Write a paragraph for the following:

**Central Government has its major roles and responsibilities in fulfilling society's needs.**

Discuss the reasons for central government by using the following guidelines:

- Define central government
- Discuss three functions of central government
- Conclude by stating one problem faced by the central governments in Fiji

# Lesson 4 International Trade

## Achievement Indicators:

Upon completion of this lesson, you should be able to:

- \* Define trade and differentiate between domestic and international trade
  - \* Explain the reasons for international trade.
  - \* Define export and import with examples.
  - \* Identify Fiji's trading partners
  - \* Interpret graphical analysis of trade
- 

## Lesson 4.1 Trade

**Trade:** refers to exchange of goods and services

**Domestic Trade** refers to exchange of goods and services within our country; for example from Suva to Labasa

**International Trade** refers to exchange of goods and services with one country and another for example Fiji to Australia.

## Lesson 4.2 Reasons for International Trade

1. **Lack of resources**  
Fiji has limited range of natural resources example, oil and petrol is not produced here. Likewise Fiji does not have forms of skilled labour. Thus international trade comes in.
2. **To gain from specialization**  
Producing all goods and services in Fiji will result in inefficient use of resources. Thus, specialization in certain skills and in the production of certain commodities results in a greater overall production as well as lower cost of production. Hence, international specialization increases the volume of goods and services which can be produced globally. Therefore comparative advantage leads to better utilization of resources as well as greater welfare of countries participating in trade.
3. **Due to geographical and climatic condition**  
The climate and geographical conditions limit the range of agricultural products that can be produced here and apples and grapes could not be grown here.
4. **To strengthen trading relationships.**
5. **Generate income through exports**
6. **To raise the standards of living of residents**

### Activity 4.2.1

a. Differentiate between international trade and domestic trade.

b. Write a paragraph for the following:

**International Trade is important to our country.**

Discuss the reasons for international trade by using the following guidelines:

- Define international trade
- Discuss three reasons for international trade
- Conclude by stating how the country benefits from international trade.

## Lesson 4.3 Exports and Imports

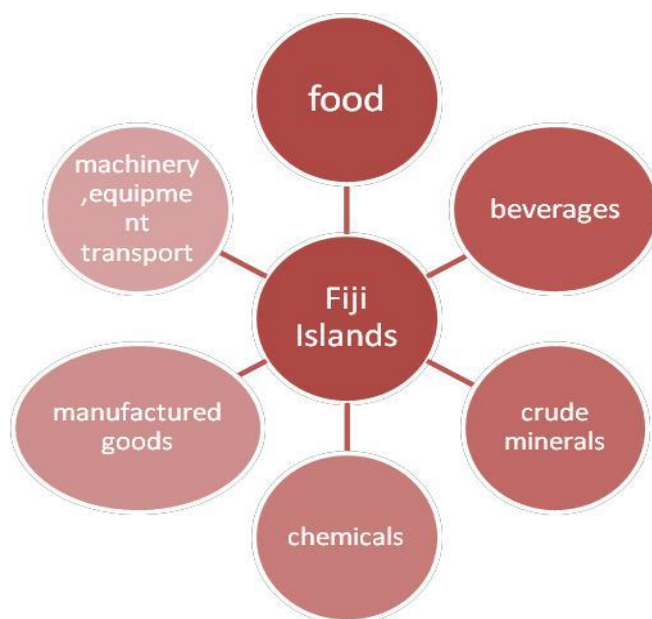
**Exports:** refers to selling of goods and services to overseas countries and earning foreign reserves.

### Fiji's Major Exports



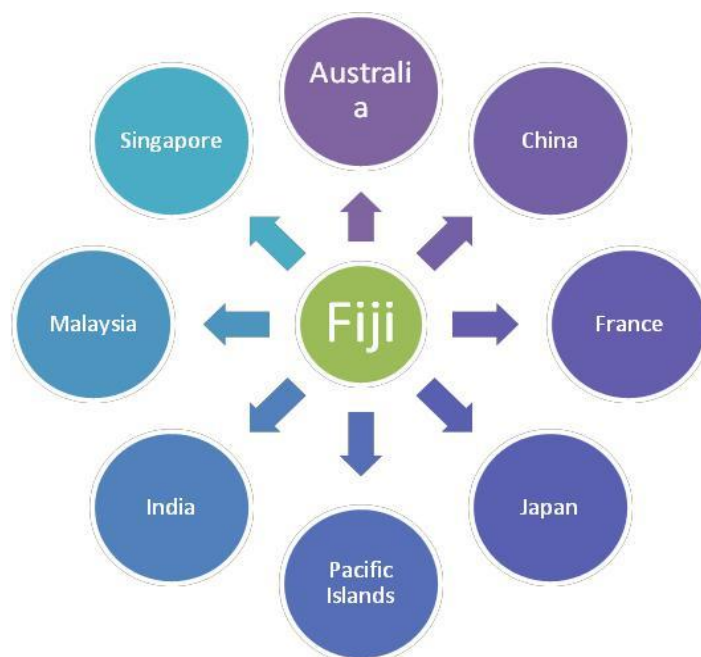
**Imports:** is the buying of goods and services and making payments for them.

### Fiji's Imports



## Lesson 4.4

## Fiji's Major Trading Partners



There are other countries that Fiji trades with as well.

### Activity 4.3.1

Use the information given below and your knowledge to answer the questions that follow.

#### Extract of Annual Balance Of Trade by Two Major Partner Countries from 2003- 2005 (\$m)

	2003		2004		2005	
	Exports	Imports	Exports	Imports	Exports	Imports
<b>New Zealand</b>	56.7	386.1	59.6	453.0	60.4	490.3
<b>Japan</b>	43.7	114.0	45.4	106.6	67.6	115.2

Source Fiji Bureau of Statistics

- What does the table show?
- Briefly describe the trend of imports from New Zealand
- Give one reason why Fiji exports goods and services to Japan

### Activity 4.3.2

Use the information given below and your knowledge to answer the questions that follow

#### Overseas Trade (FJ 000)

Year	Imports	Exports
2007	2 890 072	1 209 813
2008	3 601 404	1 470 968
2009 [est.]	3 673 432	1 544 516

Source Fiji Bureau of Statistics

- What does the table show?
- List two items that are exported by Fiji
- How much was the increase in exports in 2008 when compared to 2007?
- If imports are expected to increase by 10% in 2010, calculate the amount for imports.
- State one advantage of exports to a nation.

### Activity 4.3.3

Use the information given below and your knowledge to answer the questions that follow

#### Balance of Trade by Major Partner Countries for 2003 (FJ 000)

Countries	Imports	Exports
Australia	69 292	36 253
New Zealand	31 687	5 408
United Kingdom	490	31 306

Source Fiji Bureau of Statistics

- Which of the country is the Fiji's major export earner?
- If exports to New Zealand increased by 15% in 2004, calculate the value of exports to New Zealand in 2004
- Why does Fiji import more goods from New Zealand than from United Kingdom?
- State one reason as why Fiji involves herself in International Trade.?

# Lesson 5 Economic Development

## **Achievement Indicators:**

Upon completion of this lesson, you should be able to:

- \* Define economic growth and economic development.
  - \* Identify issues relating to economic growth and development in the Fiji economy.
  - \* List the causes and the effect of the issues.
  - \* Identify the problems and actions taken by government to solve them.
- 

## **Lesson 5.1 Economic Growth and Development**

**Economic growth** - is increases in a country's national income over time. Economic growth is expressed as the rate of increase in countries total output, the percentage increase in real gross domestic product over time measuring economic growth.

**Economic Development** - is more difficult to explain. It is the progress an economy makes in improving the lives of the people. There are many ways that economic development can be measured. Any measurement of the standard of living or the quality of life can be used as a measure of economic development. GDP per capita can be used as a measurement.

### **Unemployment**

Unemployment exists when there are people willing to work but they are unable find suitable work. This definition is concerned with involuntary employment which is distinct from the voluntary unemployment of retired or sick people.

### **Causes of Unemployment**

There are some causes of unemployment

- Reduced spending by business firms
- High wage rates
- Uneducated workforce
- Unskilled workforce
- Overpopulation

### **Effects of Unemployment**

Social effects of unemployment include the following:

- Hurts the worker and his or her family
- Loss of family savings
- Caused by inadequate income
- Loss of self respect/morale
- Disrupts families and households
- Increases in crime
- Declines in standard of living

- Ill – health and Depression

### **Economic Effects**

- Wastage of resources
- A loss resulting from the opportunity cost of the unemployed persons time
- Lower in savings can result in lower investment

### **Government Actions to overcome Unemployment in Fiji**

- Increase foreign income by foreigners that is increase investment by foreigners. This creates more job opportunities for the locals
- Free education that increases the skills of a person and allow him to run his own business or to go into agriculture.
- Development of rural areas more so that it prevents rural urban drift
- Control in the population size. E.g. decrease in birth rate
- Decrease in automation and employ people instead of machines
- Reduce the salary of top level so that more can be employed.

## **Lesson 5.2            Environmental – Economic Issue: Pollution**

Any harmful substance in the environment that affects health, natural resources or the atmosphere is known as pollution. There are three types of pollution land, water and air pollution.

### **Types of Pollution and Their Causes**



#### **Land pollution and its causes**

- Derelict land - refers to rubbish dumps and other areas where pollution is common. Toxic substance will leak from the rubbish into the ground and then eventually in the water.
- Careless behaviour– this is a large source of land pollution. Not using rubbish and throwing cans and papers from cars and buses.
- Chemical substances— fertilizers, insecticides, pesticides, weedicide and other chemical substances are harmful to the environment. Chemical sprayed on plants may reach humans (if it is not observed by the plant or when some of it ends on the ground).



#### **Water pollution and its causes**

- Sewage – dumping near or in the sea or river is dangerous because pollutants will get into the water.
- Industrial waste – some businesses purposefully or accidentally spill chemicals into rivers and the ocean
- Other causes – careless behaviour and accidents are other common causes or water pollution.



#### **Air pollution and its causes –**



- Automobile emissions – the biggest source of air pollution is exhaust. Cars, trucks, and buses all emit carbon dioxide and other gases. These gases affect the climate, pollute the air and may cause green house effect.
- Factory emissions – like automobile exhaust, emissions from factories cause pollution
- Other causes – accidents and careless behaviour are other common causes
- Household conveniences – bug sprays, air fresheners, and refrigerators can all cause air pollution.



### Noise pollution

- Cars, T.V's, radios, dogs, factories and other sources of excessive noise cause noise pollution.

### Cost And Effect Of Pollution



Poor health



Increased medical expenses



Environmental damage



Loss of tourist revenue if the tourists do not come because of pollution

### Activity 5.4.1

Use the picture given below to answer the questions that follow,



Source: Fiji Times

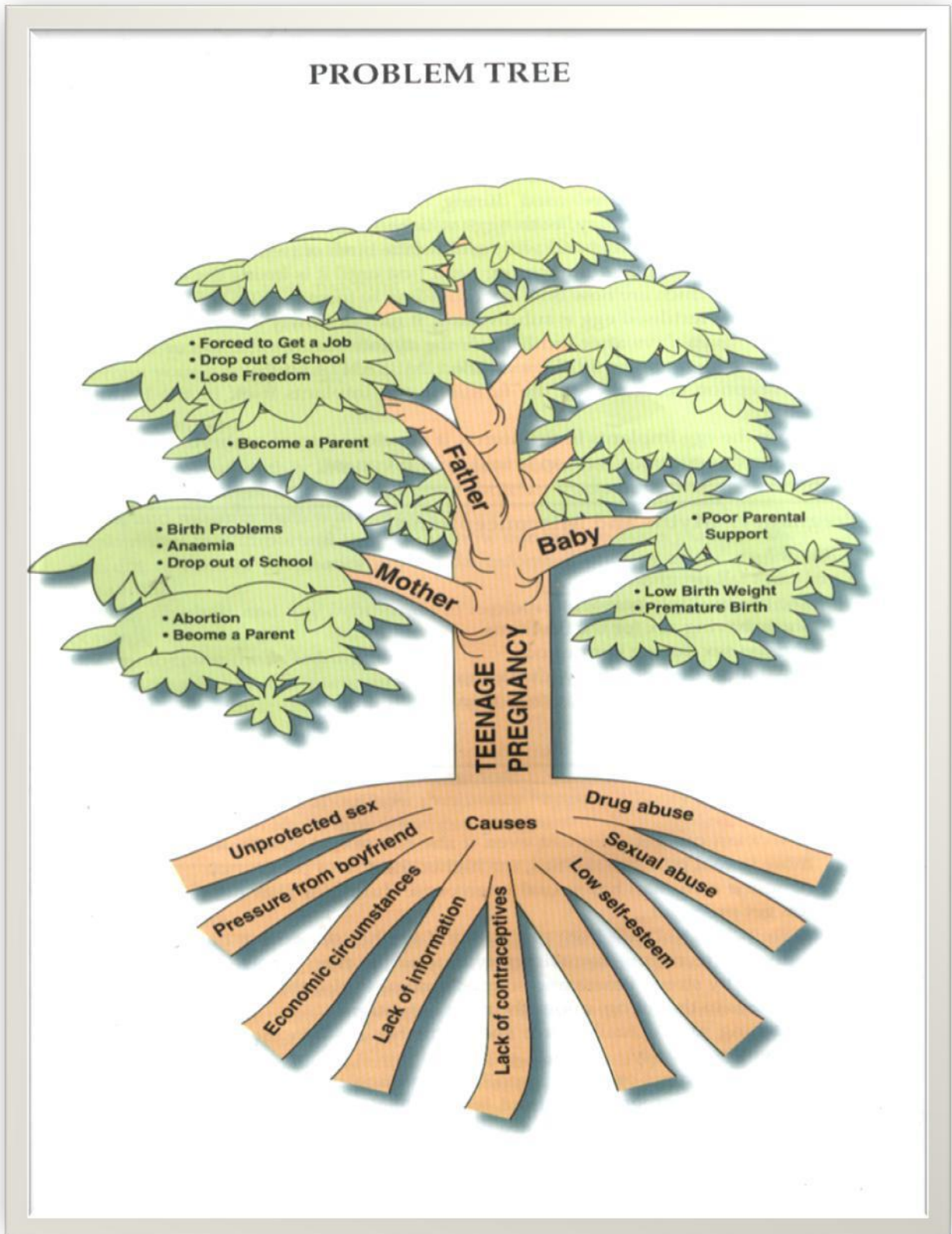
- Identify the type of pollution shown in the picture above.
- What actions would you take as a consumer to minimize this type of pollution?
- What two actions can the government take to minimize this type of pollution?

## Lesson 5.3 Teenage Pregnancies

Teenage pregnancies are alarming in Fiji. *"It is recognised that teenage pregnancies is unacceptably high in Fiji at 10 per cent of all deliveries. In recognition of the fact that teachers have an important role in helping with the behaviour, modifications in attitudes and decision-making processes in the young, there is the family life education (FLE) program in schools."* Dr. Swaran Naidu [Fiji Sun June 7 2013]

The tree given below lists some of the causes and effects of teenage pregnancies.

## The causes and effects of teenage pregnancies



Source: Adolescent Reproductive Health Manual

## The Major Effects of Teenage Pregnancies Are:

- School drop-out
- Disowning by the family
- Prostitution
- Unemployment
- Stigmatization
- Depression and Suicidal

### Activity 5.5.1

Read the case study and answer the questions that follow.

## Alarming figures

**Maciu Malo**

**Fiji Sun Friday, June 07, 2013**

THREE young girls aged between 10 and 14 were among the 328 teenage pregnancy cases recorded at the Lautoka Hospital in 2010. And 70 of the pregnancies involved girls between 15 and 17 years. These statistics were provided by Lautoka Hospital's senior gynecologist and Viseisei Sai Health Centre medical director, Dr Swaran Naidu. She said the findings were based on a European Union-funded survey. She also revealed that the highest number of pregnancies — 255 cases — involved those between the ages of 18 and 19.

There were 169 cases of indigenous teenage pregnancies. Dr Naidu said the record showed the numbers would continue to rise in the near future.

"A snap shot on the number of teenage births at the Lautoka Hospital for 2010 shows the incidences of teenage pregnancy and birth will continue to be an issue for years to come.

"It is recognised that teenage pregnancies is unacceptably high in Fiji at 10 per cent of all deliveries.

"In recognition of the fact that teachers have an important role in helping with the behaviour, modifications in attitudes and decision-making processes in the young, there is the family life education (FLE) program in schools."

She said the Viseisei Sai Health Centre had conducted a project on Empowerment of Rural Women and Girls in Reproductive Health through education, awareness raising, advocacy and providing targeted health care through rural outreach clinics. The main issues targeted were those identified by the Ministry of Health as priority areas, which included unplanned pregnancies and STDs.

She said young people were supposed to be the most robust, healthy and full of potential.

- What does **alarming figure** title refer to?
- Which age category does have the highest number of teenage pregnancies?
- What are some of the causes of these teenage pregnancies?
- State the major consequences of teenage pregnancies?
- What action is the government undertaking to solve the rising problem of teenage pregnancies?

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