ECONOMICS

FOR

Senior Secondary School

1

AKADALEARN

SS 1

Economics

First Term

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Week 1

Topic – Meaning of Economics

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Meaning of Economics

The subject Economics has been defined in many ways by so many expert in the subject. According to Adam Smith; Economics is about the making of wealth. He is regarded as father of Economics.

Alfred Marshal defined Economics as the study of mankind in the ordinary business of life.

John Stuart defined Economics as the practical science of production and distribution of wealth.

A.C. Pigou defined Economics as science of material welfare; he sees economics as a way of acquiring wealth to improve the welfare of human being.

The most generally acceptable definition is the one given by Lord Lionel Robbins; he defined Economics as the science which studies human behavior as a relationship between ends and scarce means which have alternative uses. This definition comprises all the major aspects of Economics

Nature and Scope of Economics

Economics belongs to group of subject called social science; other social science subject includes geography, political science, sociology, government, philosophy etc. Economics is a social science subject because it has to do with the study of human behavior. It is concerned with the change of human towards increase and decrease in prices of goods and services, how people achieve their wants, how they interact in the process of buying and selling etc.

Economics is also regarded as a science subject but does not assume the same level of precision and accuracy like other science subject because Economic deals with human behavior and human behavior changes. It adopts scientific method which involves

- Observation

- Formulating hypothesis
- Collection of data
- Organizing or analyzing the data
- Formulating laws
- Testing the laws
- Prediction on the basis of the laws

Basic concepts of Economics

The basic concepts of Economics are

1. WANTS: Want may be defined as an insatiable desire or need by human beings to own goods or services that give satisfaction. The basic needs of man include; food, housing and clothing. Human needs are many. They include tangible goods like houses, cars, chairs, television set, radio, e.t.c. while the others are in form of services, e.g. tailoring, carpentry, medical; e.t.c. Human wants and needs are many and are usually described as insatiable because the means of satisfying them are limited or scarce
2. SCARCITY: Scarcity is defined as the limited supply of resources which are used for the satisfaction of unlimited wants. In other words, scarcity is the inability of human beings to provide themselves with all the things they desire or want. These resources are scarce relative to their demand. As a student you will need #150 to buy school materials but you have only #100. It can be seen that the money you have, which is your resources, will not be sufficient to buy all you need. The available resources within the environment can never at any time be in abundance to satisfy all human wants. Since wants are numerous and insatiable relative to the available resources, human beings have to choose the most important ones and leave the less important ones. There would be no economic problem if resources were not scarce.
3. CHOICE: It can be defined as a system of selecting or choosing one out of a number of alternatives.Human wants are many and we cannot satisfy all of them because of our limited resources. We therefore decide which of the wants we can satisfy first. Choice arises as a result of the resources used in satisfying these wants. Choice therefore arises as a result of scarcity of resources. Since it is extremely difficult to produce everything one wants, choice has to be made by accepting or taking up the most pressing wants for satisfaction based on the available resources.
4. OPPORTUNITY COST: It is defined as an expression of cost in terms of forgone alternatives. It is the satisfaction of one's want at the expense of another want. It refers to the wants that are left unsatisfied in order to satisfy another more pressing need. Human wants are many, while the means of satisfying them are scarce or

limited. We are therefore faced with the problem where we have to choose one from a whole set of human wants, to choose one means to forgo the other. A farmer who has only #300 and wants to buy a cutlass and a hoe may discover that he cannot get both materials for #300. He would therefore choose which one he has to buy with the money he has. If he decides to buy a cutlass, it means he has decided to forgo the hoe. The hoe is thus what he has sacrificed in order to own a cutlass. The hoe he has sacrificed is the forgone alternative and this is what is referred to as opportunity cost.

5. SCALE OF PREFERENCE: This is the list of unsatisfied wants arranged in an order of their relative importance, it is a list showing the order in which we want to satisfy our wants in order of priority

Why We Study Economics

We study Economics because of the following reasons

1. Rational decision: the study of economics enables individual, group or government to make a rational or wise choice among their numerous needs with their scarce resources.
2. Production: the study of economics helps the producer to determine what to produce, where to produce, for whom to produce and to know the factor f production.
3. Provision of basic tools: Economics helps to provide basic tools that will help to solve and analyze economic problems in any firm or organization.
4. Allocation of resources: The knowledge of economics helps the government to allocate her scarce resources to different sector of the economy.
5. Preparation of budget: Economics helps the government to determine her expected income and expenditure of the country.
6. Participation in government: The knowledge of economics helps individual to participate in government affairs.
7. Satisfaction of wants: It helps us to utilize the principle of choice and other concept of economics in satisfying our wants.
8. Consumption of commodities: It assists us to determine the pattern of consumption in our environment.
9. It helps government to develop programmes that are beneficial to the people
10. It helps business men and women to maximize their profits.

Test and Exercise

1. ———defined Economics as the science that studies human behavior as a relationship between ends and scarce means which have alternative uses
   (a) Alfred Marshal (b) Lord Lionel Robbins (c) John Stuart Mill (d) Adam Smith.
2. Economics is a social science subject because
   (a) it is the study of science (b) it is about social life (c) it studies human behavior (d) it studies human and their leaders.
3. ———- can also be called ‘forgone alternative’
   (a) scarcity (b) choice (c) opportunity cost (d) wants.
4. All are concepts of Economics except
   (a) wants (b) choice (c) opportunity cost (d) desires.
5. All are reasons for the study of Economics except
   (a) allocation of resources (b) preparation of budget (c) consumption of commodities (d) all of the above.

Answers

1. B
2. C
3. C
4. D
5. D

Week 2

Economics as a Science, Arts or Social Subject?

Introduction

There is always this confusion as to whether or not Economics is an Arts, Social or Science subject. Have you ever been bothered by this thought before? Well if yes, here is to answer the puzzling question. The subject called Economics is a composition of Science, Arts and Social Science. Read below to see why-

Economics as a Science

It is logically based: The basic ideas of Economics are absolutely based on logical clarifications. More so, Economics works in such as a way that it develops relationship between cause and effect.

There are lots of calculations involved: Calculations are unique to pure science. Now considering the fact that Economics cannot do without calculating, it goes to show that indeed the subject has elements of Science in it.

Labour Specialisation: Labour law is an important topic in Economics and it is based on the law of specialisation of labour. Economists must concern with the causes and effects of labour-division.

Economics as Social Science

Emotive Views: A rational human being has not only logical view but also has sentimental attachments and emotional views regarding any activity. These emotional attachments are often inextricable when studying Economics. Therefore, no matter how scientific Economics gets, it remains a social field of study.

(ii) Welfare Activity: Economics is a science of human welfare. All the economic forwarded their theories for the development of human standard of living Hence, all the economic statements have their respective normative views.

(iii) Economic Planning: Economic planning is one of the main instruments of economic development. Several economists have given their personal views for the successful implementation of economic plan. Hence, economics is coming under normative science.

Economics as an Art

According to T.K. Mehta, 'Knowledge is science, action is art.' According to Pigou, Marshall etc., economics is also considered as an art. In other way, art is the practical application of knowledge for achieving particular goals. Science gives us principles of any discipline however, art turns all these principles into reality. Therefore, considering the activities in economics, it can claimed as an art also, because it gives guidance to the solutions of all the economic problems.

Therefore, from all the above discussions we can conclude that economics is neither a science nor an art only. However, it is a golden combination of both. According to Cossa, science and art are complementary to each other. Hence, economics is considered as both a science as well as an art.

Career Prospects inherent in studying Economics

There are several employment opportunities available for people who study Economics up to the university level. Some of these career prospects include-

1. *Market Research Analyst*
2. *Economic Consultant*
3. *Compensation and Benefits Manager*
4. *Actuary*
5. *Credit Analyst*
6. *Financial Analyst*
7. *Policy Analyst*
8. *Management Consultant*
9. *Business Reporter*
10. *Banker*

Assessment

Explain Economics as a Social Science

Week 3

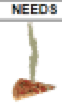
Basic Concepts in Economics

Introduction

As you may well know already, Economics is the study of how people use resources such as land. In order to understand how Economic rules are applied to every day life, it is imperative for students of the subject to familiarize themselves with the basic concepts. So take time and study these concepts you are about to read. Knowing them will make your study of Economics a lot easier.

NEED/WANTS: Needs are defined as products and services that are required on a daily basis. These category of goods and services are of basic necessity to human survival. This would include the needs for food, clothing, shelter and health care. On the other hand, wants are goods or services that are not necessary but that we desire or wish for. For example, one needs clothes, but one may not need designer clothes. One does not need toys, entertainment, gems, etc.. One needs food, but does not have to have steak or dessert. One does not need glamorous trips, mall shopping, etc. Wants can also be seen as the *desires* nurtured by humans that motivates their actions and enhances the fulfillment when met. Innovation is, at least in part, driven by wants of the society that the innovator is a part of. It is simply something you'd like to have. People can survive without wants. But they cannot survive without meeting their needs.

Needs And Wants

NEEDS	WANTS
	
Food	Toys & Games
	
Clothing	Entertainment
	
Shelter	Jewelry

SCARCITY: Scarcity refers to the basic economic problem, the gap between limited – that is, scarce– resources and theoretically limitless wants. This situation requires people to make decisions about how to allocate resources efficiently, in order to satisfy basic needs and as many additional wants at possible. Any resource that has a non-zero cost to consume is scarce to some degree, but what matters in practice is relative scarcity.

SCALE OF PREFERENCE: A preference scale in economics is a basic tool that determines the demand of certain products. This scale revolves around the basic needs of humans for a specified product.

CHOICE: The concepts of scarcity, *choice*, and opportunity cost are at the heart of *economics*. A good is scarce if the *choice* of one alternative requires that another be given up. The existence of alternative uses forces us to make *choices*.

OPPORTUNITY COST: Opportunity cost refers to a benefit that a person could have received, but gave up, to take another course of action. Stated differently, an opportunity cost represents an alternative given up when a decision is made. This cost is, therefore, most relevant for two mutually exclusive events. In investing, it is the difference in return between a chosen investment and one that is necessarily passed up.

Assessment

What is the difference between Wants and Needs?

Explain Opportunity Cost

Week 4

Importance to Opportunity Cost

What is Opportunity Cost?

Opportunity cost refers to a benefit that a person could have received, but gave up, to take another course of action. Stated differently, an opportunity cost represents an alternative given up when a decision is made. This cost is, therefore, most relevant for two mutually exclusive events. In investing, it is the difference in return between a chosen investment and one that is necessarily passed up.

When assessing the potential profitability of various investments, businesses look for the option that is likely to yield the greatest return. Often, this can be determined by looking at the expected rate of return for a given investment vehicle. However, businesses must also consider the opportunity cost of each option. Assume that, given a set amount of money for investment, a business must choose between investing funds in securities or using it to purchase new equipment. No matter which option is chosen, the potential profit that is forfeited by not investing in the other option is called the opportunity cost. This is often expressed as the difference between the expected returns of each option:

Opportunity Cost = Return of Most Lucrative Option – Return of Chosen Option

Importance of Opportunity Cost to Individuals, Firms and Government

Although opportunity costs are an economic concept, they play a part in every personal decision that we make. If you [as a student] decided to play a lot of games during your student days high school days instead of focusing on academic performance, you will certainly pay the opportunity cost of potentially failing. The same thing applies if you choose to use your tuition fee or money for books to play lotto. In this light therefore, the importance of opportunity cost is that it helps you plan by exposing you to the advantages and disadvantages of your choices. Opportunity also helps you prioritize.

Please note that there are many opportunity costs associated with political decisions as well, and this is one arena where it is very easy to see a strong bias toward the seen benefits with a corollary ignorance of the unseen costs. We can see this with the Amnesty Programme and similar Niger Delta development schemes, where benefits payments meant for development in the region have been squandered by corrupt Government Officials over the years.

Importance of Opportunity Cost

1. **Determination of Relative Prices of Goods:** The concept is useful in the determination of the relative prices of different goods. For example, if a given amount of factors can produce one table or three chairs, then the price of one table will tend to be three times equal to that one chair.

2. Fixation of Remuneration to a Factor: The concept is also useful in fixing prices and determining salaries of employees. For example, let us assume that the alternative employment of a University Professor to work as an officer in an insurance company would cost an extra of N140,000 per month. In this case, the opportunity cost of hiring the Professor instead of a less experienced employee would be the extra N140,000.

3. Efficient Allocation of Resources: The concept is also useful in allocating the resources efficiently. Suppose, opportunity cost of 1 table is 3 chairs and the price of a chair is N100, while the price of a table is N400. Under such circumstances, it is beneficial to produce one table rather than 3 chairs. Because, if he produces 3 chairs, he will get only N300, whereas a table fetches him N400, that is, N100 more.

To Individuals

- Wise Choice – Opportunity cost enables individuals to make wise choice between competing wants
- Efficient Use of Scarce Resources – It also assists individuals to make maximum use of scarce resources relative to their unlimited wants

To Firms

- Rational Decision – It assists firm to make rational decisions about production process
- Techniques of Production – It also helps manufacturing industries in deciding the techniques of production i.e. whether to adopt capital or labour intensive method of production

To the Government

- Preparation of Budget
- Decision making process

Assessment

State the opportunity cost in each of the following

1. A shirt was purchased for N500 instead of a pair of shoes
2. Onions were planted on a farm realising N20000 instead of maize that could have realised N25000

Explain the importance of opportunity cost to the Government

Week 5

Economic Problems of the Society

Meaning of the Basic Economic Problems in the Society

Basic economic problems refer to the everyday problem people encounter while making their choice in trying to satisfy their numerous wants with the limited resources available for them. These major economic problems are what to produce, how to produce, for whom to produce and the efficiency of the resources used.

WHAT TO PRODUCE: The problem of what to produce is one of the major problems facing any society. This is because human wants are unlimited and the resources available are limited.

Factors that Determines What to Produce are

The factors to be considered in determining what to produce are:

1. **Consumer income**: The producer must take into consideration the income of his target consumers in the society.
2. **Consumers need**: The need of the consumers must be considered before consumption must be made, if a producer produces what the consumer will not need, and then it becomes a waste because they will not buy.
3. **Cost of production**: The cost of materials and other factors of production in the producing of the goods and services must also be considered when determining what to produce. In other to make profit, a producer will not produce goods that will cost so much that he will not be able to make profit.
4. **Type of economy**: The type of economy determines the type and quantity of goods to be produced.
5. **Market demand**: The high demand of a particular good will encourages producers to produce more because of the high demand from the producers.

HOW TO PRODUCE: Once what to produce is settle, the next problem on the list is how to produce the goods.

Factors that determine how to produce are:

1. **Technological advancement**: The availability of the technology determines the method and ways by which goods and services will be provided. Developing countries usually adopt the labor intensive mode of production while developed countries adopt capital intensive mode of operation

2. **Relative cost of factors**: The cheaper the relative costs of the factors of production like labor, capital, etc. the more the production of goods and services to satisfy human wants but when cost of factors of production is high only little production will be attained.

3. **Technique of production**: It means the level of involvement of labor and machines in the production. The two techniques of production are (a) labor intensive and (b) capital intensive technique. The labor intensive technique means that there will be more labor than capital in the production process while the capital intensive means that there will be more capital, machines than labor.

4. **Production function**: The production function simply states the quantity of output that a firm can produce as a function of the quantity of inputs to production. There can be a number of different inputs to production, i.e. "factors of production," but they are generally designated as either capital or labor. (Technically, land is a third category of factors of production, but it's not generally included in the production function except in the context of a land-intensive business.) The particular functional form of the production function (i.e. the specific definition) depends on the specific technology and production processes that a firm uses.

FOR WHOM TO PRODUCE: It is a known fact that production is not complete until all the goods and services produced gets to the final consumers.

The following factors must be considered when determining who to produce for.

1. **Type of economic system**: In the capitalist and mixed economy a person gets what he wants by the price of the products while in a socialist economy the state introduces a quota system in the distribution of goods and services among the people.

2. **Level of income**: The higher the level of income the higher the more people are able to purchase goods and services produced, if income is low the ability to purchase will be low and this will reduce the rate of production of goods and services.

3. **Satisfaction of wants**: The goods and services must have the ability to satisfy human want and need.

EFFICIENCY OF RESOURCES USE: Efficiency of resources use in production of refers to the optimum use or combination of factors of production to achieve higher and better output at a reasonable cost.

Factors that Determines the Efficient Use of Resources

1. **Techniques of production**: The use of capital intensive which includes the use of machines and equipment in the process of production produces more goods, safes time, reduce wastage and be more efficient than the use of labor intensive method.

2. **Quality of labor**: The category of labor employed for production will help to determine efficiency, for instance a skilled labor could contribute more and bring about efficient and manage the allocation of resources and quantity of goods.

Assessment

1. All the following factors determine what to produce except
(a) market demand (b) consumer income (c) cost of production (d) technique of production.

2. The technique of production that has to do with the use of more capital, machine and machinery is
(a) labor intensive (b) knowledge intensive (c) capital intensive (d) machine intensive.

3. The problems that people encounter while attempting to satisfy their numerous wants with the limited resources available to them is
(a) basic economic problem (b) high development problem (c) educational problem (d) basic social problem.

4. Who are the main beneficiary of production
(a) the producers (b) the consumers (c) the wholesalers (d) the retailers.

5. The optimum use or combination of factors of production of production to achieve higher and better output at a reasonable cost is
(a) what to produce (b) for whom to produce (c) how to produce (d) efficiency of resources use.

Week 6

Basic Tools of Economic Analysis

Table

A table is a systematic and orderly arrangement of information, facts or data using rows and column for presentation. This makes it easier for better understanding. It is the most commonly used one for analyzing information.

Characteristics of a Table

The following are the Attributes of a Table

1. A table must be simple
2. A table must be easy to understand
3. A table must be numbered if they are many
4. It must have a title
5. The source of information must should be stated if known
6. The purpose of creating a table must be known
7. A table must have a title or heading
8. The sub headings for rows and column must be stated

Interpretation of the Table

From the table it can be seen that the selected commodity are with different gross output, it explains that for different commodity there is different gross output made for them.

Importance of Tables.

1. A table helps data to be well arranged
2. It helps to summarized the data presented
3. A table helps to understand data
4. It makes decision faster and easier
5. It makes information easy to interpret

6. A table helps to bring out important features in a the data
7. A table eases comparison between different classes of data

Graph

Graph is one of the basic tools used by economist for economic analysis; information presented on tables can be translated into graphs.

A graph can be defined as a diagram showing a functional relationship between two variables. Examples of graphs are line graphs, pie graphs (or chart), bar chart, pictographs.

Features of Graph

1. All graphs must have the source of the data presented
2. All graphs must have a title
3. It must be labeled properly for better understanding
4. The X and Y axes of the graph must carry different variables
5. It must possess appropriate scale
6. All graphs should have X-axis on the horizontal and Y-axis on the vertical side.
7. The unit of measurement must be indicated in the graph.

Importance of Graphs

1. Graphs make it possible for changes in variables on quantities to be expressed
2. It helps to show relationship between two variables
3. Graphs provide basis for comparing variables provided in the table
4. It helps to interpret value of variables
5. It makes clearer and quicker impression about the information made on the table

LINE GRAPH: A line graph is a line used for data where emphasis is on continuous change, it is used to join or connect the highest and lowest points of a group.

PIE CHARTS (OR GRAPHS): The pie charts is usually measured either in percentage or in degrees with the aid of a mathematical device called a protractor, the entire circle is represented by 360 degree or 100%

Methods of Construction

1. Add up the total figure of the product or value under consideration
2. Work out the percentage or degree

- Draw a circle of a convenient size

1. Divide the circles into sector
2. Write the percentage or degree of each sector by it

BAR CHART: Bar chart is a graph made up of bars of rectangle which are of equal width and whose lengths are proportional to the quantities they represents. In bar chart there must be a space or gap between one bar and another. Types of bar chart are simple bar chart, component bar chat and multiple bar chat

PICTOGRAMS/ PICTOGRAPH: These are another type of graph in which pictures or drawings are used to represent items in a given data.

A pictogram showing the number of children with different types of fruit.

HISTOGRAMS: It is a graphical representation of frequency distribution. It is made up of a set of rectangles that have their bases on the horizontal axis i.e. X- axis and their frequencies on the vertical axis i.e. Y-axis. In drawing a histogram, there is no gap or space between two bars unlike the bar chart.

<u>THE ARITHMETIC MEAN</u>

The arithmetic mean is also known as the mean, it is the average of a series of figures or values. It is also the average of a collection of observation. It can be derived by dividing the sum figures by total number of the figures or value

Formula for calculating mean

$$\overline{X} = \frac{\sum X}{N}$$

This formula is used for a group data

$$\bar{x} = \frac{\sum f x}{\sum f}$$

While this is used for ungrouped data.

$$Median = \left(\frac{n+1}{2}\right)^{th} term$$

Advantages of Arithmetic Mean

1. It is easy to calculate
2. It is the best known average
3. It is very easy to understand
4. It makes use of all available information in a data.
5. It gives an exact value

Disadvantages of Arithmetic Mean

1. It can lead to distorted result
2. It cannot be obtained graphically
3. Certain facts in arithmetic mean may not be revealed
4. It can be affected by extreme value in a distribution.

<u>THE MEDIAN</u>

This is the middle value when figures are arranged in order of magnitude in an even distribution; it is the middle number of an item.

Formula for Calculating Median

Advantages of Median

1. It is very easy to understand
2. It can be obtained by graphic form
3. Medium is not affected by extremes of values
4. It does not involve serious calculations

Disadvantages of Median

1. It might not be needed for further statistical calculations
2. It tends to ignore extreme values

3. It is easy to calculate when large numbers are involved
4. The rearrangement of numbers becomes a difficult task

THE MODE: The mode can be defined as the most frequently occurring number in a set of numbers or data. It is the most frequently occurring value in a distribution.

Advantages of the Mode

1. It is very easy to understand
2. It is easy to determine
3. It is very easy to compute
4. It is not affected by extreme values
5. Mode is not difficult to calculate even when the data is not complete.

Disadvantages of the Mode

1. It represents a very poor average
2. It is not a good measure of accuracy
3. Arrangement of large data is always tedious
4. It is difficult to calculate when the mode is more than one
5. There may be uncertainty in the exact location.

THE RANGE: The Range is defined as the difference between the maximum (highest) and the minimum (lowest) values in a set of data. It is the simplest and the most straight forward measure of dispersion.

Advantages of Range

1. It is easy to calculate
2. It is easy to understand
3. It is useful for further statistical calculations

Disadvantages of the Range

1. It is not a reliable measure of variability
2. It does not take all the values into consideration.

Assessment

1. ———- is defined as the difference between the highest and the lowest value in a set of data
   (a) mean (b) mode (c) range (d) median.
2. The most occurring number in a data is the
   (a) mean (b) median (c) mode (d) range
3. One of these is not an advantage of mean
   (a) it's easy to calculate (b) easy to understand (c) it can lead to distorted result (d) it makes use of all the available information in a data.
4. The middle value when data are arranged is
   (a) mode (b) mean (c) range (d) median.
5. The arithmetic mean is also known as
   (a) mean (b) mode (c) median (d) range.
6. All the following are part of Economic tools except
   (a) mean (b) table (c) median (d) centers
7. The basic tools in Economics are majorly used for—————-
   (a) mis-interpretation of problems (b) interpretation and analysis of economics problems (c) decoration of economic work (d) complicate data.
8. The characteristics of tables are
   (a) must be simple (b) must be complex (c) must be numbered if they are many (c) must have a title (d) must be easy to understand.
9. Tables are important because
   (a) it helps to summarize data (b) it makes data easy to understand (c) it makes data difficult to understand (d) it helps to summarize data.
10. The pie chart is usually measured in either —— or ———
    (a) degrees or percentage (b) kilometer or millimeter (c) Metre and centimeters (d) all of the above

Answers

1. C
2. C
3. C
4. D
5. A

6. D
7. B
8. B
9. C
10. A

Week 7

Economic Problems of the Society

Meaning of the Basic Economic Problems in the Society

Basic economic problems refer to the everyday problem people encounter while making their choice in trying to satisfy their numerous wants with the limited resources available for them. These major economic problems are what to produce, how to produce, for whom to produce and the efficiency of the resources used.

WHAT TO PRODUCE: The problem of what to produce is one of the major problems facing any society. This is because human wants are unlimited and the resources available are limited.

Factors that Determines What to Produce are

The factors to be considered in determining what to produce are:

6. **Consumer income**: The producer must take into consideration the income of his target consumers in the society.
7. **Consumers need**: The need of the consumers must be considered before consumption must be made, if a producer produces what the consumer will not need, and then it becomes a waste because they will not buy.
8. **Cost of production**: The cost of materials and other factors of production in the producing of the goods and services must also be considered when determining what to produce. In other to make profit, a producer will not produce goods that will cost so much that he will not be able to make profit.
9. **Type of economy**: The type of economy determines the type and quantity of goods to be produced.
10. **Market demand**: The high demand of a particular good will encourages producers to produce more because of the high demand from the producers.

HOW TO PRODUCE: Once what to produce is settle, the next problem on the list is how to produce the goods.

Factors that determine how to produce are:

5. **Technological advancement**: The availability of the technology determines the method and ways by which goods and services will be provided. Developing countries usually adopt the labor intensive mode of production while developed countries adopt capital intensive mode of operation

6. **Relative cost of factors**: The cheaper the relative costs of the factors of production like labor, capital, etc. the more the production of goods and services to satisfy human wants but when cost of factors of production is high only little production will be attained.

7. **Technique of production**: It means the level of involvement of labor and machines in the production. The two techniques of production are (a) labor intensive and (b) capital intensive technique. The labor intensive technique means that there will be more labor than capital in the production process while the capital intensive means that there will be more capital, machines than labor.

8. **Production function**: The production function simply states the quantity of output that a firm can produce as a function of the quantity of inputs to production. There can be a number of different inputs to production, i.e. "factors of production," but they are generally designated as either capital or labor. (Technically, land is a third category of factors of production, but it's not generally included in the production function except in the context of a land-intensive business.) The particular functional form of the production function (i.e. the specific definition) depends on the specific technology and production processes that a firm uses.

FOR WHOM TO PRODUCE: It is a known fact that production is not complete until all the goods and services produced gets to the final consumers.

The following factors must be considered when determining who to produce for.

4. **Type of economic system**: In the capitalist and mixed economy a person gets what he wants by the price of the products while in a socialist economy the state introduces a quota system in the distribution of goods and services among the people.

5. **Level of income**: The higher the level of income the higher the more people are able to purchase goods and services produced, if income is low the ability to purchase will be low and this will reduce the rate of production of goods and services.

6. **Satisfaction of wants**: The goods and services must have the ability to satisfy human want and need.

EFFICIENCY OF RESOURCES USE: Efficiency of resources use in production of refers to the optimum use or combination of factors of production to achieve higher and better output at a reasonable cost.

Factors that Determines the Efficient Use of Resources

3. **Techniques of production**: The use of capital intensive which includes the use of machines and equipment in the process of production produces more goods, safes time, reduce wastage and be more efficient than the use of labor intensive method.
4. **Quality of labor**: The category of labor employed for production will help to determine efficiency, for instance a skilled labor could contribute more and bring about efficient and manage the allocation of resources and quantity of goods.

Assessment

6. All the following factors determine what to produce except
(a) market demand (b) consumer income (c) cost of production (d) technique of production.
7. The technique of production that has to do with the use of more capital, machine and machinery is
(a) labor intensive (b) knowledge intensive (c) capital intensive (d) machine intensive.
8. The problems that people encounter while attempting to satisfy their numerous wants with the limited resources available to them is
(a) basic economic problem (b) high development problem (c) educational problem (d) basic social problem.
9. Who are the main beneficiary of production
(a) the producers (b) the consumers (c) the wholesalers (d) the retailers.
10. The optimum use or combination of factors of production of production to achieve higher and better output at a reasonable cost is
(a) what to produce (b) for whom to produce (c) how to produce (d) efficiency of resources use.

Week 8

Theory of Production

Meaning of Production

Production can be defined as an economic activities aimed at the creation of goods and services and the distribution of these to the final consumers for the satisfaction of human wants. In the same vein, it can also be defined as the creation of utility. All goods and services produced must be able to give utility to the consumers. Productions include the creation of tangible goods such as books, houses, cars, radio, computers etc and services rendered by doctors, lawyers, teachers, mechanics etc. Production is set to be complete when goods and services get to the final consumer.

Types of Production

Production is grouped into two major categories which are-

1. Direct Production: This is the type of production in which an individual produces goods and services only for the family use or consumption. The goods produced are meant for the family use alone and not for sale.
2. Indirect Production: This is the type of production that is made for general consumption where goods and services are produced in large scale mainly for sales or exchange for other needs. Indirect production is sub divided into
3. Primary production: Primary production refers to the extraction of raw materials from their source; It is the process of extracting raw materials from their natural location like water, land and air. Examples of primary production are agriculture, fishing, mining etc.
4. Secondary Production: Secondary production involves the transformation or conversion of raw materials or semi finished goods into final forms that are acceptable to the consumers. Examples of secondary production are houses, cars, food, roads, cloths, shoes etc.

- Tertiary Production: This has to do with the provision of professional or commercial services to the people. It is the process by which the goods produced at the primary and secondary level are distributed to the final consumers. Those involve in this section of production are the wholesalers, retailers, police, teachers, doctors, etc.

Importance of Production

Production is important for the following reasons

1. It helps to improve the standard of living
2. Provision of employment opportunity
3. It makes goods and services available
4. It helps to increase export potentials
5. It increases the wealth of the people
6. It helps people to acquire special skills
7. It can lead to specialization

Factors of Production

The Factors of Production are what make production possible, they are referred to as components or resources which are combined together to produce goods and services. The Factors of production can also be described as an economic term which talks about the inputs that are used in the production of goods and services in order to make an economic profit. The Factors of Production include ***land***, ***labor***, ***capital*** and ***entrepreneurship***.

Factors of that determines Volume of Production

1. The Amount of Capital: The amount of capital available to an entrepreneur or manufacturer determines the volume of his or her productions.
2. The availability of Raw Materials: The raw materials available determine what is produced and to what extent any production effort is carried out.
3. The Management: The Management put in place for a production directly determines the volume of such a production. This is because such Management is responsible for planning and execution of the project.
4. The Market Size: The size of the target audience also influences the volume of production.
5. The Efficiency of the other Factors of Production: The more the efficiency of the other Factors of Production, the more the increase in the volume of production.
6. The Level of Technology: The better the technology, the more the volume of production.Other factors include-
7. The availability of storage facilities
8. The nature of the production

Week 9

Labour Market

What is Labour Market?

Simply defined, the labour market refers to the supply and demand for labour such that employees provide the supply and employers provide the demand. It is a major component of all economies, and is intricately tied in with markets for capital, goods and services. At the *macroeconomic* level, supply and demand are influenced by both domestic and international market dynamics, as well as other important factors such as immigration, the age of the population and education levels. Relevant measures include unemployment, productivity, participation rates, total income and GDP. At the *microeconomic* level, individual firms interact with employees either to hire them or to fire them as well as raising or cutting wages and work hours. The relationship between supply and demand influences the hours the employee works and compensation she receives in wages, salary and benefits.

The Concept of Labour Force

The concept of labour force is generally used to describe people working for either a single company or an the entire workforce of a particular industrial sector, region or a country. Some companies like to describe their values as their workforce because when the workforce is strong and motivated, productivity will certainly be high.

Do note that whereas labour force within corporations typically define the number of personnel working there, the labour force of a country includes both the employed and the unemployed. The *labour force participation rate* **[LFPR]** otherwise known as the **economic activity rate**, **EAR,** is the ratio between the labour force and the overall size of their cohort (i.e., national population of the same age range). The term generally excludes the employers themselves, focusing on everyone who is capable and available to be hired to work.

Factors affecting the Size of Labour Force

1) Population: The size of a population determines (to a great extent) the number of people who will be available to engage in production activities. If the population is low, the number of people capable and available to work will be low. On the other hand, if the population is high, there will be more people available to work. Meanwhile, another factor to consider as it relates to population is whether the population is young or aged. A population comprised of mostly able-bodied youths will definitely have a better workforce than those comprised of aged, dependent people.

2) **Educational Qualification:** Education plays a key role in determining the size of any given labour force. This is because very many of the available professions in the world require high level of academic mastery in order that one may fit into their given fields and be productive.

3) **Government Policies:** The Government plays a huge role in determining the size of the labour force. If government policies are favourably-disposed to business enterprises, they will be compelled (by the labour of demand) to hire more people who will facilitate the production exercise. But if [unfortunately] the policies of Government are bad, businesses will not thrive and as such a lot of people will not be absorbed by the labour market. This will in turn make the labour force small.

4) Number of available Industries: The number of available industry also determine the size of the labour force. If the industries are few, fewer people would be hired. In a country like Nigeria where they are just a few industries, we have a small labour force because very many people are out of work due to the unavailability of work.

5) Wage/Salary Scales: The remuneration of labour often serve as a factor determining the size of the labour force. It goes like this- if the remuneration is favourable, more and more people will be attracted to work. But if this is not the case, it will ultimately discourage many from working.

Efficiency and Mobility of Labour

Mobility of labour means the capacity and ability of labour to move from one place to another or from one occupation to another or from one job to another or from one industry to another. There are two types of labour mobility- ***geographic*** and ***occupational***. A geographic labour mobility occur when labour move from one place to another in search of better-paying or better-satisfying jobs. Most people in Nigeria have family relatives who have emigrated out of the country in search of greener pastures abroad. Meanwhile, occupational labour mobility can also occur, such that people shift jobs; moving from one sector to another. There are a number of Nollywood actors who were once either doctors or bankers but along the line decided to become actors. That exemplifies occupational labour mobility.

Factors Determining Mobility of Labour

There are several factors that determine mobility of labour. Some of these factors include-

1. *Education and Training*
2. *Outlook or Urge*
3. *Social Set-up*
4. *Means of Transport*

ASSESSMENT

1. The supply by employees and demand by employers for labour is known as
   (a) labour trafficking
   (b) labour soliciting
   (c) labour trade
   (d) labour market
2. One of these is not a factor that influence the demand and supply of labour
   (a) immigration
   (b) the age of the population
   (c) education levels
   (d) health of population
3. If the population is low, the number of people capable and available to work will be
   (a) low
   (b) high
   (c) medium
   (d) none of the above
4. The two types of mobility are ____ and _____
   (a) male and female
   (b) geographic and occupational
   (c) geographic and vertical
   (d) occupational and transport
5. One of these is not a factor that determines mobility of labour
   (a) education
   (b) urge
   (c) availability of jobs
   (d) means of transport

ANSWERS

1. d
2. d
3. a
4. b
5. c

Week 10

Labour as a Factor of Production

Definition of Labour

Labor as a factor of production is defined as all forms of human efforts put into production. It is the mental and physical effort put in the process of production. The reward for labor as a factor of production is wages and salaries. It is a measure of the work done by human beings. It is conventionally contrasted with such other factors of production as land and capital. There are theories which have developed a concept called human capital (referring to the skills that workers possess, not necessarily their actual work). It can also be defined as the aggregate of all human physical and mental effort used in creation of goods and services. Labor is a primary factor of production. The size of a nation's labour force is determined by the size of its adult population, and the extent to which the adults are either working or are prepared to offer their labor for wages.

Types of Labour

1. **Skilled labor:** These are labors that make use of their mental effort in the production of goods and services. They are labors who have undergone some training in institution of higher learning. E.g. Accountants, doctors, engineers, lawyers etc.
2. **Unskilled labor:** These categories of labor require no or little formal education. They make use of their physical and energy in the production process; their jobs are referred to as brown collar job. They are employed ad guards, messengers, cleaners, etc.

Characteristics of Labour

1. Labour is human factor
2. Labour has feelings
3. Labour is mobile
4. Labour has initiative
5. Labour requires motivation
6. Labour is not fixed
7. Labour is perishable
8. Labour controls other factors of production
9. Labour cannot be predicted

Efficiency of Labour

Labour efficiency is a measure of how efficiently a given workforce accomplishes a task, when compared to the standard in that industry or setting. There are several different ways to measure labour efficiency, depending on the type of products and services being produced, and the end goal. Companies periodically assess efficiency along with other characteristics to identify weak points in the labour force and determine where they have room for improvement, with the goal of improving the overall quality of goods and services while keeping costs down.

Importance of Labour

1. Labour is important because it influences other factors of production
2. Labour provides the required skills and personnel necessary for the production
3. Labour operates the machines and other factors of production
4. They engage directly into the production.

SS1

Economics

Second Term

TABLE OF CONTENT

Week 1

Division of Labour

Meaning of Division of Labour

Division of Labour has to do with the narrow specialization of tasks within a production process so that each worker can become a specialist in doing one thing, especially on an assembly line. In traditional industries (see sunset industries), division of labor is a major motive force for economic-growth. However, in the era of mass customization (which requires multiple skills and very short machine change-over time), division of labor has become much more flexible. Also called specialization of labor.

Division of labour can also be defined as the separation of tasks in any economic system so that participants may specialize. Individuals, organizations, and nations are endowed with or acquire specialized capabilities and either form combinations or trade to take advantage of the capabilities of others in addition to their own. Specialized capabilities may include equipment or natural resources in addition to skills and training and complex combinations of such assets are often important, as when multiple items of specialized equipment and skilled operators are used to produce a single product. The division of labour is the motive for trade and the source of economic interdependence.

Origin of Division of Labour

Because of the large amount of labour saved by giving workers specialized tasks in Industrial Revolution-era factories, some classical economists as well as some mechanical engineers such as Charles Babbage were proponents of division of labour. Also, having workers perform single or limited tasks eliminated the long training period required to train craftsmen, who were replaced with lesser paid but more productive unskilled workers. Historically, an increasing division of labour is associated with the growth of total output and trade, the rise of capitalism, and the increasing complexity of industrialised processes. The concept and implementation of division of labour has been observed in ancient Sumerian (Mesopotamian) culture, where assignment of jobs in some cities coincided with an increase in trade and economic interdependence. Division of labour generally also increases both producer and individual worker productivity.

Advantages of Division of Labour

1. Increase in Productivity: The greatest advantage of division of labour is that it increases immensely the productivity per worker. This point can be illustrated by the famous example of pin making given by Adam Smith. The process of pin making is divided into 18 distinct operations.

2. The Right Man in the Right Place: Another great advantage is that the work under division of labour is allotted according to the ability and capacity of the individual worker. This ensures a high degree of efficiency as the right man is put in the right job. Thus, it eliminates the possibility of fitting a square peg in a round hole.

3. Dexterity and Skill: The worker becomes highly skilled and acquires high degree of dexterity because of the repeated performance of the same operation. As the age-old dictum goes, practice makes a man perfect. The worker acquires perfection in his skill because he has to carry out the same operation over and over again. This adds to his productivity.

4. Inventions are facilitated: Another significant advantage is that it promotes the development of new ideas and better techniques of doing the work. It is due to the fact that when a worker is performing the same operation over and over again, he can think of doing that process in a better and improved manner. Even some mechanical device may occur to him to do that task easily and more efficiently. Thus, division of labour results in inventions of new machinery and better tools.

5. Saving in Time: Under division of labour, a worker performs a part of the whole process and therefore he needs to learn only that much. Long periods of training are, therefore, rendered unnecessary. This saves great time and money. Further as the worker remains employed on the same process, he does not waste his time in moving from one process to another. He, therefore, goes on working without loss of time. This further result in saving in time.

6. Economy in the Use of Tools: A worker is not provided with a complete set of tools required for the whole process. He is provided with only those tools which are required by him for the performance of that part of the process which is allotted to him. Thus, one set of tools can be made use of by many workers. This is a great economic gain.

7. Use of Machinery Encouraged: By breaking up the production of a commodity into small and simple operations, division of labour encourages the use of machinery and its introduction. These simple operations easily can be carried out by suitable machines. Machines can be economically used only when they are fully used, that is, when their productive capacity is fully utilised. Division of labour involves production on a large scale and therefore permits the economical use of machinery.

8. Cheaper Goods: Another distinct advantage of division of labour is that the economies of large scale are reaped. The cost per unit tends to fall down when the commodity is produced on a large scale which ensures the production of cheaper goods. Even poor people can buy them. As a result of this, the standards of living of the people rise.

9. Rise of Entrepreneurs: Since the work is divided into various processes, someone is required to coordinate the work. This has resulted in the rise of entrepreneurs whose job is to specialise in the art of organisation. The rise of entrepreneurs has greatly contributed to the increase in efficiency and productivity of the modern economy.

Disadvantages of Division of Labour

1. It is monotonous
2. It kills creativity
3. The risk of one becoming unemployability in other fields

ASSESSMENT

1. Which of the following is an advantage of division of labour?
   (a) production of specialized goods
   (b) employment of experts
   (c) monotony of work
   (d) none of the above
2. Division of labour may be restricted when ____
   (a) an ailing economy has improved
   (b) producers live in villages
   (c) market is small
   (d) there is full employment.
3. Division of labour is also known as
   (a) specialization of labor
   (b) restriction of trade
   (c) labour nomalization
   (d) trade deficit
4. A disadvantage of division of labour is that
   (a) it saves time
   (b) it builds expertise
   (c) it is monotonous
   (d) it makes goods to be cheaper
5. Division of labour helps countries to
   (a) fire employees
   (b) increase its trade
   (c) encourage creativity
   (d) employ experts

ANSWERS

1. b
2. c
3. a
4. c
5. b

Week 2

Scale of Production (Small, Medium and Large)

What is Scale of Production?

Scale of Production has to do with the amount of factors used, the quantities of products produced, and the techniques of production adopted by a producer. As production increases with the increase in the quantities of land, labour and capital, the **s**cale of production expands. The Scale of Production can also be determined by the size of plant, the number of plants installed and the technique of production adopted by the producer.

Types of Scale of Production

There are three types of Scale of Production which are-

1. Small Scale Production
2. Large Scale Production
3. Optimum Scale of Production.

Small Scale Production: If a firm produces goods with small sized plants, the scale of production is said to be small scale production. Small scale of production is associated with low capital output and capital labor ratios. In small scale of production, the economies of scale do not occur to the firm.

Large Scale of Production: If a firm uses more capital and larger quantities of other factors, it is said to be operating on large scale production. Large scale production enjoys both internal and external economies of scale.

Optimum Scale of Production. The optimum scale of production refers to that size of production which is accompanied by maximum net economics of scale, it is a scale at which the cost of production per unit is the lowest.

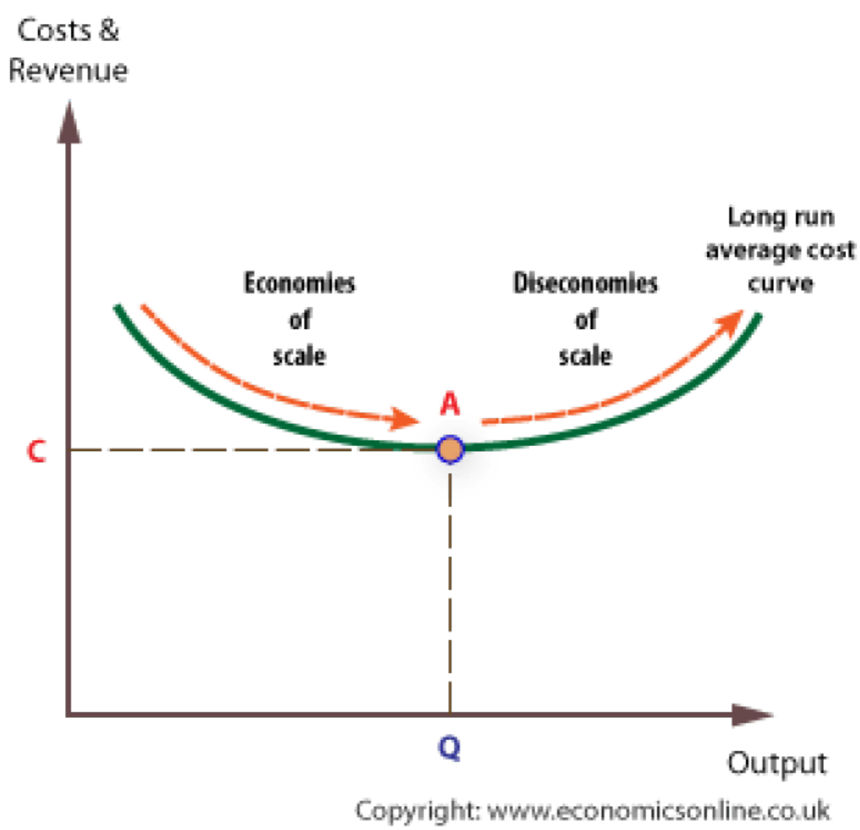
Internal and External Economies of Scale

External economies of Scale:

This has to do with the benefits and costs associated with the expansion of a *whole industry* and result from external factors over which a single firm has little or no control. *External economies of scale* include the benefits of positive externalities enjoyed by firms as a result of the development of an industry or the whole economy. For example, as an industry develops in a particular region an infrastructure of transport of communications will develop, which all industry members can benefit from. Specialist suppliers may also enter the industry and existing firms may benefit from their proximity.

Internal Economies of Scale

Internal economies of scale are associated with the expansion of a *single firm*. The long run cost curve for most firms is assumed to be 'U' shaped, because of the impact of internal economies and diseconomies of scale.



ASSESSMENT

1. _____________ has to do with the amount of factors used, the quantities of products produced, and the techniques of production adopted by a producer
   (a) scale of reproduction
   (b) scale of trade
   (c) scale of commerce
   (d) scale of production
2. When production increases with the increase in the quantities of land, labour and capital, the **s**cale of production
   (a) expands

(b) reduce
(c) contracts
(d) extiguishes

3. When a firm produces goods with small sized plant it is known as
   (a) small scale production
   (b) large scale production
   (c) optimum scale of production
   (d) reduced scale of production
4. If a firm uses more capital and larger quantities of other factors, it is said to be operating
   (a) small scale production
   (b) large scale production
   (c) optimum scale of production
   (d) reduced scale of production
5. The long run cost curve for most firms is assumed to be ___ shaped
   (a) “C”
   (b) “D”
   (c) “U”
   (d) “W”

ANSWERS

1. d
2. a
3. a
4. b
5. c

Week 3

Firm

What is a Firm?

A firm is more or less similar to the concept of a business establishment. The term is mostly used in relation to companies providing judicial services to clients. These are business establishments referred to as law firms. A firm can be a sole proprietorship or a partnership, but the basic premise is that it is run for making profits. In US alone, there are an equal number of firms and establishments. A firm can operate inside an industry such as a firm that makes and supplies steel to other companies requiring steel while all these companies exist under the steel industry.

A firm can also be defined as a business organization, such as a corporation, limited liability company or partnership, that sells goods or services to make a profit. While most firms have just one location, a single firm can consist of one or more establishments, as long as they fall under the same ownership and, typically utilize the same Employer Identification Number. The title “firm” is typically associated with business organizations that practice law, but the term can be used for a wide variety or business operation units, such as accounting. “Firm” is often used interchangeably with “business” or “enterprise.”

An Industry: A Definition

Industry refers to a kind of business inside an economy while a firm is a business establishment inside an industry. In economics, the economy of a country is divided into an umbrella of industries where an industry consists of all organized activities for production and processing of products. However, industry is also described as retail and wholesale depending upon the nature of transactions with the customers. There are also industries in services sector such as the banking industry or the insurance industry. An industry covers all economic activities that are organized and carried on by all individuals, units, firms, businesses, and organizations existing and working inside it.

What a Plant?

In the study of economics, a plant is an integrated workplace, usually all in one location. A plant generally consists of the physical capital like the building and equipment at a particular location that is utilized for the production of goods. A plant is often also known as a factory. A building capable of manufacturing goods of all sizes in large quantities to be sold by a business. Plants can be considered either a long term asset if owned by the firm, or both a long term liability if leased or rented.

Factors that determine the Size of Firms

1. Entrepreneurial Skill:

The most important factor of comes is the skill, initiative and resourcefulness of the entrepreneur. Everything depends on his judgment and ability. An entrepreneur of outstanding ability will be able to procure as much finance as he may need, hire the requisite labor force and build up a huge business. But an entrepreneur of moderate ability will run business on a moderate scale and a man of limited entrepreneurial skill will be content with a small business

2. Managerial Ability:

For running the routine part of the business, managers are appointed. If a firm is lucky enough to have a manager of great ability, the size of the firm will grow to considerable dimensions. On the other hand, a mediocre manager will have a small-sized firm to manage.

3. Availability of Finance:

It is finance which oils the wheels of business machine. If ample funds are available, it will help the entrepreneur to make his business grow to a big size. This requires a proper development, of the banking system so that savings of the community can be effectively mobilized and utilized in the development of trade and industry.

4. Availability of Labour:

Another factor on which the size of the firm depends is the availability of labour of requisite skill. After all, what can the entrepreneur even with large capital do, if the labour to man the business is not available? What is required is efficient and skilled labour.

5. Nature of Business:

Much also depends on the nature of business. If the business obeys the law of increasing Returns, it will grow to a big size, otherwise, in the case of diminishing returns it will remain stunted, and in the case of constant returns it will remain stagnant.

6. Extent of the Market:

The size of the firm also depends on the extent of the market. If the commodity in which the firm deals or which it-manufactures has a wide market, naturally the business will assume a large scale. But if the demand for the commodity is fitful or limited, the size of the firm will continue to be small. These are some of the factors on which the size of an average firm in a country depends.

ASSESSMENT

1. _____ is a business entity that sells goods or services to make a profit.
   (a) charity
   (c) school
   (c) court
   (d) firm
2. The main purpose a firm is establish is to
   (a) make profits
   (c) make losses
   (c) provide goods
   (d) provide services
3. Another word for “firm” is
   (a) enterprise
   (b) corporation
   (c) industry
   (d) department
4. A building capable of manufacturing goods of all sizes in large quantities to be sold by a business is called
   (a) stem
   (b) root
   (c) stem
   (d) plant
5. One of these is not a factor that determine the size of firms
   (a) nature of business
   (b) name of owner
   (c) availability of labour
   (d) availability of finance

ANSWER

1. d
2. a
3. a
4. d
5. b

Week 4

Business Organization

What is Business Organization?

A business organization can be defined as an entity with the objective carrying on commercial enterprise by providing goods/services; to meet needs and wants of the customers. All business organizations have certain features in common such as ***formal structure***, ***the aim to achieve objectives***, ***the use of resources***, ***the requirement for direction***, and ***some legal regulations controlling them***. A business organization can also be defined as an individual or group of people that collaborate to achieve certain commercial goals. Some business organizations are formed to earn income for owners. Other business organizations, called nonprofits, are formed for public purposes. The different forms of business organizations are *Sole Proprietorship*, *General Partnership, Corporation*.

Sole Proprietorship

A sole proprietorship is a business organization that is owned by a single person or individual. This is the simplest type of business to start and is the least regulated form of organization. Depending on where you live, you might be able to start a proprietorship by doing little more than getting a business license and opening your doors. For this reason, there are more proprietorships than any other type of business, and many businesses that later become large corporations start out as small proprietorships.

If you are the only owner, you can keep it very simple and run your business as a sole proprietor. In a sole proprietorship, you are the business. In other words, there is no legal distinction between the business and you. You are completely personally liable for any debts, contracts, negligence or wrongful acts done by the business. On the plus side, the business is very easy to operate, isn't subject to a bunch of organizational regulations and you simply report profits and losses from the business on your personal tax return. A kid's lawn mowing service is an example of a sole proprietorship.

For more of the characteristics of sole proprietorship, read below-

Features/Advantages/Disadvantages

Advantages of forming a sole proprietorship

- Sole proprietorship is the simplest and most flexible business structure.

- The sole proprietor has total control and full decision-making power over policies, profits and capital investment.
- It is easy to close down the business.
- Profits from the business will be taxed at the sole proprietor's marginal tax rate, which may be lower than the corporate (limited company) tax rate. Also, business losses can be offset against the other income of the proprietor

Disadvantages of forming a sole proprietorship

- Risks that are taken by the sole proprietor may result in personal bankruptcy.
- The death or prolonged illness of the sole proprietor will lead to the end of the business.
- Due to the limitations of a one-person business, the sole proprietor may not be able to raise additional capital from outside sources to expand the business.

Partnership

A partnership is a business owned by more than one person. It is the direct opposite of sole proprietorship in that it is comprised of partners who often enter into a ***partnership agreement.*** A partnership agreement outlines the rights and obligations of the partners. Just like a sole proprietorship, general partners are completely responsible for the liabilities of the partnership. In fact, partners usually have joint and several liability, which means that a partner can be dinged for 100% of the partnership debts and will have to pursue his partners for their share.

Please note that a partnership is similar to a proprietorship except that there are two or more owners (partners). In a *general partnership,* all the partners share in gains or losses, and all have unlimited liability for *all* partnership debts, not just some particular share. The way partnership gains (and losses) are divided is described in the *partnership agreement.* This agreement can be an informal oral agreement, such as "let's start a lawn mowing business," or a lengthy, formal written document.

Features/Advantages/Disadvantages

Advantages of forming a partnership

- It is easier to raise finance as a partnership than as a sole proprietor.

- Partners pay tax on their share of the partnership profits at their respective marginal tax rates, and their share in the partnership losses can be offset against their other income.

Disadvantages of forming a partnership

- Partners do not have the benefit of limited liability.
- The participation of all the partners is needed for most legal transactions, which can result in disputes among the partners.
- The partnership will be dissolved when a partner dies or becomes bankrupt, unless the Partnership Agreement states otherwise.

CORPORATION

The corporation is the most important form (in terms of size) of business organization in the United States. A corporation is a legal "person" separate and distinct from its owners, and it has many of the rights, duties, and privileges of an actual person. Corporations can borrow money and own property, can sue and be sued, and can enter into contracts. A corporation can even be a general partner or a limited partner in a partnership, and a corporation can own stock in another corporation.

ASSESSMENT

1. An entity that commercially provides goods/services to meet needs and wants of the customers is known as
   (a) department
   (b) ministry
   (c) business organisation
   (d) charity organisation

2. Business organizations formed for public purposes are known as
   (a) nonloss
   (b) noncash
   (c) nonprofits
   (d) nonsell

3. A Sole proprietorship is
   (a) a business organisation owned by a single person or individual
   (b) a business organisation owned by two people
   (c) a business organisation owned by a community
   (d) a business organisation owned by a country

4. In a *general partnership,* all the partners
   (a) share in gains or losses
   (b) do not share in gains and losses

(c) are dormant
(d) are do not have equal share

5. One of these is not true of a corporation
(a) can sue and be sued
(b) can borrow money
(c) is owned by a single individual
(d) can own property

ANSWERS

1. **c**
2. **c**
3. a
4. a
5. c

Week 5

Joint Stock Companies

Joint Stock Companies: Definition

Joint stock companies are organizations that fall between the definitions of a partnership and corporation in terms of ***shareholder liability***. In other words, these are the types of business entities where different stocks can be bought and owned by shareholders. Each shareholder owns company stock in proportion; evidenced by their shares (certificates of ownership). That allows for the unequal ownership of a business with some shareholders owning more of a company than others. Shareholders are able to transfer their shares to others without any effects to the continued existence of the company.

Private and Public Liability Companies

This is a type of company that offers ***limited liability*** or legal protection for its shareholders, while placing certain restrictions on its ownership. These restrictions are defined in the company's bylaws or regulations and are meant to prevent any hostile takeover attempt. A private liability company can also be defined as a privately-held small business entity, in which ***owner liability*** is limited to their shares. The firm is limited to having fifty or fewer shareholders and shares are prohibited from being publicly traded. A company becomes an independent legal structure when it incorporates.

Characteristics of a Private Liability

1. **Members:** To start a company, a minimum number of 2 members are required and a maximum number of 200 members as per the provisions of the **companies act 2013**.
2. **Limited Liability:** The liability of each member or shareholders is limited. It means that if a company faces loss under any circumstances then its shareholders are liable to sell their own assets for payment. The personal, individual assets of the shareholders are not at risk.
3. **Perpetual Succession:** The company keeps on existing in the eyes of law even in the case of death, insolvency, the bankruptcy of any of its members. This leads to perpetual succession of the company. The life of the company keeps on existing forever.
4. **Index of Members:** A private company has a privilege over the public company as they don't have to keep an index of its members whereas the public company is required to maintain an index of its members.
5. **A Number of Directors:** When it comes to directors, a private company needs to have only two of them. With the existence of 2 directors, a private company can come into operations.
6. **Prospectus:** Prospectus is a detailed statement of the company affairs which is issued by a company for its public. However in case of **private limited company** there is no such need to issue a prospectus because in this public is not invited to subscribe for the shares of the company.
7. **Minimum Subscription:** It is the amount receive by the company which is 90% of the shares issued within a certain period of time. If the company is not able to receive 90% of the amount then they cannot commence further business. In case of private limited company shares can be allotted to the public without receiving the minimum subscription.

8. **Name:** It is mandatory for all the private companies to use the word private limited after its name.

Advantages and Disadvantages of Private Liability

Advantages:

Limited Liability: The obvious advantage of a Limited Liability Company is the financial security that comes with business. As already mentioned, the Company's shareholders will only be liable for any debt the company accrues according to the levels of their own investment and no more. This can provide a comfortable feeling of security for investors in the Company.

Separate Entity: Due to its very nature, a limited company is deemed to be a separate legal entity from its owners. This has several advantages, including the fact that the company will exist beyond the life of its members. If they retire or die, the company will continue to exist and operate. This ensures security for employees and other members and also is an advantage which other legal forms of business are not subject to.

Ownership and Control: In the case of Private Limited Companies, the Directors are also usually the main shareholders of the Company. Thus both the ownership and control of the business remain in their hands. Decisions can be made quickly and easily, with little fuss, allowing for a more successful business management platform.

Employee Shareholders: In some instances employees can purchase shares (or be granted shares via a company share scheme) and become shareholders of the company. This is good as it rewards the employee's for their work, providing extra motivation beyond a mere salary. Not only will they have a vested interest in seeing the business succeed, but they will have a say in how it is run.

Disadvantages:

Cost: *A* Limited Company is expensive to set-up.

Complex Accounts: There are more complex and restrictive rules governing the accounts and bookkeeping of Limited Companies than sole traders (for example). The Company is expected to produce years accounts incorporating a double entry format, balance sheets and other notes. With the (generally) larger nature of a Limited Companies business this can be a time consuming and costly undertaking. The Company Warehouse's accountancy service is custom made to ease the burden on Limited Companies. Our low-cost, competitively priced service will take hold of the accounting reigns and allow you to remain free to concentrate on the running of the business.

Restricted Capital Raising: For Private Limited Companies, there is a restriction on the raising of capital via sale of shares. As mentioned, PLCs can gain further funding by the sale of shares, but this ability is lost to Private Limited Companies whose shares are restricted.

Dilution of Powers: Due to the nature of Public Limited Companies, sometimes disputes will arise between Directors and Shareholders as their ideas of what is best for the company vary. Sale of shares to increase company funds will further dilute the management, as more and more people have a say in how the company is run. There is also a risk (since Companies can buy shares) that a takeover might occur this way.

Public Liability Company

A public limited company (PLC) is the legal designation of a limited liability company which has offered shares to the general public and has limited liability. A PLC's stock is offered to the general public and can be acquired by anyone, either privately, during an initial public offering or through trades on the stock market. In reiteration, a public liability company is a type of company whose shares are traded on a stock exchange and can be bought and sold by anyone. Public companies are strictly regulated, and are required by law to publish their complete and true financial position so that investors can determine the true worth of its stock (shares).

Characteristics of a PLC

Board of Directors: Public limited companies are headed by a board of directors. Composition of the board of directors is set out in the company's articles of association. Normally it comprises of a minimum number of two members and a maximum of 12. These are elected from the shareholders by the shareholders during the annual general meeting. They act as the representatives of the shareholders in the management of the company.

Limited Liability: Shareholder liability for the losses of the company is limited to their share contribution only. This is what makes it a separate legal entity from its shareholders. The business can be sued on its own and not involve its shareholders. The company does not belong to any person since one person can own only a part of it.

Number of Members: A public limited company has a minimum number of seven shareholders or members and a limitless number of members. It can have as many shareholders as its share capital can accommodate.

Transferable shares: Shares of a public limited company are bought and sold in a stock exchange market. They are freely transferable between its members and people trading in the stock exchange.

Life Span: A public limited company is not affected by death of one of its shareholders, but her shares are transferred to the next of kin and the company continues to run its business as usual. In the case of a director's death, an election is held to replace the deceased director.

Financial Privacy: Public limited companies are strictly regulated and are required by law to publish their complete financial statements annually. This ensures that they reveal their true financial position to their owners and to potential investors so that they can determine the true worth of its shares.

Capital: Public limited companies enjoy an increased ability to raise capital since they can issue shares to the public through the stock market. They can also raise additional capital by issuing debentures and bonds through the same market from the public. Debentures and bonds are unsecured debts issued to a company on the strength of its integrity and financial performance.

Advantages and Disadvantages of a Public Liability Company

Advantage

1. It is easy to raise capital through public issue of shares

2. There is a widening of the shareholders base even as risks are shared.

3. There are numerous financial opportunities

4. Immense growth and expansion opportunities

5. Prestigious profile and confidence

6. Shares are easily transferable

Disadvantage

1. There is more regulatory requirements

2. There is the constant ownership and control issues

3. It is more vulnerable to takeovers

ASSESSMENT

1. _____ is a the type of business entity where different stocks can be bought and owned by shareholders
   (a) sole proprietorship
   (b) partnership
   (c) joint stock company
   (d) Department
2. A limited liability company is restricted ___ of fewer stakeholders
   (a) 10
   (b) 20
   (c) 40
   (d) 50
3. A private limited liability company must have a minimum of ___ members
   (a) 1
   (b) 2
   (c) 3
   (d) 4
4. One of this is an an advantage of limited liability companies
   (a) employees can own shares
   (b) the company has a different legal entity from its owners
   (c) it is expensive to set up
   (d) decisions are made quickly
5. A limited liability company that offers shares to the public is known as
   (a) public limited company

(b) private limited company
(c) public limited partnership
(d) private limited partnership

ANSWERS

1. c
2. d
3. b
4. c
5. a

Week 6

Public Enterprises

What are Public Enterprises?

Simply defined, Public Enterprises are business organizations that are wholly or partly owned by the government of a country and controlled through a public authority. Some public enterprises are placed under public ownership for social reasons as it is thought that for effective delivery of such products and services to the people, state monopoly is inevitable. Public utilities such as gas, electricity, etc and others such as broadcasting, telecommunications, and certain forms of transport are examples of this kind of public enterprise.

Public Enterprises can also be defined as business entities that are created by the state to carry out public missions and services. A public enterprise is a large scale business organization set up, owned and financed by the government of a country with the aim of providing services to the members of the public. In order to carry out these public missions and services, a public corporation participates in activities or provides services that are also provided by private enterprise. A public corporation is also known as a public enterprise and a statutory corporation. The public corporation is managed and controlled by the board of directors appointed by the government.

Features of Public Enterprises

1. State Ownership: A public enterprise is wholly owned by the Central Government, State Governments or local authority. In some cases, they may be jointly owned by two or more of them.

2. State Control: The ultimate control of a public enterprise lies with the Government which appoints its Board of Directors and the Chief Executive.

3. Government Financing: Public enterprises are mainly owned and financed by Governments.

4. Service Motive: The primary aim of a public enterprise is to render service to the society at subsidized rates. In this light, the government may have to incur losses in the course of doing this.

5. Public Accountability: Public enterprises are financed out of public money. Therefore, they are accountable for their results to the elected representatives of the public, i.e., the Parliament and the State Legislature. That is why; the working of public enterprises is scrutinized by the Committees of the Parliament or the State Legislature.

6. Autonomous Bodies: Public enterprises are autonomous or semi- autonomous bodies. In some cases they work under the control of Government departments. In other cases these enterprises function as companies and statutory corporations.

7. Establishment: Public corporation is established by decree or by act of parliament.

8. Monopolistic in nature: Some public corporations are conferred with monopoly powers by an act of parliament or decree.

9. Not profit-oriented: Public corporations are not set up to make profit but to provide essential goods and services to the people.

10. High capital requirement: A public corporation requires large capital to set up which cannot be provided by private individuals.

11. Government and tax payers bear the risks: The risk of the business is borne by the government and the tax payers because they are responsible for providing the capital for financing the project.

12. Legal entity: It is a legal entity as it can sue and be sued in its own right.

13. Employees are public servants: The workers in the public corporation are public servants and are treated as such.

14. Not profit oriented: Public corporations are not set up to make profit but to make goods and service available for the people.

15. Objective: The primary objective of public corporation is to ensure the provision of essential services to the member of the public.

Reasons for setting up Public Enterprises

1. **Employment opportunities:** This is one of the major reasons for the establishment of public corporation, the provision of business by the government create avenue for the unemployed to get a job to do.
2. **For strategic and security reasons:** The Government establish public corporation for the purpose of controlling some certain key industries like the airports, seaports, the oil industry for strategic reasons.
3. **To provide infrastructural facilities:** The governments also establish certain enterprises to provide infrastructural facilities like roads. railways etc
4. **To prevent Monopolistic:** The Government established public corporation also to prevent private sectors from exploiting the general public.
5. **To promote Economic Development:** Government invests in enterprises like banks, insurance etc in order to have firm control over the economy and to regulate it.
6. **To ensure even distribution of income:** Government engages in some business enterprises in order to ensure fair and even distribution of income.
7. **To prevent foreign dominance of the economy:** Government ventures into business in order to prevent or reduce foreign control of the economy by foreign investors.
8. **High capital requirement:** Public corporation requires a lot of money to start which cannot be provided by private sectors or individual.

Advantages of Public Enterprises

1. There will be availability of large and sufficient capital to work with.
2. They base their decisions on the full costs and benefits involved.

3. They can be used to influence economic activity. To boost the country's output, public corporations can be directly encouraged to increase their output.
4. In cases where it is practical to have only one firm in the industry, such as rail infrastructure, a public corporation would not abuse its market power.
5. Ownership of a whole industry by the government makes planning and coordination easier. For instance, if the state runs the train system, it can ensure that train timetables are coordinated.
6. It is important to ensure that basic industries, so much as electricity and transport survive, charge low prices and produce good quality as other domestic industries depend on them.
7. It serves as a creation of higher standard of living for the people.
8. It also caters for the interest of the workers.
9. There will be continuity; there is perpetual existence.
10. Avoidance of exploitation of consumers.

Disadvantages of Public Enterprises

1. It requires a large capital
2. There is inefficiency in the operation
3. There is usually corruption and mismanagement of the public funds
4. It is not profitable
5. There is lack of initiative
6. There is lack of privacy
7. There is usually wastage
8. There is danger of monopoly
9. Decision making is usually slow
10. Government regular interference.

Problems associated with Public Enterprises

1. High level of embezzlement
2. There is usually political instability
3. Favoritism in appointments
4. Political victimization
5. Negative attitude of the workers towards their job is so alarming
6. There is usually a frequent government interference

Sources of Finance for Public Enterprises

1. **Internally generated revenue:** This is known as the profit made from the already existing businesses, they get finance from revenue generated internally.
2. **Grant from foreign countries:** Countries like United State of America can help in granting loans or financial aids to set up public corporation.
3. **Grant from international financial institution:** Public corporation can also get their finance from some international financial institutions like International Monetary Fund (I.M.F)
4. **Loans and Overdraft:** Public corporation can also obtain loans and overdrafts from commercial or development banks.

Test and Exercise

1. A public corporation objective is to (a) make profit (b) exploit consumers (c) to render essential service to the public (d) to get more customers.
2. The public corporation is managed and controlled by the (a) individual (b) the workers (c) the tax payers (d) government.
3. The following are examples of public corporation except (a) Power Holding Company Of Nigeria (P.H.C.N) (b) Guarantee Trust Bank (GTB) (c) Nigeria Ports Authority (N.P.A) (c) Nigerian Telecommunication Limited (NITEL) (d)Nigeria Railway Corporation (N.R.C).
4. All the following are advantages of public corporation except (a) there is continuity (b) danger of monopoly (c) availability of large capital (d) creation of higher standard.
5. The employees in public corporation are regarded as (a) public servants (b) private servants (c) company workers (d) none of the above.
6. State government enterprises are established by (a) decree (b) act of parliament (c) edicts (d) law.
7. The public corporation can get finance through the following means except (a) loans and overdraft (b) personal savings (c) internally generated revenue (d) grant from international financial institutions.
8. One of the problems associated with the public corporation is (a) location of the business (b) problem of who to employ (c) embezzlement of funds (d) all of the above.
9. The type of public enterprise that performs commercial function is (a) local enterprises (b) state government owned enterprises (d) quasi government department.
10. M.F stands for (a) International Money for Friends (b) Institution Money Fund (c) International Monetary Fund (d) Inconsistent in Monetary Funds.

Week 7

Population

what is Population?

Population is best defined as a collection of humans. Demography is a social science which entails the statistical study of human populations. It can also be defined as the number of people living in a given geographical or territorial area such as a village, a town or even a country. We can also refer to the ***world population*** in this regard. A secondary meaning of **population** is the inhabitants themselves, but in most uses **population** means numbers.

Meanwhile, in the business world, population can also be used to refer to an entire pool from which a statistical sample is drawn. The information obtained from the sample allows statisticians to develop hypotheses about the larger population. Researchers gather information from a sample because of the difficulty of studying the entire population. In statistical equations, population is usually denoted with a capital 'N', while the sample is usually denoted with a lowercase 'n'.

Determinants of Population Size

1. **Fertility:** The number of babies birthed annually is one of the most important indicators of population growth/size. When people within a particular population group are fertile, the population is bound to be on the increase. The reverse is however the case if the population is infertile.
2. **Mortality:** Mortality has to do with the passing away of living beings; specifically human beings. And it works in such a way that if the mortality rate within a certain population group is high, then the population size will be dramatically low. The reverse is however the case if the mortality rate is low.
3. **Life Expectancy:** Economic development is positively correlated with life expectancy. More developed the country, higher the life expectancy. Life expectancy at birth is increasing worldwide in the last few decades — thanks to antibiotics and modern health facilities. In 1975, life expectancy at birth in the world was only 59.7. It rose to 65.6 in 1999. Maximum increase has occurred in developing countries of Asia where life expectancy rose to 66.2 in 1999 from 58.5 in 1975.
4. **Migration:** Migration is shifting of people from one place to another for residential and occupational reasons. It influences the fundamentals of population structure within a region. It also reflects economic scenario of regions. Migration may be of two types — in migration or immigration and out-migration or emigration. Migration, therefore, is reallocation of human resources that eventually disrupts normal population growth.

What is Population Growth?

An increase in the number of people that reside in a country, state, county, or city. To determine whether there has been population growth, the following formula is used: (birth rate + immigration) – (death rate + emigration). Businesses and governmental bodies use this information to make determinations about investing in certain communities or regions. Meanwhile, population growth can also be defined as the increase in the number of individuals in a population. Global humanpopulation growth amounts to around 75 million annually, or 1.1% per year. The global population has grown from 1 billion in 1800 to 7 billion in 2012.

What us Population Census?

Population Census maybe defined as the headcount of all nationals/citizens of a country at a particular time. It refers to the counting (by the government) of all the boys, girls, men and women within a country at a given period of time. Normally, censuses are conducted every ten years. It is conducted with the intention of providing Government with the correct information about the age, gender, occupation, residence etc of citizens. The census of 1952/53 conducted in Nigeria was given as 31.12 million people. Another one in 1962/63 estimated our population at 55.67 million people. In 1973, another account gave a population of 79 million people. Nigeria's population as at 2004 was 120 million people.

Characteristics of a Good Population Census

1. It must be conducted by the Government of the state or country where the census is taking place.
2. It must be conducted at the same time (simultaneously) throughout the country.
3. It must involve regular counting at specific time intervals e.g. Nigeria's population taken in 1953, 1963, 1973 etc. i.e. at an interval of 10 years.
4. It must reveal the population of a country at a specific period of time, e.g. Nigeria's population census as of 1963.
5. It must involve the physical counting of people rather than by proxy.

Types of Population Census

There are two types of population census which are-

Defacto Population Census: This is the type of population census which involves the counting of only those who are present physically during census. In this group, only those that are present physically are seen and counted.

De jure Population Census: This is the type of population census which involves the counting of people who have been permanent residents of a specific area. It does not matter whether the person is present or not. This is the population census commonly referred to as counting by proxy.

The Importance or Reasons for Population Census

1. **Population Size:** Population census helps the Government to know the number of people living in the country and the structure of the population.

2. **Revenue Estimates:** It also helps in the determination of taxable adults so as to know the amount of revenue expected from that sector.
3. **Forecasts Future Economic Needs:** It enables the country to forecast future her future economic needs e.g. housing, food etc.
4. **Determines the Level of Unemployment:** Population Census provides Government with statistics to determine the level of unemployment in the country.
5. **Number of Immigrants:** The number of immigrants can be known through the statistics gotten from population census.
6. **Distribution of Resources:** It can assist the government in the distribution of resources e.g. areas of high population like Lagos and Kano will get more resources than areas of low population.
7. **Provision of Social Amenities:** Population Census gives the Government an idea of the different population in various parts of the country and this will help it in the provision of social amenities like housing, water, electricity, roads, schools, and hospitals e.t.c.
8. **Determination of Population Density:** Population Census helps the Government to know areas in the country where population per land area is low.
9. **Reveals Level of Manpower:** It helps to reveal the total number of people who are working. When the level of manpower is high, the economic development of the country is assured.
10. **Giving of Aids:** It assists the international agencies and Governments in giving aids and other assistance to countries.
11. **Investment Decisions:** Population Census can influence a country's investment decision making process. Many investors like to invest in Nigeria because of its high population.

Problems associated with Population Census

1. **High Level of Illiteracy:** As a result of illiteracy, it has become quite difficult to conduct a successful population census as these people do not give relevant, accurate and useful statistics.
2. **Political Problem:** Since population census is used in many countries to allocate resources to component states, population figures are usually falsified to enable some state gain more resources than others.
3. **High Cost:** A lot of money is required to conduct population census. West African countries are poor and do not have enough money to conduct a successful population census.
4. **Geographical Barriers:** Most communities are inaccessible due to mountains, valleys, hills and rivers surrounding them. This makes conducting the census difficult.
5. **Lack of Trained Personnel:** Trained Personnel like demographers are not easily available hence the use of untrained persons who do not really have information on how a population census is conducted and this leads to inaccurate results.
6. **Religious Beliefs:** This is a major problem in some areas during census. Muslim women that are in Purdah are not to be seen by men, such people might not be counted during this process.
7. **Tax Evasion:** As a result of high level of ignorance and illiteracy, people often give fake and false information during census.

Population Structure/Distribution

Population structure means the 'make up' or composition of a population. Looking at the population structure of a place shows how the population is divided up between males and females of different age groups. Please note that a population structure is usually shown using a ***population***

pyramid. *A population pyramid can be drawn up for any area, from a whole continent or country to an individual town, city or village.*

Test and Exercise

1. ______ is a type of population census

a) Delacto population census b) Defacto population census c) Denure population census d) b&c.

2. Population census can be defined as______

a) The count of all nationals of a country at a particular time

b) The head count of all persons of a country at a time

c) Total number of people living within a country

d) The head count of all nationals of a country at a particular time.

3. ______ is a reason for population census

a) Forecasts past needs b) Revenue estimates c) Giving of alms d) High Integrity.

4. The named given to a trained personnel who conducts population census is called____

a) Lexographer b) Remographer c) Demographer d) Geographer.

5. Components of states of a country usually falsify their statistics in order to get more ____ from the Government.

a) Resources b) Money c) Services d) Goods.

Week 8

Theories of Population

Malthusian Theory

The Malthusian theory is about the position of a 19th-century Political Economist called Reverend Thomas Robert Malthus, who argued about how and why population changes. His works, such as *An Essay on the Principle of Population*, seek to explain the natural pushes and pulls of population fluctuation. At it core, his argument remind us that humans are ultimately tied to their environment. Even the most highly developed society can be obliterated by a severe enough drought or plague. Even with the most modern technological advancements in agriculture, Earth will eventually reach its carrying capacity, rendering further population growth impossible.

Malthus' theory consists of principles, the first of which states that human population grows at a **geometric rate**, or exponentially with each generation. His second principle points to the difference between this geometric rate of growth for human populations and the **arithmetic rate** of food production, which means that with each generation, the food supply will only increase by the same set number. For example, although each woman is projected to produce four children, and each of those children will produce four children, the food supply will only increase by two units each generation. According to these first two principles, the population will outgrow the food production capabilities at a certain point in the future.

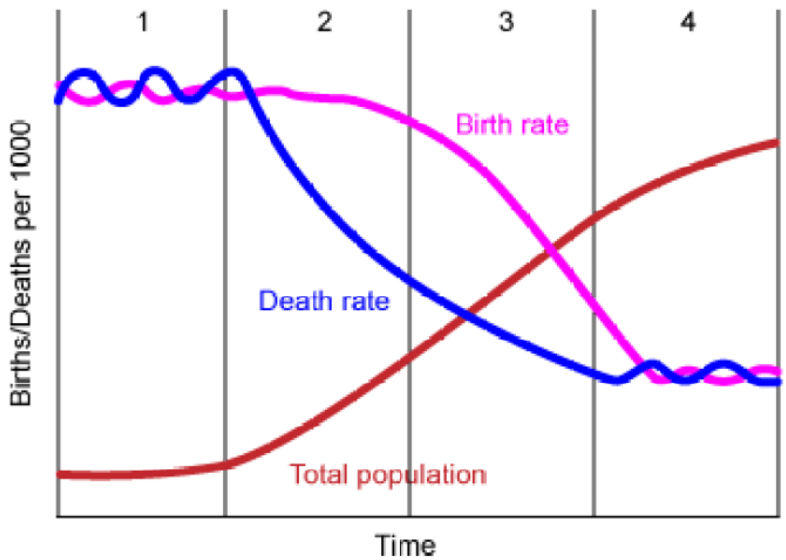
The Demographic Transition Theory

The Demographic Transition Theory describes a progressive movement from high birth and death rates to low birth and death rates. The theory also argues that population growth is inextricably tied to a society's level of technology. As the society advances in its usage of technology, in every industry from healthcare to crop production, its birth and death rates shift, directly impacting the population numbers and growth rates.

There are four stages to the classical demographic transition model:

- Stage 1: **Pre-transition**
- Characterised by high birth rates, and high fluctuating death rates.
- Population growth was kept low by Malthusian "preventative" (late age at marriage) and "positive" (famine, war, pestilence) checks.
- Stage 2: **Early transition**
- During the early stages of the transition, the death rate begins to fall.
- As birth rates remain high, the population starts to grow rapidly.
- Stage 3: **Late transition**
- Birth rates start to decline.
- The rate of population growth decelerates.
- Stage 4: **Post-transition**
- Post-transitional societies are characterised by low birth and low death rates.
- Population growth is negligible, or even enters a decline.

These four stages are depicted on the graph below.



Population and Economic Development

When population grows faster than GNP, the standard of living of the people does not improve. In fact rapid population growth has been obstructing economic growth in developing countries like India where since 1951 population has been growing at a relatively high rate.

To better understand the relationship between population and economic development, read up this statistic as-excepted-from ***http://www.prb.org/Publications/Datasheets/2012/population-economic-development.aspx***

Africa has the largest share of low-income countries, but recent survey data from Rwanda are encouraging. According to the 2010/2011 Household Living Conditions Survey, which provides an international benchmark for assessing the prevalence of poverty, Rwanda has experienced a 12 percent reduction in poverty since 2006. That equals 200,000 households, or about 1 million people, elevated above the poverty line. During the same period, maternal and infant mortality rates declined, secondary school enrollments doubled, and the total fertility rate dropped from 6.1 to 4.6 children per woman—fueled by the rapid uptake of family planning.[2] *Political commitment and an active citizenry are working together to help forge a healthier and more-educated population.*

Brazil has emerged as one of the world's strongest economies and is also playing an important role in South-South partnerships in sub-Saharan Africa. These collaborations *are providing knowledge exchange, trade, and investments in areas such as tropical agriculture, tropical medicine, and vocational training. In less than a decade, Brazil lifted 20 million of its citizens out of poverty into a middle class with access to formal jobs, health care, and education. Secondary school enrollment rates are among the highest in South America—85 percent for girls and 78 for boys. The country is now one of the largest exporters of agricultural and food products, and has also made advances in developing generic pharmaceuticals for combating HIV/AIDS and other tropical diseases.[3] Brazil's successes on the economic and social fronts, as well as its development experience, offer valuable lessons for African countries.*

Under Population, Optimum and Over Population

Under Population: Under population exists when a population is too small, therefore unable to fully utilise the available resource endowments. Under population is also characterised by a situation where the available resources are capable of supporting a much larger population with no reduction in living standards. The situation is found in regions of low technical development such as equatorial Congo, Amazon River Basin or the rich Prairie region of North America.

Optimum Population: Optimum population has been defined as that size of population enabling per capita output of the maximum orders accompanied by the highest possible standards of living under a given set of economic and technological conditions. Therefore, optimum population lies between two extremes, i.e., overpopulation and under-population, although the size of optimum population is not sacrosanct.

Overpopulation: When overpopulation occurs, what it means is that a country or a city has too many people in it; more than the resources in such a country or a city can support. In other words, overpopulation causes the amount of food, materials, and space etc in a place not to be enough to go around for everybody. Overpopulation can be caused by an increase in births, a decline in mortality rates, an increase in immigration, or an unsustainable ***biome*** and depletion of resources.

How to control Population Growth

1. *Delayed Marriages. Delayed Marriages*
2. *Medical Facilities. Medical Facilities*
3. *Legislative Actions. Legislative Actions*
4. *Providing Incentives. Providing Incentives*
5. *Spread Awareness*
6. *Women Empowerment*
7. *Eradicate Poverty*
8. *Education*
9. *Easy and cheap availability of contraceptives*
10. *Development*

ASSESSMENT

1. The Malthusian theory states that
   (a) man will always be able to grow food that will be sufficient
   (b) food will be more than man
   (c) the population will outgrow the food production capabilities at a certain point in the future
   (d) populations will be too lazy to grow food
2. Malthus' population theory states that
   (a) high death rate may lead to low productivity.
   (b) population may outgrow the means of subsistence.
   (c) people will always decide to have children.
   (d) migration may leave some parts of the world barren.
3. Demographic Transition Theory describes
   (a) a progressive movement from high birth and death rates to low birth and death rates
   (b) a progressive movement from low birth and death rates to high birth and death rates
   (c) a progressive movement from medium birth and death rates to high birth and death rates
   (d) a progressive movement from high birth and death rates to medium birth and death rates
4. There are are ____ number of stages to the classical demographic transition model
   (a) 1
   (b) 2
   (c) 3
   (d) 4
5. One of these is not a way to control population growth
   (a) delayed marriage
   (b) killing people
   (c) poverty eradication
   (d) legislative actions

ANSWERS

1. c
2. b
3. a
4. d
5. b

Week 9

Labour Market

What is Labour Market?

Simply defined, the labour market refers to the supply and demand for labour such that employees provide the supply and employers provide the demand. It is a major component of all economies, and is intricately tied in with markets for capital, goods and services. At the ***macroeconomic*** level, supply and demand are influenced by both domestic and international market dynamics, as well as other important factors such as immigration, the age of the population and education levels. Relevant measures include unemployment, productivity, participation rates, total income and GDP. At the ***microeconomic*** level, individual firms interact with employees either to hire them or to fire them as well as raising or cutting wages and work hours. The relationship between supply and demand influences the hours the employee works and compensation she receives in wages, salary and benefits.

The Concept of Labour Force

The concept of labour force is generally used to describe people working for either a single company or an the entire workforce of a particular industrial sector, region or a country. Some companies like to describe their values as their workforce because when the workforce is strong and motivated, productivity will certainly be high.

Do note that whereas labour force within corporations typically define the number of personnel working there, the labour force of a country includes both the employed and the unemployed. The *labour force participation rate* **[LFPR]** otherwise known as the **economic activity rate**, **EAR,** is the ratio between the labour force and the overall size of their cohort (i.e., national population of the same age range). The term generally excludes the employers themselves, focusing on everyone who is capable and available to be hired to work.

Factors affecting the Size of Labour Force

1) Population: The size of a population determines (to a great extent) the number of people who will be available to engage in production activities. If the population is low, the number of people capable and available to work will be low. On the other hand, if the population is high, there will be more people available to work. Meanwhile, another factor to consider as it relates to population is whether the population is young or aged. A population comprised of mostly able-bodied youths will definitely have a better workforce than those comprised of aged, dependent people.

2) **Educational Qualification:** Education plays a key role in determining the size of any given labour force. This is because very many of the available professions in the world require high level of academic mastery in order that one may fit into their given fields and be productive.

3) **Government Policies:** The Government plays a huge role in determining the size of the labour force. If government policies are favourably-disposed to business enterprises, they will be

compelled (by the labour of demand) to hire more people who will facilitate the production exercise. But if [unfortunately] the policies of Government are bad, businesses will not thrive and as such a lot of people will not be absorbed by the labour market. This will in turn make the labour force small.

4) Number of available Industries: The number of available industry also determine the size of the labour force. If the industries are few, fewer people would be hired. In a country like Nigeria where they are just a few industries, we have a small labour force because very many people are out of work due to the unavailability of work.

5) Wage/Salary Scales: The remuneration of labour often serve as a factor determining the size of the labour force. It goes like this- if the remuneration is favourable, more and more people will be attracted to work. But if this is not the case, it will ultimately discourage many from working.

Efficiency and Mobility of Labour

Mobility of labour means the capacity and ability of labour to move from one place to another or from one occupation to another or from one job to another or from one industry to another. There are two types of labour mobility- ***geographic*** and ***occupational***. A geographic labour mobility occur when labour move from one place to another in search of better-paying or better-satisfying jobs. Most people in Nigeria have family relatives who have emigrated out of the country in search of greener pastures abroad. Meanwhile, occupational labour mobility can also occur, such that people shift jobs; moving from one sector to another. There are a number of Nollywood actors who were once either doctors or bankers but along the line decided to become actors. That exemplifies occupational labour mobility.

Factors Determining Mobility of Labour

There are several factors that determine mobility of labour. Some of these factors include-

1. *Education and Training*
2. *Outlook or Urge*
3. *Social Set-up*
4. *Means of Transport*

SS1

ECONOMICS

THIRD TERM

TABLE OF CONTENT

Week 1

Distributive Trade

Meaning of Distributive Trade

Distributive trade is defined as the totality of all forms of trade activities, from the procurement of goods from the manufacturer, to delivery these goods to the consumers. It includes wholesale and intermediation trade, retail and trade in motor vehicles and motorcycles trade. It is known as the chain of distribution. It is the various stages or channels through which finished goods are moved from the manufacturer to the final consumers.

It is important to note that distributive trade is a very important sub-sector of domestic trade. It is typically a major contributor to a country's GDP and massive employer of labour. In Nigeria for example, it is a key contributor to employment, specifically the retailing industry. And it has are helped increase incomes and affluence and urbanization; changed consumer lifestyle and increased market liberalization. It is anticipated that retail trade will continue to be an important economic activity in the country's future. The dominant importance is in fact already evident in the expansion of shopping malls and retail centres nationwide, making this an important sector both for the Nigerian economy and global economy.

Process of Distribution

The process of distribution of goods involves all human and physical means which aid the smooth transfer of goods from manufacturer/producer to the final consumers. The following are the process of distribution-

1. **Middlemen**: The middlemen are refers to has human factor involve in the distribution of goods to the final consumers; they are known as the wholesalers and retailers. They help in the relocation of goods from the manufacturer to the consumers.Their functions are:

- **Transportation**: This is the medium through which the finished goods are moved from one place to another either through air, land, water, or rail from the producer/manufacturer to the consumer.
- **Advertisement**: Advertisement is the means of creating awareness in the mind of the people about the existence of a particular product. Products are advertised through the radio, television, newspaper, magazine etc.
- **Warehousing**: warehousing is the process of storing goods till the time they will be needed for sale. It ensures there is a regular supply of goods at all time.

The Wholesalers

The wholesaler is a person or a merchant who buys goods from the producer in large quantity and sells in small quantity to the retailers.

Functions of the Wholesaler to the Manufacturer

1. By selling under his own brand name the wholesaler often relieves the manufacturer of the need to advertise his product.
2. The wholesaler removes goods in larger quantities as they are produced, thus clearing the production lines
3. By warehousing the goods the wholesaler bridges the time gap between production and consumption, leaving the manufacturer free to concentrate on his specialized activities.
4. He eliminates the need for a marketing system with all that involves in terms of warehousing space, distribution network, sales staff, accounting records, and debt collection
5. By paying promptly the wholesaler reduces the working capital required by the manufacture.
6. The wholesalers provide the transportation system needed in the distribution of goods.
7. He bears the risk because he takes care of the goods and thereby accepts any responsibility of any loss of goods.
8. They also help to give advice to the producers
9. They render credit facilities by paying upfront before the goods are ready.

Functions of the Wholesalers to the Retailers

1. He chooses a convenient situation and opens at convenient hours.
2. The wholesaler breaks bulk to a reasonable size, selling in quantity but not large quantities.
3. He often helps the retailer to meet cut-price competition from the multiple shops and canine stores by selling to him at cut prices, providing the retailer is prepared to accept a reduction of services. This usually means 'cash and carry;' no credit is given, and the retailer transports the goods to his premises in his own van.
4. He gives credit to certain classes of retailer, thus reducing the amount of capital needed by the retailer.
5. In many cases the wholesaler operates a fleet of vehicles and delivers goods to the retailer as and when required.
6. By carrying stack which is readily available he reduces the capital and space required by the retailer. The retailer stocks only the goods that 'turn over' quickly. Slow moving items are ordered as required from the wholesaler.
7. The wholesaler displays a variety of goods from hundreds of manufacturer and demonstrates or displays them as necessary. At the warehouse the retailer can

therefore see not only the lines he normally handles but the latest inventions and designs.

The Retailer

The retailer is a person who buys goods in small quantity from the wholesalers and sells in bits or unit to the final consumers. The retailer is an important middleman in the distribution of goods.

Characteristics of the Retailers

1. The retailers sell directly to the final consumers
2. They sell in units and small quantities
3. They are the final link in the chain of distribution
4. Their wares consist of fast selling products i.e. consumer goods
5. Retailers stock and sell a wide variety of products.
6. They are very close to the consumer

Functions of the retailers

1. **Buying:** A retailer buys a wide variety of goods from different wholesalers after estimating customer demand. He selects the best merchandise from each wholesaler and brings all the goods under one roof. In this way, he performs the twin functions of buying and assembling of goods.

2. **Storage:** A retailer maintains a ready stock of goods and displays them in his shop

3. **Selling:** The retailer sells goods in small quantities according to the demand and choice of consumers. He employs efficient methods of selling to increase his sales turnover.

4. **Grading:** The retailer grades the goods which are not graded by manufacturers and wholesalers. He packs goods in small lots for the convenience of consumers..

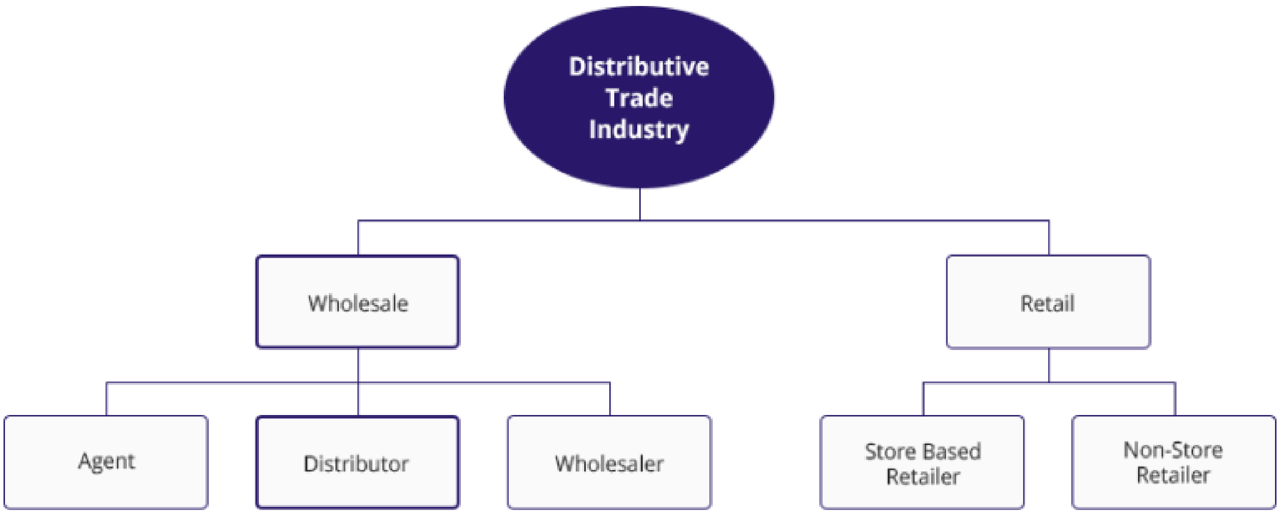
5. **Risk bearing:** A retailer always keeps stock of goods in anticipation of demand. He bears the risk of loss due to fire, theft, spoilage, price fluctuations, etc.

6. **Transportation:** Retailers often carry goods from wholesalers and manufacturers to their shops

7. **Financing:** Some retailers grant credit to customers and provide the facility of return or exchange of goods. In some cases, home delivery and after sale service are provided by retailers. A retailer displays goods. He carries out

publicity through shop decoration window display etc. he maintains personal and direct contact with consumers,

9. **Information:** Retailers provide knowledge to the consumers about new products and uses of products and uses of old products. They advice and guide consumers in better choice of goods. They also provide market information to wholesalers and manufacturers



ASSESSMENT

1. Top of Form——— is the various stages in which or channels through which finished goods are moved from the producers to the consumers is (a) distributive trade (b) trade development (c) distributive goods (d) all of the above.
2. It is agreed that production is not complete until the goods get to the (a) producer (b) retailer (c) consumer (d) wholesalers
3. All of these are the functions of the wholesalers to the producer except (a) they help the producer in advertising product (b) they render credit facilities (b) they make goods available in units (d) they help in branding and packaging of goods.
4. All the following are the process of distributive trade except (a) warehousing (b) transportation (c) the middlemen (d) the centre men.
5. The middleman is referred to as (a) the producer (b) the consumers (c) human element involved in the distribution of goods (d) none of the above.

ANSWER

1. A
2. C
3. D

4. D
5. D

Week 2
Middlemen

Middlemen

The Definition of Middlemen

Middleman are intermediaries in a transaction process chain. They (middlemen) facilitate interactions between parties (i.e., manufacturers and final consumers) typically for a commission or fee. Their functions are important, even though some critics have argued that businesses and customers should try to "cut out the middlemen" by dealing directly with each other. They believe this would avoid the increased costs that inevitably arise whenever the middlemen get involved. But despite this argument, this has never been successful achieved; for a reason. Note that in the supply chain, middlemen are the distributors who purchase goods from the manufacturer and sell them to a retailer,; often at increased prices. Sales people are often considered middlemen too, including real estate agents who match home buyers with sellers.

The Arguments for and against the Middlemen

Arguments in Favour

1. They are indispensable: There are many producers who may not have funds to perform the task of distribution. In such a case, it is only the middlemen who relieve such producers of their problems.

2. **They help reach more customers:** The consumers of a product are scattered throughout the country. It is, therefore, not possible for a producer to contact each buyer personally. The middlemen, thus, help the producers by distributing their products to the consumers living in different places.

3**. The Middlemen make high inventory turnover a possibility:** The wholesalers, as middlemen, buy in bulk quantities from the manufacturers. Thus, a high inventory turnover is made possible because of the presence of middlemen.

4. **They provide credit facility:** Provision of credit is another important service of the middlemen. The wholesalers provide credit to the retailers and many retailers, these days, accept credit cards of their customers.

5. They make it possible for all kinds of products to be available all year round: Certain goods are produced only during a particular season but are demanded throughout the year. On the other hand, there are certain goods, which are produced throughout the year but are in demand only during a particular season. In either case, it is only the middlemen who arrange to provide the goods when required.

16. **Good source for *market information*:** The role of Middlemen is indispensable for producer as they provide market information from time to time. With this market information, the manufacturers are able update their products to time to cope up with the demanding needs of the buyers.

Arguments against

1. **Cost of Distribution:** Middlemen hike the cost of the product, which is reflected in the selling price. The cost of distribution increases in view of the presence of middlemen in the market. The entire burden finally falls on the consumer.

2**. Practice of black marketing:** Middlemen resort to black-marketing and hoarding and thereby create an artificial demand for the product. This leads to price rise. Here again it is only the consumer who suffer.

3. The failure to pass on benefits to customers: Sometimes, the middlemen do not pass on certain benefits to the consumers, like samples, price cut, etc., offered by the manufacturers.

4. Duplicate products: Duplicate products are often mixed with genuine products and sold by some unscrupulous retailers.

5**. Selling expired goods:** Goods, the expiry date of which has lapsed, are also thrust on the buyers by some retailers. They capitalize on the ignorance of the buyers.

6. Poor after sale service: In the case of durable, the attitude of some dealers, particularly when 'after sale service' is required, irritates the buyers. Some of the dealers do not extend the courtesy extended earlier at the time of sale.

Problems of Distribution in Nigeria

1. Activities of Middlemen: Most intermediaries are very exploitative. This singular tendency has made it difficult for the retailers and the consumers to purchase goods at a reasonable price.

2. Poor Road Network: Road Network in most country is bad most especially Nigeria as this makes it difficult for goods to be moved from one destination to another.

3. Lack of Proper Packaging: When goods are not properly packaged, they do not attract the desired patronage, as this is one of the major problems, it is the bane of effective distributive trade.

4. Inadequate Storage Facilities: One of the major challenges facing distributive trade in Nigeria is lack of adequate storage facilities, as commodities that have high perishable rate cannot stand the test of time because of this problem.

5. Hoarding: There are unscrupulous people who imbibe the habits of creating artificial scarcity of goods in a country through hoarding as this has greatly affected the distributive trade in the country.

6. Lack of Effective Transport System: For the goods produced to be able to move from the areas of production to where they are actually needed, there is need for an effective system to convey such goods. However, this is lacking in Most Country.

Ways to improve the Systems of Distribution of Consumer Goods in Nigeria

1. Make it a priority to improve it
2. Develop measurements and track performance mechanisms
3. Communicate with all the stakeholders involved
4. Drive revenue through the channel
5. Avoid pricing conflicts
6. Address conflicts swiftly

ASSESSMENT.

1. Who are middlemen?
2. What are the arguments made in favour of middlemen?
3. What are the arguments made against middlemen?
4. What are the problems of distribution in Nigeria?

ANSWER

1. Middleman are intermediaries in a transaction process chain.
2. Argued that businesses and customers should try to “cut out the middlemen” by dealing directly with each other.
3. They believe this would avoid the increased costs that inevitably arise whenever the middlemen get involved.
4. a.

   A. Activities of Middlemen: Most intermediaries are very exploitative. This singular tendency has made it difficult for the retailers and the consumers to purchase goods at a reasonable price.

B. Poor Road Network: Road Network in most country is bad most especially Nigeria as this makes it difficult for goods to be moved from one destination to another.

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E. Hoarding: There are unscrupulous people who imbibe the habits of creating artificial scarcity of goods in a country through hoarding as this has greatly affected the distributive trade in the country.

Week 3

Money

Definition of Money

Money is anything that is generally acceptable as a medium of exchange and in the settlement of debts. Money is anything that is generally acceptable as a means of payment. Money is primarily a medium of exchange or *means* of exchange. It is a way for a person to trade what he has for what he wants. It is a medium of exchange, a store of value and a unit of account. It is used to pay debts, purchase goods and services and is accepted by the government for taxes.The term medium of exchange is used to describe money's ability to settle debts and to increase the purchasing power of individuals. Money derives its power and value from being the legal tender that is accepted as a universal method of payment within the boundaries of each country or an economic bloc. Legal Tender laws are enacted to require people to use the government's money in payment of lawful debts among private citizens. Money supply is the form in which money is available in the economy. It can be in the form of currency or bank money. Currency is described as the physical nature of money supply in an economy. It is grouped into coins and bank notes. Coins were the earliest forms of currency after barter trade and were later followed by notes.

Trade by Barter and its Limitations

Definition: Trade by Barter may be defined as a form of trading in which goods are exchanged directly for other goods without the use of money as a medium of exchange. For example, if someone has garri and is in need of beans, he must locate somebody who has beans and is in need of garri. Trade by Barter has many setbacks.

Problems or Disadvantages of Trade by Barter

1. **Problems of Double Coincidence of wants**: This involves looking for someone who is in need of what you have and at the same time has what you need. To do this amounts to a very serious problem.
2. **No Fixed rate of Exchange:** There is the problem of exchange rate determination between two products. Different rates of exchange have to be determined to cover every transaction before it can take place, e.g. How much of apples can you exchange for Rice.
3. **Wastage of Time and Effort:** Barter system leads to waste of time and energy because one has to search for somebody to exchange the goods with.

4. **Problems of Indivisibility:** Many goods cannot be divided into small convenient units because they are heavy and indivisible so it does not encourage divisibility.
5. **Problems Created by Bulkiness of some Goods:** Some of the good to be exchanged are so bulky that one finds it difficult to carry them about.
6. **No Room for Deferred Payment:** In Trade by Barter, there is no room for deferred payment. One cannot collect certain goods and hope to pay another day. Barter requires immediate settlement.
7. **It Discourages Borrowing and Lending:** Borrowing and lending under trade by barter is practically impossible as there is no standard unit of measurement.
8. **It Discourages Large Scale Production:** As a result of the difficulties in the system of exchange by barter, it therefore leads to people producing goods only for themselves and that of their immediate family. In other words, Trade by barter encourages self sufficiency hence it limits specialization of labour.
9. **Difficulty in Storing Wealth:** The barter system, unlike money does not encourage storage of wealth. It is difficult to store wealth or value, especially where perishable goods like fresh tomatoes and onions are involved.

The Characteristics of Money

1. **General Acceptability**: Money must be generally acceptable by all in the society or country as a means of exchange. This shows the confidence people have in money.
2. **Portability**: The object that serves as money must be something that can easily be carried about from one place to another, which means such object has to be light in weight.
3. **Relative Scarcity**: Money must be relatively scarce, that is, it must not be too many so as not to lose its value.
4. **Homogeneity**: Each unit of money must be same in size, colour and quality and be the same nationwide.
5. **Durability**: The object that will serve as money must be able to last long, it must not be a perishable commodity, it must be able to stand the test of time.
6. **Stability**: The value of money must be stable. The stability of its value will help business to be predictable and encourage lending and borrowing of money.
7. **Divisibility**: Money must be capable of being divided into smaller units, e.g. ₦100, ₦50, ₦20 etc., to enable it to purchase both high and low priced commodities.
8. **Recognisability**: Money must be easily recognized and identified by the totality of the people in the society. It must not be easily counterfeited.
9. **No Intrinsic Value**: The commodity that should serve as money must have little or no value in itself as opposed to its value of exchange.

Functions of Money

Money performs the following functions:

1. **Medium of Exchange**: Money can serve as a medium through which money can exchange goods and services. Money can be used to buy different variety of goods and services. This facilitates the means of exchange. It came into use as a result of the inadequacies of the barter system. Money is therefore widely acceptable as payment for debts.
2. **Standard of Deferred Payment**: Since money can be stored, it can be accumulated to pay debts that are fixed in terms of money. Money can serve as a medium by which business transactions on credit can be settled in the future. The use of money makes it possible for payments to be deferred from the present to some future date.
3. **Unit of Account**: In serving as a unit of account, it becomes practically possible for individuals and companies to keep accounting record of their transactions in bank statements, ledgers and invoices.
4. **Store of Value**: Money is a good store of value because wealth can be stored for future use. When there is no inflation, money stored or saved retains its value for many years.
5. **As a Measure of Value**: The values of goods and services are expressed by prices, therefore money is used as a yardstick to measure and compare the worth of goods and services as well as occupation.
6. As purchasing power to consumers to be able to buy goods and services

Four Types of Money

1. Commodity money
2. Fudiciary money
3. Representative money
4. Fractional money
5. Fiat money
6. Electronic Money

Commodity Money: Commodity money started as barter. The exchange of cattle and sheep advanced to one of gold and silver because metals are not perishable, their purity and weight can be measured easily and they can be traded for any good or service. A medium of exchange the units of which are fixed amounts of an actual commodity that has value other than as money alone. Many items have been used as commodity money such as naturally scarce precious metals, conch shells, barley, beads etc., as well as many other things that are thought of as having value. Commodity money value comes from the commodity out of which it is made. The commodity itself constitutes the money, and the money is the commodity. Examples of commodities that have been used as mediums of exchange include gold,silver, copper, rice, salt, peppercorns, large stones, decorated belts, shells, alcohol, cigarettes, cannabis, candy, etc. Historically, silver and gold coins of known, standard weights and designs have emerged as the preferred commodity monies of the entire civilized world. In the case of a commodity money, the actual commodity – silver or gold – is both the medium of exchange and the standard of value (that is, the unit in which prices are stated in the marketplace). The supply of commodity money is self-limited by the costs of mining, refining, and coining silver and gold. Unlike diamonds, metals can be melted down and reformed into smaller quantities for smaller purchases without losing value.

Fudiciary Money: A medium of exchange composed of some intrinsically valueless substance (such as paper) which the issuer promises to redeem on demand in a commodity money (such as silver or gold coin) or in a monetary commodity (such as silver or gold bullion). Historically, private bank notes and government treasury notes were fiduciary monies in general circulation prior to the 1930s. In the case of a fiduciary money, the paper promise to pay is the medium of day-to-day exchange, but the actual money and the ultimate standard of value remains the promised medium of payment, the silver or gold coin with which the note is to be redeemed.

Representative Money: Representative money is money that consists of token coins, paper money or other physical tokens such as certificates, that can be reliably exchanged for a fixed quantity of a commodity such as gold or silver. The value of representative money stands in direct and fixed relation to the commodity that backs it, while not itself being composed of that commodity.

Coins: Metals of particular weight are stamped into coins. There are various precious metals like gold, silver, bronze copper whose coins are already used in human history. The minting of coins is controlled by the state.

Paper Money: Paper money don't have any intrinsic value , as a fiat money it is approved by government order to be treated as legal tender through which value exchange can happen. Governments print the paper money according to the requirements which is tightly controlled as it can affect the economy of the country.

Interesting facts about various types of money

• In China cowry shells are regarded as money during 1000 B.C to 1200 B.C.
• Leather bags are treated as money in the ancient city of Carthage.
• Copper coins are treated as money by Romans 600B.C.
• Silver coins are treated as money by Ancient Persians between 600-300 B.C.
• Gold Coins are treated as money in 600 B.C in Anatolia (Asian Turkey or Asia Minor)
• Paper Money first appeared in China about 800 AD . In Europe, Sweden is the First country to issue Paper Money in 1661.

Fractional Money

Of course, goldsmiths quickly realized they only needed a small portion of their stockpiles on hand for redeeming customer receipts for "their" gold. So it logically followed that to collect more interest, they could loan more money than they had on hand by using receipts backed by nothing except the goldsmith's knowledge that all their depositors would not come to collect their gold on any given day. Thus was born *fractional receipt money*, the precursor to our present day banking system. As long as these illegal and fraudulent loans were repaid, no one was the wiser. But if the loans failed (flood, drought), the goldsmith was caught short. This began a "run on the bank" and only the first in the door were made whole. The rest lost their money and "hung" the goldsmith. Without the crime of loaning more money in receipts than the goldsmith had on hand in real gold, there would never be a run on the bank to redeem the receipts. Of course, at the time this was considered a serious crime because it was recognized clearly as fraud. The money did not exist and everyone understood it.

Fiat Money

Fiat money is money that has value only because a government says it has value. It is not backed by anything. Fiat money has two characteristics. a) It does not represent anything of intrinsic value. b) It is decreed to be legal tender (laws that require everyone to use it in settlement of private debts). These two characteristics always go hand-in-hand because fiat money is worthless and it would be rejected by the public without the government's threat of fines or imprisonment for failure to accept it as money. Fiat money is a medium of exchange composed of some intrinsically valueless substance which the issuer does not promise to redeem in a commodity or a fiduciary money. Because a fiat money has no direct legal connection to a commodity money (in terms of redemption) and, therefore, no real economic cost to its production, the supply of a fiat money can never be self-limiting; and the value of a fiat money is always largely a matter of public confidence in the economic or political stability of the issuer.

Counterfeit Money

Counterfeit money is imitation currency produced without the legal sanction of the state or government. Producing or using counterfeit money is a form of fraud or forgery. Counterfeiting is almost as old as money itself. Plated copies (known as Fourrées) have been found of Lydian coins which are thought to be among the first western coins. Before the introduction of paper money, the most prevalent method of counterfeiting involved mixing base metals with pure gold or silver. A form of counterfeiting is the production of documents by legitimate printers in response to fraudulent instructions. During World War II, the Nazis forged British pounds and American dollars. Today some of the finest counterfeit banknotes are called *Super dollars* because of their high quality and likeness to the real US dollar. There has been significant counterfeiting of Euro bank notes and coins since the launch of the currency in 2002, but considerably less than for the US dollar.

Electronic money: Also called e-money, is the money balance recorded electronically on a stored-value card. These cards have microprocessors embedded which can be loaded with a monetary value. Another form of electronic money is network money, software that allows the transfer of value on computer networks, particularly the internet. Electronic money is a floating claim on a private bank or other financial institution that is not linked to any particular account. Examples of electronic money are bank deposits, electronic funds transfer, direct deposit, payment processors, and digital currencies.

Monetary Policy: The control of the amount of money in the economy is known as monetary policy. Monetary policy is the process by which a government, central bank, or monetary authority manages the money supply to achieve specific goals. Usually the goal of monetary policy is to accommodate economic growth in an environment of stable prices. Governments and central banks have taken both regulatory and free market approaches to monetary policy. Some of the tools used to control the money supply include:

- changing the interest rate at which the central bank loans money to (or borrows money from) the commercial banks
- currency purchases or sales
- increasing or lowering government borrowing
- increasing or lowering government spending
- manipulation of exchange rates
- raising or lowering bank reserve requirements
- regulation or prohibition of private currencies
- taxation or tax breaks on imports or exports of capital into a country

Test and Exercise

1. The values of goods and services are expressed as _________

a)Money b) Prices c) Stores d) Debts.

2. ______ is not a characteristic of money

a) Elasticity b) Durability c) Divisibility d) Portability.

3. Homogeneity means money must be same in (i) size (ii) colour (iii) quality.

Which is correct a) I & II b) I, II & III c) II & III d) none of the above.

4. Money must be ________ scarce.

a) Very b) Relatedly c) Relatively d) Heavily.

5. _______ is generally acceptable as medium of exchange

a) Barter b) Value c) Money d) Exchange.

Week 4

Financial Institutions

The Definition of Financial Institutions

Financial institutions are establishments that render financial services or conduct financial transactions such as ***investments***, ***loans*** and ***deposits*** for clients. Most people deal with financial services providers (i.e., financial institutions) almost on a daily basis on a regular basis. This is because every financial activities such as depositing money and getting loans as well as exchanging currencies are done through financial institutions.

Types of Financial Institutions

There are several types of traditional financial institutions which include the following-

1. *Commercial Banks*
2. *Central Banks*
3. *Investment Banks*
4. *Insurance Companies*
5. *Brokerages*

Commercial Banks

Commercial Banks are a type of financial institution that accept deposits and provide security and convenience to their customers. Part of the original purpose of banks was to offer customers safe keeping for their money. By keeping physical cash at home or in a wallet, there are risks of loss due to theft and accidents, not to mention the loss of possible income from interest. With banks, consumers no longer need to keep large amounts of currency on hand; transactions can be handled with checks, debit cards or credit cards, instead. Commercial banks also make loans that individuals and businesses use to buy goods or expand business operations, which in turn leads to more deposited funds that make their way to banks. If banks can lend money at a higher interest rate than they have to pay for funds and operating costs, they make money.

Functions of Commercial Banks

1. Accepting Deposits: This is the most important function of commercial banks. They accept deposits in several forms according to requirements of different sections of the society.

2. Advancing of Loans: The deposits received by banks are not allowed to remain idle. So, after keeping certain cash reserves, the balance is given to needy borrowers and interest is charged from them, which is the main source of income for these banks.

3. Overdraft Facility: It refers to a facility in which a customer is allowed to overdraw his current account upto an agreed limit. This facility is generally given to respectable and reliable customers for a short period. Customers have to pay interest to the bank on the amount overdrawn by them.

4. Discounting Bills of Exchange: It refers to a facility in which holder of a bill of exchange can get the bill discounted with bank before the maturity. After deducting the commission, bank pays the balance to the holder. On maturity, bank gets its payment from the party which had accepted the bill.

5. Agency Functions: Commercial banks also perform certain agency functions for their customers. For these services, banks charge some commission from their clients. Some of the agency functions are:

- **Transfer of Funds:** Banks provide the facility of economical and easy remittance of funds from place-to-place with the help of instruments like demand drafts, mail transfers, etc.
- **Collection and Payment of Various Items:** Commercial banks collect cheques, bills,' interest, dividends, subscriptions, rents and other periodical receipts on behalf of their customers and also make payments of taxes, insurance premium, etc. on standing instructions of their clients.
- **Purchase and Sale of Foreign Exchange:** Some commercial banks are authorized by the central bank to deal in foreign exchange. They buy and sell foreign exchange on behalf of their customers and help in promoting international trade.
- **Purchase and Sale of Securities:** Commercial banks buy and sell stocks and shares of private companies as well as government securities on behalf of their customers.
- **Income Tax Consultancy:** They also give advice to their customers on matters relating to income tax and even prepare their income tax returns.
- **Trustee and Executor:** Commercial banks preserve the wills of their customers as trustees and execute them after their death as executors.
- **Letters of Reference:** They give information about the economic position of their customers to traders and provide the similar information about other traders to their customers

Limitations of Commercial Banks

1.Amount of Cash: The credit creation power of banks depends upon the amount of cash they possess. The larger the cash, the larger the amount of credit that can be created by banks.

2. Proper Securities: An important factor that limits the power of a bank to create credit is the availability of adequate securities. A bank advances loans to its customers on the basis of a security, or a bill, or a share, or a stock or a building, or some other type of asset. It turns ill-liquid form of wealth into liquid wealth and thus creates credit. If proper securities are not available with the public, a bank cannot create credit.

3. Banking Habits of the People: The banking habits of the people also govern the power of credit creation on the part of banks. If people are not in the habit of using cheques, the grant of loans will lead to the withdrawal of cash from the credit creation stream of the banking system. This reduces the power of banks to create credit to the desired level.

4. Minimum Legal Reserve Ratio: The minimum legal reserve ratio of cash to deposits fixed by the central bank is an important factor which determines the power of banks of creates credit. The higher this ratio (RRr), the lower the power of banks to create credit; and the lower the ratio, the higher the power of banks to create credit.

5. Excess Reserves: The process of credit creation is based on the assumption that banks stick to the required reserve ratio fixed by the central bank. If banks keep more cash in reserves than the legal reserve requirements, their power to create credit is limited to that extent.

6. Leakages: If there are leakages in the credit creation stream of the banking system, credit expansion will not reach the required level, given the legal reserve ratio. It is possible that some persons who receive cheques do not deposit them in their bank accounts, but withdraw the money in cash for spending or for hoarding at home. The extent to which the amount of cash is withdrawn from the chain of credit expansion, the power of the banking system to create credit is limited.

7. Cheque Clearances: The process of credit expansion is based on the assumption that cheques drawn by commercial banks are cleared immediately and reserves of commercial banks expand and contract uniformly by cheque transactions. But it is not possible for banks to receive and draw cheques of exactly equal amount. Often some banks have their reserves increased and others reduced through cheque clearances. This expands and contracts credit creation of the part of banks. Accordingly, the credit creation stream is disturbed.

8. Behaviour of other Banks:

The power of credit creation is further limited by the behaviour of other banks. If some of the banks do not advance loans to the extent required of the banking system, the chain of credit expansion will be broken. Consequently, the banking system will not be "loaned up".

9. Economic Climate: Banks cannot continue to create credit limitlessly. Their power to create credit depends upon the economic climate in the country. If there are boom times there is optimism. Investment opportunities increase and businessmen take more loans from banks. So credit expands. But in depressed times when the business activity is at a low level, banks cannot force the business community to take loans from them. Thus the economic climate in a country determines the power of banks to create credit.

10. Credit control policy of the central bank: The power of commercial banks to create credit is also limited by the credit control policy of the central bank. The central bank influences the amount of cash reserves with banks by open market operations, discount rate policy and varying margin requirements. Accordingly, it affects the credit expansion or contraction by commercial banks.

<u>Central Bank</u>

A Central Bank or Reserve bank is an institution that manages a state's currency, money supply and interest rates. A Central possesses the monopoly to increase the amount of money in the nation and also prints the national currency– the nation's legal tender. The major function of the central bank is to manage the nation's money supply. Central Bank also have supervisory powers intended to prevent bank runs and also to monitor commercial banks in order to prevent fraudulent activities.

The Central Bank of Nigeria was established by the CBN Act of 1958 and commenced operations on July 1, 1959.

<u>The Objectives Central Banks (CBN Act)</u>

1. Promote monetary stability and a sound financial environment
2. Act as a banker of last resort and financial adviser to the federal government
3. Maintain the external reserves to safeguard the international value of the legal tender currency
4. Ensure monetary and price stability
5. Serve as bankers to other banks within Nigeria and abroad

<u>Functions Of Central Bank</u>

1. **Bank Of Note Issue**: The Central Bank has the sole monopoly of issuing bank notes in every country. The currency notes printed and issued by the Central Bank serves as the nation's legal tender and this will be accepted as a means of

exchange for goods and services all over the nation. Advantages of The Right to Issue Bank Note to the Central Bank are: a. Central Bank will be able to exercise better control of money supply in the nation b. It enables the Central Bank to exercise control over the creation of credit by commercial banks.

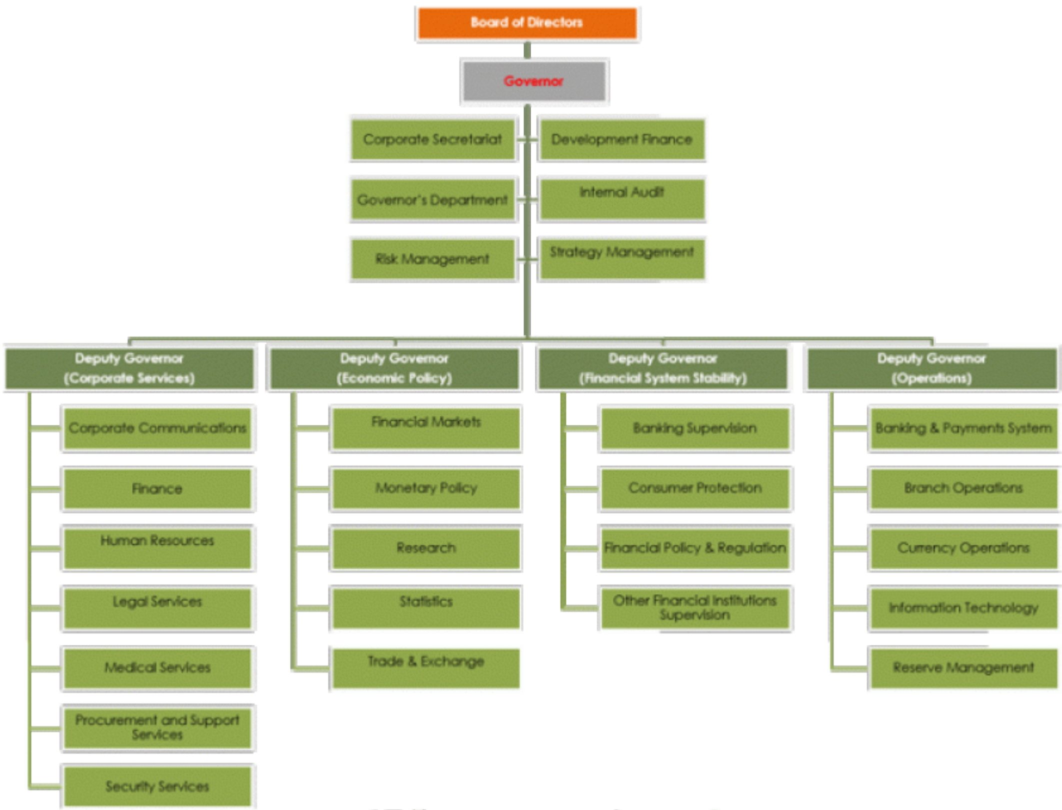
c. It brings uniformity in note issue and circulation in the country

d. Easier management of paper currency. Being the supreme bank of the country, the central bank has monetary information of the economy and can change the currency accordingly.

2. **Lender of the Last Resort**: This means that when a bank is faced with shortage liquid fund, after trying all other sources to obtain loan without success, it can always apply to the Central Bank for loan. This function is an extension of its function as the banker's bank.
3. **Banker to other Banks and Financial Institutions**: Central Banks act as banker to other commercial banks. The Central Bank keeps bank accounts for commercial and merchant banks and other financial institutions operating within the country. They maintain two types of bank accounts for these banks; statutory deposit – for minimum cash requirement and operational deposit – enough cash to maintain inter-bank settlement. The Central bank functions in 3 capacities as: a. Lender of Last resort to other banks b. Clearing agent c. Custodian of cash
4. **Debt Management**: The Central bank manages its domestic debt and services external debt on the instruction of the Federal Ministry of Finance. They are empowered to issue debt instrument and manage Federal Government's domestic debt in terms and conditions agreed upon by the Government and the bank.
5. **Banker and Adviser to the Government**: The Central Bank performs same functions both to the commercial banks and the Government. The Central bank does the following: a. Maintains the account of the state government. b. Accepts deposit from the government c. Provides foreign exchange for repaying debts or buying foreign goods from outside the country.

   d. Gives advise to the government on economic, monetary, financial and fiscal matters such as financing, devaluation, monetary policy.

   Another function that the CBN has performed since its inception is aiding the development of the Nigerian economy's industrial, agricultural and financial sectors. The CBN was also granted overall administrative authority over the Nigerian federal government's financial and monetary policies.



27 Departments in total

ASSESSMENT.

1. What are financial institutions?

2. Mention the traditional types of financial institutions.

3. When was the Central Bank of Nigeria Established?

4. What are the main objectives of the CBN?

5. What are the functions of commercial banks?

ANSWER

1. Financial institutions are establishments that render financial services or conduct financial transactions such as ***investments***, ***loans*** and ***deposits*** for clients.
2. A. *Commercial Banks B. Central Banks C. Investment Banks D. Insurance Companies E. Brokerages*
3. ***1958 and commenced operations on July 1, 1959.***
4. A) Promote monetary stability and a sound financial environment B)Act as a banker of last resort and financial adviser to the federal government C) Maintain the external reserves to safeguard the international value of the legal tender

currency D)Ensure monetary and price stability E) Serve as bankers to other banks within Nigeria and abroad

5. **A) Lender of the Last Resort**: This means that when a bank is faced with shortage liquid fund, after trying all other sources to obtain loan without success, it can always apply to the Central Bank for loan. This function is an extension of its function as the banker's bank. B)**Banker to other Banks and Financial Institutions**: Central Banks act as banker to other commercial banks. The Central Bank keeps bank accounts for commercial and merchant banks and other financial institutions operating within the country. They maintain two types of bank accounts for these banks; statutory deposit – for minimum cash requirement and operational deposit – enough cash to maintain inter-bank settlement. The Central bank functions in 3 capacities as: a. Lender of Last resort to other banks b. Clearing agentc. Custodian of cash

   C) Debt Management: The Central bank manages its domestic debt and services external debt on the instruction of the Federal Ministry of Finance. They are empowered to issue debt instrument and manage Federal Government's domestic debt in terms and conditions agreed upon by the Government and the bank.

   D) Banker and Adviser to the Government: The Central Bank performs same functions both to the commercial banks and the Government. The Central bank does the following: a. Maintains the account of the state government. b. Accepts deposit from the government

Week 5
The Concept of Demand

Definition of Demand

Demand can be defined as the ability and willingness to buy a specific quantity of goods or services at a given price and at a particular period of time. In other words, demand is not the same as want or desire, as want or need is defined is just a mere desire for a commodity but not backed up by the willingness to ability to pay for that commodity at the same time. To differentiate demand from want we call it effective demand; this is a situation where desire is backed up by the ability and willingness to pay for specific quantities of a commodity at alternative prices within a period time.

Law of Demand

The law of demand states that all things being equal, the higher the price, the lower the quantity of goods that will be demanded; or the lower the price, the higher the quantity of goods that will be demanded.

This law is regarded as the first law of demand and supply; it means when the price of a commodity like beans for instance is high in the market and the price of rice is low, more people will demand for rice and less of beans.

This law holds under the following assumption-

- That the consumer's income remain constant
- That no close substitutes of a commodity exist
- That the habits of the consumer remain the same
- That there will be no change in taste and preference of the consumer

Demand schedule

Demand schedule can be defined as a table showing the relationship between prices and the quantity of that commodity demanded. Demand schedule is of two types. Which are individual and market demand schedule.

Individual demand schedule: This is the table that shows the different quantities of a commodity which an individual or consumer would purchase at various prices and at a particular time.

Market demand schedule: It is known as the aggregate or total demand or composite demand schedule, it is the schedule of all consumers of a commodity in a market

Mr.Adelabu's demand schedule for cups of rice

Price per cup of rice (naira)	Quantity demanded per week
300	5
250	10
200	15
150	20
100	25
50	30

The demand schedule above shows the relationship between the various prices of cup of rice and the quantity Mr Adelabu is willing to buy at each price per week.

Demand Curve

Demand curve is defined as a graph showing the relationship between the price and quantity of a commodity demanded. It is a diagrammatic representation of a demand schedule.

Types of Demand

1. **Joint or complementary demand**: This is the demand which occurs when two commodities that are related to each other are demanded at the same time. The commodities are said to be complementary to each other as a change in the demand of other will cause a change in the demand of the other commodities. Example of joint or complementary demand is bread and butter, car and petrol.
2. **Derived Demand**: Derived demand is the one that occurs as a result demand for other commodities. Example: the demand for flour and sugar to meet the demand for bread. The demand for pen and book to meet the demand of a student.
3. **Composite Demand**: A composite demand is the demand which is required to serve two or more purposes. Example: The demand of flour can be used for baking bread, baking cake, for making snacks etc.Therefore if there is a high supply of flour there will also be a high demand for it.

4. **Competitive Demand**: When two commodities are fairly close substitutes to each other, they are competitive demand, demand that serves the same purpose or similar function. Here, the high demand for one will bring a fall in the demand for the other. Examples of commodities with competitive demand are coca cola, fanta, pepsi, sprite. Milo, Bournvita, ovaltine etc

Factors affecting Demand

The demand for a product will be influenced by several factors:

- *Price. Usually viewed as the most important factor that affects demand.*
- *Income levels.*
- *Consumer tastes and preferences.*
- *Competition.*
- *Fashions.*

ASSESSMENT

1. Define demand
2. Differentiate between demand and want
3. Explain the various types of demand with Examples
4. State law of demand
5. Define demand schedule

ANSWER

1. Demand can be defined as the ability and willingness to buy a specific quantity of goods or services at a given price and at a particular period of time.
2. This is a situation where desire is backed up by the ability and willingness to pay for specific quantities of a commodity at alternative prices within a period time.
3.

A) Joint or complementary demand: This is the demand which occurs when two commodities that are related to each other are demanded at the same time. The commodities are said to be complementary to each other as a change in the demand of other will cause a change in the demand of the other commodities. Example of joint or complementary demand is bread and butter, car and petrol.

B) Derived Demand: Derived demand is the one that occurs as a result demand for other commodities. Example: the demand for flour and sugar to meet the demand for bread. The demand for pen and book to meet the demand of a student.

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D) Competitive Demand: When two commodities are fairly close substitutes to each other, they are competitive demand, demand that serves the same purpose or similar function. Here, the high demand for one will bring a fall in the demand for the other. Examples of commodities with competitive demand are coca cola, fanta, pepsi, sprite. Milo, Bournvita, ovaltine etc

4. The law of demand states that all things being equal, the higher the price , the lower the quantity of goods that will be demanded ; or the lower the price, the higher the quantity of goods that will be demanded.

5. Demand schedule can be defined as a table showing the relationship between prices and the quantity of that commodity demanded.

Week 6

Supply

Definition of Supply

Supply can be defined as the quantity of a commodity which a producer is willing and able to offer for sale at a particular price and at a particular period of time. The supply of of a commodity is the quantity of that commodity which a producer is willing and able to sell at a given price over a given period of time. Supply is also said to be the part of the total production actually offered for sale at the ruling market price at a particular time, it is said to be "effective supply".

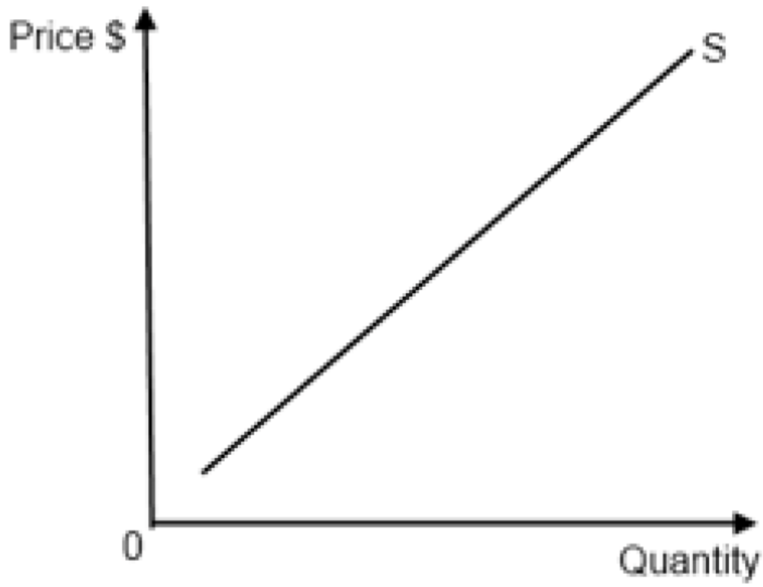
Law of Supply

The law of supply states that all being equal, the higher the price the higher the quantity of of a commodity that will be supplied or the lower the price, the lower the quantity of the commodity that will be supplied. This law is often regarded as the second law of demand and supply.This law explains that when the price of a commodity is high in the market, more quantity of it will be supplied by the producer and vice versa.

The law states that "as the price of a product rises, the quantity supplied of the product will usually increase, ceteris paribus"(all things been equal)

Supply Curve

Supply curve can be defined as the graph showing the relationship between price and quantity of the commodity supplied.



Supply Schedule

Supply schedule can be defined as a table showing the relationship between price and the quantity of that commodity supplied. Supply schedule is a table which shows the different quantities of a commodity which will be supplied at various prices at a particular time.

Types of Supply Schedule

1. **Individual supply schedule**: This table shows the different quantities of a commodity which a producer offers for sale at various prices and at a particular time.

Price per tuber (#)	Quantity supplied(no of yam)
250	100
200	80
150	60
100	40
50	20

A farmer's supply schedule of a farmer who supplied tubers of yam at different prices.

2. Market Supply schedule: Market supply schedule is a schedule of all producers or suppliers of a commodity in a market. A market supply schedule is a table which shows the total quantity of a commodity which all producers of that commodity are willing and able to supply at various prices at a particular period of time

Price per bag (#)	Mr Lawal	Mrs Jimoh	Mr Abdulai	Total quantity supplied
100	50	80	70	200
80	40	70	50	160
60	30	60	30	120
40	20	50	20	90
20	10	40	10	60

A market supply schedule for bags of rice

The market schedule above shows that there are only three producers of rice, it also reveals the relationship between the different prices of bag of rice and the total quantity which will be offered for all producers at each price.

Types of Supply

- **Joint or complementary supply**: This occurs when two or more commodities are produced and supplied from one source. An increase in the production and supply of one automatically bring about an increase in the production and supply of the other commodities that are produced and supply from one source.
- **Composite supply**: This occurs when a certain commodity can serve two or more purposes, which means that the supply of the commodity for one purpose will greatly affect the supply of the same commodity for another purpose.
- **Competitive supply**: Competitive supply occurs when many commodities are supplied for the satisfaction of a particular want. It is the supply of two or more commodities that serve as substitutes or alternatives to one another.

Factors affecting Supply

1. *An decrease in costs of production, this means business can supply more at each price. Lower costs could be due to lower wages, lower raw material costs*
2. *An increase in the number of producers will cause an increase in supply*
3. *Expansion in capacity of existing firms, e.g. building a new factory*
4. *An increase in supply of a related good e.g. beef and leather*
5. *Climatic conditions are very important for agricultural products*
6. *Improvements in technology, e.g. computers, reducing firms costs*
7. *Lower taxes reduce the cost of goods*
8. *Increase in government subsidies will also reduce cost of goods*

ASSESSMENT

1. Define supply
2. List and explain types of supply
3. State the law of supply
4. Explain the different types of supply schedule

ANSWER

1. Supply can be defined as the quantity of a commodity which a producer is willing and able to offer for sale at a particular price and at a particular period of time.
2.

Joint or complementary supply: This occurs when two or more commodities are produced and supplied from one source. An increase in the production and supply of one automatically bring about an increase in the production and supply of the other commodities that are produced and supply from one source.

Composite supply: This occurs when a certain commodity can serve two or more purposes, which means that the supply of the commodity for one purpose will greatly affect the supply of the same commodity for another purpose.

Competitive supply: Competitive supply occurs when many commodities are supplied for the satisfaction of a particular want. It is the supply of two or more commodities that serve as substitutes or alternatives to one another.

3. The law of supply states that all being equal, the higher the price the higher the quantity of of a commodity that will be supplied or the lower the price, the lower the quantity of the commodity that will be supplied.

4. **Individual supply schedule**: This table shows the different quantities of a commodity which a producer offers for sale at various prices and at a particular time.

Market Supply schedule: Market supply schedule is a schedule of all producers or suppliers of a commodity in a market. A market supply schedule is a table which shows the total quantity of a commodity which all producers of that commodity are willing and able to supply at various prices at a particular period of time

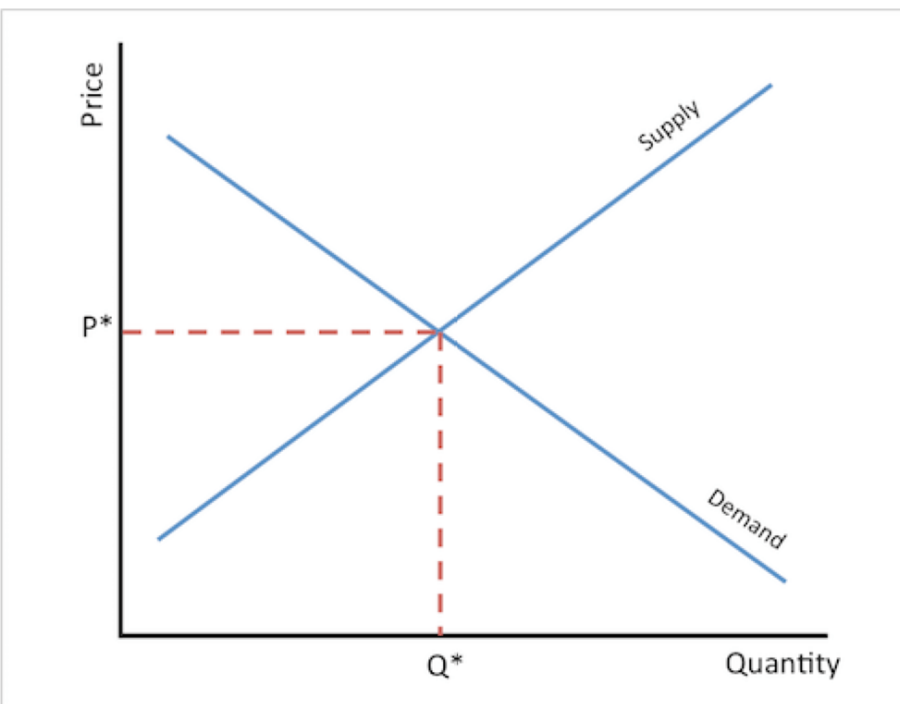
Week 7

Equilibrium Price/Price Determination

What is Equilibrium Price?

The equilibrium price can be defined as the ***market price*** where the quantity of goods supplied is equal to the quantity of goods demanded. This is the point at which the demand and supply curves in the market intersect. It can also be seen as the interaction between the demand and supply in the free market that is used to determine the costs for a goods or service. In other words, the equilibrium price is achieved when the market supply and demand balance each other as a result of which prices become stable. Generally speaking, when there is too much supply for goods or services, the price goes down, which results in higher demand. In the light of this therefore, the balancing effect of supply and demand results in a state of equilibrium. Please note that in order to determine the equilibrium price, you have to figure out at what price the demand and supply curves intersect.

Equation and Example



The supply and demand curves intersect at *P** and *Q**, which are the equilibrium price and quantity.

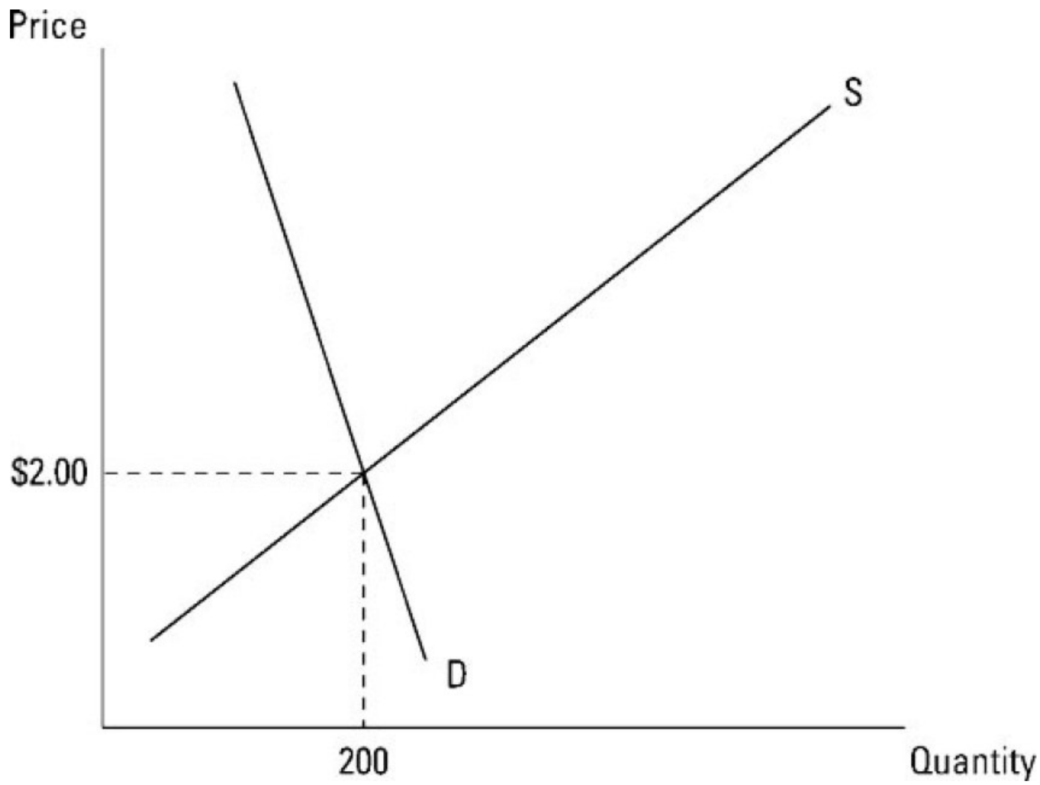
It's one thing to be able to identify the equilibrium price on a graph, but you should also be comfortable figuring out the price algebraically. Here are the supply and demand curve formulas for this example: Qd = 50 – 5P and Qs = 5 + 10P

The supply curve is denoted as Qs and the demand curve is denoted as Qd. They are both written as a function of price. If you happen to get formulas that are price as a function of quantity, then you would want to rearrange the formula to match this format.

<u>How to Determine Equilibrium Price with Graph</u>

Business executives face an economic dilemma in determining price: Customers want low prices, and executives want high prices. Markets resolve this dilemma by reaching a compromise price. Please note that the compromise price is the one that makes quantity demanded equal to quantity supplied. At that price, every customer who is willing and able to buy the good can do so. And every business executive who wants to sell the good at that price can sell it.

As it has been defined, the the equilibrium price makes quantity demanded equal to quantity supplied. And this occurs where the demand and supply curves intersect. Using this definition therefore, the equilibrium price for for a Indomie would be the point where the demand and supply curve intersect corresponds to a price of N2000. At this price, the quantity demanded (determined off of the demand curve) is 200 boxes of treats per week, and the quantity supplied (determined from the supply curve) is 200 boxes per week. Quantity demanded equals quantity supplied.



Mathematical Determination of the Equilibrium Price

The Equilibrium Price can also be determined mathematically. And in order to determine equilibrium mathematically, remember that quantity demanded must equal quantity supplied. The demand for dog treats is represented by the following equation.

$$Q_D = 300 - 50P$$

In the equation, Q_D represents the quantity demanded of dog treats, and P represents the price of a box of dog treats in dollars. Because a negative sign is in front of the term 50P, as price increases, quantity demanded decreases.

The supply of Indomie is represented by

$$Q_S = -100 + 150P$$

The quantity supplied of Indomie is represented by Q_S in this equation, and P again represents the price for a box of dog treats in dollars. A positive sign in front of the 150P indicates a direct relationship exist between price and quantity supplied.

To determine the equilibrium price, do the following.

1. Set quantity demanded equal to quantity supplied:

$$Q_D = 300 - 50P = -100 + 150P = Q_S$$

2. Add 50P to both sides of the equation.

   You get

$$300 - 50P + 50P = -100 + 150P + 50P \text{ or } 300 = -100 + 200P$$

3. Add 100 to both sides of the equation.

   You get

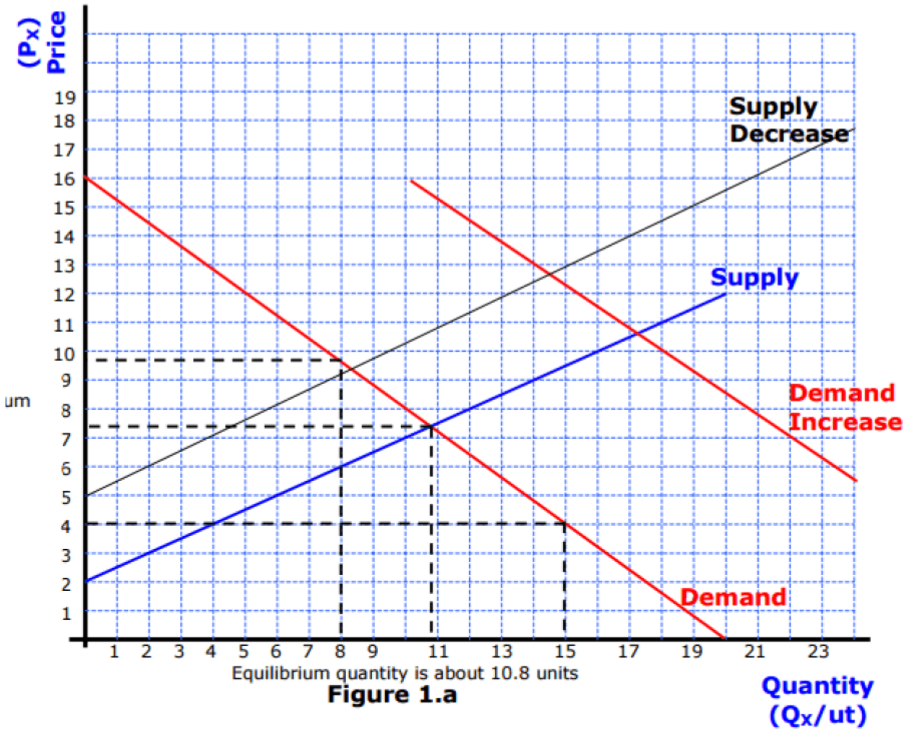
$$300 + 100 = -100 + 200P + 100 \text{ or } 400 = 200P$$

4. Divide both sides of the equation by 200.

   You get P equals N2000 per box. This is the equilibrium price.

ASSESSMENT

In a hypothetical market, the buyers will take 20 units of good X if the goods are "free." The marketing department estimates that that for each N100 increase in the price of the good, the buyers will reduce their purchases by 1.25 units of the good. Construct the demand function on the graph provided. Complete the table that shows the demand schedule.



Equilibrium quantity is about 10.8 units

Figure 1.a

1.What is the equation that represents the quantity demanded as a function of price? Qd = f(P), Qd = 20 – 1.25P

2.What is the equation that represents the price as a function of the quantity? P = f(Qd), P = 16 – .8Qd

3.When the Price is $4 what is the Quantity demanded? Qd = 20 – 1.25

(4) = 15 units 4. What is the maximum price that someone is willing and able to pay for the 8th unit of the good? P = 16 – .8(8) = $9.60 The sellers will not offer any of good X at or below a price of $2. For each additional dollar the price increases they will offer 2 additional units for sale.

5.What is the supply equation? Cost = P = f(Qs) P = 2 + .5Qs or Qs = -4 + 2P

6.Construct the supply equation on the graph and complete the schedule in the Table.

7.Using the graph, what is the approximate equilibrium price? About $7.40

8.Using the graph what is the approximate equilibrium quantity? About 10.8 units 1 2 3 4 5 6 7 8 9 11 13 15 17 19 21 23 19 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 (P X) Price Quantity (QX/ut) Figure 1.a Demand Supply Equilibrium price is about $7.40 Equilibrium quantity is about 10.8 units

9.What is the equilibrium quantity and price when calculated by using the supply and demand equations?

10.What happens if the demand should increase (decrease)? More is purchased at each possible price; A higher price will be paid for each unit of the good. . Show an increase (decrease) in demand on the graph?

11. What happens to equilibrium price and quantity when demand increases (decreases)? Both equilibrium price and quantity would increase (decrease)

12. Show a decrease (increase) in supply. See “Supply Decrease” in Figure 1

13.What happens to equilibrium price and quantity when the supply decreases? Equilibrium price will increase while equilibrium quantity will decrease.

14. What happens when demand increases and supply decreases? Equilibrium price must necessarily increase but the change in equilibrium quantity will depend on the magnitude of the shifts and the relative elasticity of supply and demand.

16. Define Equilibrium?

ANSWER

16. The equilibrium price can be defined as the ***market price*** where the quantity of goods supplied is equal to the quantity of goods demanded.

Week 8
The Nature of the Nigerian Economy

General Overview of the Nigerian Economy

Nigeria is a middle income, mixed economy and emerging market, with expanding manufacturing, financial, service, communications, technology and entertainment sectors. It is ranked as the 21st largest economy in the world in terms of nominal GDP, and the 20th largest in terms of Purchasing Power Parity. It is the largest economy in Africa; its re-emergent manufacturing sector became the largest on the continent in 2013, and produces a large proportion of goods and services for the West African subcontinent. Also, the debt-to-GDP ratio is only 11 percent, which is 8 percent below the 2012 ratio.

Previously hindered by years of mismanagement, economic reforms of the past decade have put Nigeria back on track towards achieving its full economic potential. Nigerian GDP at purchasing power parity (PPP) has almost tripled from $170 billion in 2000 to $451 billion in 2012, although estimates of the size of the informal sector (which is not included in official figures) put the actual numbers closer to $630 billion. Correspondingly, the GDP per capita doubled from $1400 per person in 2000 to an estimated $2,800 per person in 2012 (again, with the inclusion of the informal sector, it is estimated that GDP per capita hovers around $3,900 per person). (Population increased from 120 million in 2000 to 160 million in 2010). These figures are to be revised upwards by as much as 80% when metrics are recalculated subsequent to the rebasing of its economy in April 2014.

Statistics

GDP	$492.986 billion (nominal; 2016) $1,105.343 Billion (PPP; 2016)
GDP rank	21st (nominal) / 20th (PPP)
GDP growth	▼ 2.1% (2016)
GDP per capita	$2,758 (nominal) $6,184 (PPP)
GDP by sector	agriculture: 17.8% industry: 25.7%

	services: 54.6% (2015)
Inflation (CPI)	9% (May 2015)
Population below povertyline	33% (2013)
Gini Coefficient	43.0 (2010)
Labour force	74 million (Q2 2015)
Labour force by occupation	Accommodation, Food, Transportation and Real estate: 12.2% Education, Health, Science and Technology: 6.3% Farming, Forestry and Fishing: 30.5% Manufacturing, Mining and Quarrying: 11.3% Retail, Maintenance, repair, and operations: 24.9% Managerial, Finance and Insurance: 4.2% Telecommunication, Arts and Entertainment: 1.8% Other services: 8.8% (2010)
Unemployment	6.4% (Q1 2015)
Main industries	cement, oil refining, construction and construction materials, food processing and food products, beverages and tobacco, textiles, apparel and footwear, pharmaceutical products, wood products, pulp paper products, chemicals, ceramic products, plastic and rubber products, electrical and electronic products, base metals: iron and steel, information technology, automobile manufacturing, and other manufacturing (2015)

Nature and Structure of Industries in Nigeria

The mining sector (comprised of the oil and natural gas sector) is the largest Nigeria industrial sector. The sector accounts for more than 90% of the annual national production, while generating more than 80% of the government revenues. For instance, the country produces 2.169 million barrels per day (2007 statistics). In terms of oil export volumes, the country ranks approximately 8th in the world. Consequently, it is safe to say that the oil sector more or less the mainstay of the Nigerian economy.

But asides the oil sector, there are other sectors which play pivotal roles in terms of revenue generation and job creation. These are-

1. *Agriculture- accounts for 18 percent of the national GDP*
2. *Services- Nigeria is said to rank 27th worldwide and first in Africa in terms of services' output.*
3. *Transport*
4. *Tourism*
5. *Entertainment- The Nigerian entertainment industry serves as the source of employment to many people especially the youth. The Movie and Entertainment sectors also generates quite a lot of money.*
6. *Overseas Remittances-A major source of foreign exchange earnings for Nigeria are remittances sent home by Nigerians living abroad. In 2014, 17.5 million Nigerians lived in foreign countries, with the UK and the USA having more than 2 million Nigerians each.*

Contributions of the Primary, Secondary and Secondary Sectors Nigerian Economy

The Primary Sector (Agriculture): Agriculture is the most primary sector of the Nigerian economy and undoubtedly the largest sector of the Nigerian economy with GDP contribution of about 40%. This, coupled with contributions from the other primary sectors of the economy such as the oil sector and other extraction industries contribute a lot of the country's GDP.

The Secondary Sector (Manufacturing): The Nigerian manufacturing sector performed 'poorly' in the out gone year as it contributed only 5% to the nation's Gross Domestic Product. According to data obtained from the office of the Director-General, West African Institute of Financial and Economic Management, "In developed countries where the real sectors are thriving, manufacturing contribute as much as between 35 and 40% to the GDP. For instance, in Malaysia, the manufacturing sector contributes about 45% to the GDP."

The Tertiary Sectors (Service providers in Telecommunications and Finance etc): With the growth rate of 32.5% and GDP contribution of 7%, Nigeria has established itself as the largest telecommunication market in Africa. The country's telecom sector is undergoing speedy transformation on account of explosive growth and rapid infrastructure developments.
Nigeria's financial system is still shallow as majority of Nigerians lack access to formal financial services provider. The financial sector accounts for about 3% of the GDP. The turnaround Nigerian banks have made since 2009 has been particularly striking. This comes after the banks near death experience from a banking crisis that led to costly

bailouts, mergers and the formation of a state bad bank, the Asset Management Corporation of Nigeria (AMCON).

ASSESSMENT

1. What is the general overview of the Nigerian economy?
2. What is the contribution of the primary, secondary and tertiary sector to the Nigerian economy?
3. Apart from the oil sector, which other sectors contribute to the revenue generation of the Nigerian economy?

ANSWER

1. Nigeria is a middle income, mixed economy and emerging market, with expanding manufacturing, financial, service, communications, technology and entertainment sectors. It is ranked as the 21st largest economy in the world in terms of nominal GDP, and the 20th largest in terms of Purchasing Power Parity. It is the largest economy in Africa; its re-emergent manufacturing sector became the largest on the continent in 2013, and produces a large proportion of goods and services for the West African subcontinent. Also, the debt-to-GDP ratio is only 11 percent, which is 8 percent below the 2012 ratio.
2. **The Primary Sector (Agriculture):** Agriculture is the most primary sector of the Nigerian economy and undoubtedly the largest sector of the Nigerian economy with GDP contribution of about 40%. This, coupled with contributions from the other primary sectors of the economy such as the oil sector and other extraction industries contribute a lot of the country's GDP.

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3.

Agriculture- accounts for 18 percent of the national GDP

Services- Nigeria is said to rank 27th worldwide and first in Africa in terms of services' output.

Transport

Tourism

Entertainment- The Nigerian entertainment industry serves as the source of employment to many people especially the youth. The Movie and Entertainment sectors also generates quite a lot of money.

Overseas Remittances-A major source of foreign exchange earnings for Nigeria are remittances sent home by Nigerians living abroad. In 2014, 17.5 million Nigerians lived in foreign countries, with the UK and the USA having more than 2 million Nigerians each.

Week 9
Agriculture

Definition of Agriculture

Agriculture is the systematic cultivation of useful plants and the rearing of livestock under the management of man for the purposes of proving food and raw materials. It is the production of crops and rearing of animals for man's use. It is the deliberate effort made by man to till the soil, cultivate crops, and rear animals for consumption and other purposes. Agriculture can also be defined as the science or practice of farming, including cultivation of the soil for the growing of crops and the rearing of animals to provide food, wool, and other products for the use of man.

Components of Agriculture

- **Crop Production**: This is the branch of Agriculture that is concerned, mainly with the production and cultivation of crops and plants. Crop production is classified into two; food crops and cash crops. Food crops are crops that are cultivated only for consumption. Examples of food crops are rice, maize, beans, vegetables, fruits etc. While cash crops are crops cultivated for mainly for sale, examples of cash crops are cocoa, rubber, cotton, etc
- **Fish Farming:** It is the process or system of farming that is particularly selected for the rearing of fish. Fishing provides food, employment, income and foreign exchange.
- **Forestry**: This is the art of planting of planting, tending and managing forest with the ability to utilize the products from the forest. It is also important for the provision of wild animals. Some of the trees found in the forest are planted by people and some grow naturally. Some of the trees found in the forest are Iroko tree, Mahogany, Ebony, timber etc most of this trees are use for medicinal herbs, pulp for making papers.
- **Livestock Farming**: Lives stock involves the rearing of animals either for consumption or for sale. The lives stocks include cattle, goats, poultry, rabbits etc.

Systems of Agriculture

1. **Plantation farming:** This farming involves the cultivation of some economic crops in large areas of land. In this system of farming only one crop (monoculture) is grown in a large area of land.

Characteristics of plantation farming

- Only one crop is usually cultivated
- The output is mainly for sale
- It requires the use of machines like tractors, ploughs, etc
- It requires a very large area of land
- It requires huge capital of investment

2. **Mechanized farming**: It is referred to as commercial agriculture which is concerned with the production of food, animals,and cash crops in large quantities mainly for sale.

Characteristics of mechanized farming

- Mechanized also requires a large area of land
- Modern and complex equipment like tractors, sprayers etc are used
- It requires special skills
- Production is mainly for sale
- It requires storage and processing facilities
- It is mostly practiced by government and rich farmers
- Pest and diseases are usually controlled

3. **Co-operative farming:** This is the type of farming in which farmers come together to form a union for the purpose of farming together to enable them enjoy some incentives from the government which may include loan, fertilizers etc

Characteristics of Co-operative farming

- There is high output because of resources put together.
- They enjoy incentives from the government
- It has an organized market for their products

3. **Peasant Farming**: This farming can also be called subsistence farming , it is the system of farming which is concerned with with the production of food for the farmer and his family. It is an household farming where the farmer and his family produce food for use by himself and family member.

Characteristics of peasant farming

- The family labor is required
- It requires small area of land
- It is for consumption and not for sale
- Crude implements like cutlass, hoe, rake etc. are used.

Importance of Agriculture to Economic development in West Africa

- Generation of Income: Agriculture can serve as a means of economic development through the provision of income. Through the sale of crops and other agricultural products, farmers generate income
- Provision of food: Through the process of farming, people get food supplies with which they can use for the survival of life.
- Provision of raw materials for industries: Different raw materials used on our daily basis are source from Agriculture, therefore making materials available for people to use.

- Development of Towns: Agriculture has helped in the development of towns, because of the various marketing process and availability of products. Where commercial agriculture exist, there will be social amenities like electricity, roads etc.
- Provision of facilities for recreation and tourism: Agriculture leads to the establishment of game reserves as well as the provision of horses for horse racing and polo.

Problems of Agricultural Development In West Africa

Despite the West Africa countries having over 60-75% of her labour force in Agriculture. West Africa countries cannot meet their domestic food requirement based on the following problems explained below-

- **Lack of finance and credit facilities**: Insufficient funds for farmers is a problem, this is because most people who are interested in farming are not financially capable therefore bringing drawback to Agriculture in Africa.
- **Poor transportation system**: Lack of good and adequate movement of goods from one place to another is another big challenge in Africa. The presence of bad roads and in some area there are no roads at all in some areas to transport goods from where they are harvested to the market where they can be sold can lead to wastage of the product.
- **Unfavorable climate**: This is the situation where the climate condition can also affect; an unpredictable and unfavourable climate like high temperature, low rainfall etc usually discourages farmers.
- **Illiteracy of the farmers**: Most farmers in Africa are illiterates who knows not how to read and write and therefore cannot make use of modern equipments.
- **Inconsistent Government Policies**: The frequent change in Government activities affects the Agricultural sector of the Economy. Inconsistent Government policies on Agriculture reduces Agricultural development. Most times the change in Government fails to recognize the rural farmers that produce food for the country.
- **Lack of Research**: Research is the means of finding and getting information about particular things in an environment. Most farmers do not have access to research work and this lads to low Agricultural development.
- **Problems of pests and diseases**: Pests and diseases are not controlled by majority of the farmers and the pests and disease reduces the quality and income of the farmers.

How to solve the problems of low agricultural productivity in West Africa

The following are the ways and means of solving the problems of low Agricultural productivity in West Africa-

- **Provision of modern equipments**: Modern equipment should be made available to the farmers, equipments like tractors, planters, sprayers, electricity etc should be made available to enhance better production.
- **Provision of drugs and pesticides**: Drugs and pesticides should be provided to enable farmers treat diseases . Pesticides and other chemicals should also be provided to control pests of Agricultural produce.
- **Provision of farm input**: Farm input like improved seeds, fertilizers, etc should be supplied to farmers at a reduced rate.

- **Establishment of Agriculture banks**: Agricultural banks like the Nigeria Agricultural and Co-operative Bank (N.A.C.B) should be established to give loans to farmers.
- **Farmers should be Educated**: There should be provision for special schools or training centers that can help to enlighten farmers to have more knowledge on the use of modern equipments.
- **Provision of irrigation facilities**: Irrigation facilities should be made available where weather is unfavourable
- **Construction of roads**: Good roads will help in ensuring good transportation of farm products from where they are produced to where they will be needed.

Roles of Government in Agricultural development

Government plays an important role in the development of Agriculture sector in Nigeria and it has helped to solve part of the numerous problems of Agriculture. The roles of the Government in Agricultural production include the following:

- They help to provide credit facilities
- Provision of storage and processing facilities
- Provision of farm input
- Provision of credit facilities to the farmers
- Help to educate farmers
- Provision of research findings
- Provision of pest and disease control service

ASSESSMENT

1. Define Agriculture
2. Explain the components of Agriculture .
3. List and explain the problems of Agriculture in West Africa
4. The problems of Agriculture can be solved. How?
5. Explain how Agriculture is important for Economic development

ANSWER

1. Agriculture is the systematic cultivation of useful plants and the rearing of livestock under the management of man for the purposes of proving food and raw materials

2.

- **Crop Production**: This is the branch of Agriculture that is concerned ,mainly with the production and cultivation of crops and plants.Crop production is classified into two; food crops and cash crops. Food crops are crops that are cultivated only for consumption.Examples of food crops are rice, maize, beans, vegetables, fruits etc.While cash crops are crops cultivated for mainly for sale, examples of cash crops are cocoa, rubber, cotton, etc
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5.

1. Agriculture and the Economy

- Agriculture sector is central to Nigeria's economy; accounting for 40% of GDP and providing 60% of employment.
- It is a major source of employment growth.
- Between 2001 – 2007, it accounted for 51% of job creation in Nigeria.
- In the 1960s, Nigeria had over 60% of global palm oil exports, 30% of global groundnut exports, 20-30% of global groundnut oil exports, and 15% of global Cocoa exports.

Week 10
Mining

What is Mining?

Mining is extraction of valuable minerals or other geological materials from the earth usually from an orebody, lode, vein, seam, reef or placer deposits. These deposits form a mineralized package that is of economic interest to the miner.

Ores recovered by mining include metals, coal, oil shale, gemstones, limestone, chalk, dimension stone, rock salt, potash, gravel, and clay. Mining is required to obtain any material that cannot be grown through agricultural processes, or created artificially in a laboratory or factory. Mining in a wider sense includes extraction of any non-renewable resource such as petroleum, natural gas, or even water.

Mining of stones and metal has been a human activity since pre-historic times. Modern mining processes involve prospecting for ore bodies, analysis of the profit potential of a proposed mine, extraction of the desired materials, and final reclamation of the land after the mine is closed.

Components of the Nigerian Mining Industry

The Nigerian mining sector is said to accounts for only 0.3% of its [GDP], due to the influence of its vast [oil] resources. The domestic mining industry is underdeveloped, leading to Nigeria having to import minerals that it could produce domestically, such as [salt] or [iron ore]. Rights to ownership of mineral resources is held by the Federal government of Nigeria, which grants titles to organizations to explore, mine, and sell mineral resources.

Mining regulation is handled by the Ministry of Solid Minerals Development, which oversees the management of all mineral resources. Mining law is codified in the Federal Minerals and Mining Act of 1999. Historically, Nigeria's mining industry was monopolized by state-owned public corporations. This led to a decline in productivity in almost all mineral industries. The Obasanjo administration began a process of selling off government-owned corporations to private investors in 1999 and currently, much progress has not been made.

Organized mining began in 1903 when the Mineral Survey of the Northern Protectorates was created by the British colonial government. A year later, the Mineral Survey of the Southern Protectorates was founded. By the 1940s, Nigeria was a major producer of tin, columbite, and coal. The discovery of oil in 1956 unfortunately hurt the mineral extraction industries, as government and industry both began to focus on this new resource. The Nigerian Civil War in the late 1960s further dealt more blow as many expatriate mining experts left the country.

Types of Minerals Resources in Nigeria and their Locations

1. Abia: Glass Sand, limestone, Salt, Shale, Ball Clay, Granite, Galena, marble, laterite, bentonite, phosphate, kaolin, pyrite, feldspar, petroleum, lignite, gypsum, sphalerite, clay.
2. Adamawa: Granite, clay, gypsum, limestone, uranium, kaolin, coal, trona, barite salt, marble, magnesite, laterite.
3. Akwa Ibom: clay, glass sand, salt, silica sand, granite, coal, petroleum, Natural Gas, Kaolin, limestone, lignite.
4. Anambra: clay, iron Stone, Natural Gas, petroleum, sand stone, Kaolin, pyrite, lignite.
5. Bauchi: kaolin, Trona, gypsum, cassiterite, mica, clay, tantalite, galena, iron ore, gemstone, sphalerite, silica sand, Barite, columbite, Zinc, Lead, Muscovite, Quartz, Tin, glass sand, monazite, Feldspar, Graphite, Wolfram, Coal, Agate, Tentalum, Rutile, Tungsten, Copper, Talc, Limenite, Ziron.
6. Bayelsa: salt, petroleum, Natural gas, Silica Sand, Bentonite, crude Salt, petroleum, limestone, glass sand.
7. Benue: Gemstone, Barites, Feldspar, Marble, Mica, silica Sand, quartz, Galena, lead, zinc ore, silica sand, clay, crushed and dimension stone, fluorspar, wolframite, bauxite, shale, magnetie, Limenite, Brenite
8. Borno: Silica Sand, Natural Salt, sapphire, topaz, mica, quartz, gypsum, uranium, iron ore, megnesite, fedspar, Granite Aquamarine, Nepheline, Limestone, Kaolin, bentonite, laterite, Refractory Clay, Trona, Gold, Tin, Potash.
9. Cross River: Salt Limestone, Coal, Maganese, Mica, Limenite, Gold, Quartz, Glass sand, tourmaline, petroleum, Natural Gas, Kaolin, Tin ore, Sharp Sand, spring water, salt deposit,Talc,Granite,Galena,Lead,Zinc,Tin Ore,Muscovite,Uranium, Barite.
10. Delta.Kaolin,Lateritic Clay,Gravel,Silica Sand,Natural Gas,Petroleum,Ball Clay,Bauxite,Granite,River Sand,Clay,Spring Water.
11. Ebonyi:Lead, Zinc ore, Salt, Limestone, Ball Clay, Refractory Clay, Gypsum, Granite.
12. Edo : Chamockite, Copper, Gold, Marble,Granite, Gypsium,Petroleum, Dorite,Lignite,Limestone,Ceramic Clay.
13. Ekiti:Clay,Chamokite,Quartz,Lignite,Limestone,Granite,Gemstone,Bauxite, Cassiterite,Clumbite,Tantalite,Feldspar,Kaolin.
14. Imo:Crude oil,Shale,Natural Gas,Kaolin,Laterite Sand, Limestone,Salt,Marble.
15. Jigawa:GlassSand,Granite,Laterite,Clay,Silica,Kaolin,Iron,Ore,Qurtz,Potash, Talc,Limenite,Gemstone,Columbite.
16. Kaduna:Muscovite,Granite,Gold,Manganese,Clay,Graphite,Sand,Zircon,Kyanite, Tin Ore,Limenite,Gemstone,Columbite.

17. Kano:Clay,Laterite,Cassiterite,Columbite,IlmeniteGalena,Phyrochlorite,Kaoline, Gemstone,Silica, Tin Ore, Monazite,Wolframite,Thorium,Granite,Hyalite,Kaolin, Beryl,Amethyst,Gold. Kastina:Gold ,Manganese,Lateritic Clay,Feldspar,BlackTourmaline,Amethyst, Quartz,Kaolin,Mica,Gypsum,Silimanite,Clay,Granite,Sand,Uranium Asbestos, Tourmalin,Serpentine (Chresolite Asbestos),Chromites,Limenite, diamond,graphite,Iron Ore,Potash,Silica Sand.
18. Kebbi: Salt, Iron Ore, Gold, Feldspar, Limestone, Quartz, Bauxitic Clay, Manganese, Kaolin, Mica.
19. Kogi: Clay, Iron Ore, Gemstone, Marble, Limestone, Feldspar, Dolomite, Phosphate, Mica, Cassiterite,Granite,Ornamental Stone,Coal,Kaolin.
20. Kwara:Clay,Kaolin, SilicaSand,Quartz,Dolomite,Marble,Feldspar,Gold, Tantalite,Cassiterite, Granite,Limestone.
21. Lagos:Silica Sand, Bitumen, Sharp Sand, Gravel, Petroleum, Laterite.
22. Nassarawa: cassiterite, Gemstone,A,ethyst,Beryl, Cherysolite, Emerald, Gamet, Sapphire, Topaz, Barites, Galena, Monazite, Zicron, Glass sand, Coal .
23. Niger: Bell Clay, kaolin, limestone, Granite, Glass Sand, iron ore, red clay, feldspar, silica sand, Quartz, Asbestos, marble, Talc, Gemstone.
24. Ogun: kaolin, Feldspar, Silica sand, Mica, Granite, Clay, phosphate, gypsum, limestone, quartz, Tar sand.
25. Ondo: Marble, Gold, Gemstone, Diorite, lignite,
26. Osun: Clay, Granite, Talc, Dolomite, Feldspar, Quartz, Limestone, Mica,
27. Oyo: Clay, Feldspar, Granite, Limonite, iron ore, Kaolin, Quartz, Talc, Marble, Dolomite, Tourmaline, Aquamarine, Amethyst,
28. Plateau: Monazite, columbite, Feldspar, Clay, Cassiterite, Gemstone, Kaolin, Dolomite, Mica, Zicron, Marble, Limonite, Barite, Quartz, Talc, Galena.
29. Rivers: petroleum, Natural gas, Silica sand, Glass sand, clay
30. Sokoto: Silica sand, Clay, salt, limestone, Phosphate, gypsum, kaolin, laterite, potash, granite,
31. Enugu: Laterite Clay, Crude oil, kaolinitic clay, iron ore, glass sand, petroleum, gypsum, coal, silica sand ceramics.
32. Gombe: graphite, Kaolin, Limestone, Silica sand, Uranium, Coal, Halites, Clay, Gypsum, Diatomite, Granite.
33. Taraba: Flurspar, Gamet, Tourmaline, Sapphire, Zicron, Tantalite, Columbite, Cassiterite, barite, Gelena, Limestone, Laterite, calcite, Bentonitic clay
34. Yobe: salt, Trona, diatomite, clay, gypsum, kaolin silica sand, limestone, Epsomite, iron ore, shale, uranium, granite, bentonic Clay.
35. Zamfara: Gold, Alluvia Gold, Granite, Chromites, chamorckite, clay, Feldspar, spring water.
36. Federal Capital Territory: Limestone, Kaolin, granite, marble, feldspar, mica, dolomite, clay, sand, talc.

ASSESSMENT

1. What is mining?

2. Mention 10 Nigerian states and their natural resources.

ANSWER

1. **Mining** is extraction of valuable minerals or other geological materials from the earth usually from an orebody, lode, vein, seam, reef or placer deposits.
2.
    1. Oyo: Clay, Feldspar, Granite, Limonite, iron ore, Kaolin, Quartz, Talc, Marble, Dolomite, Tourmaline, Aquamarine, Amethyst,
    2. Plateau: Monazite, columbite, Feldspar, Clay, Cassiterite, Gemstone, Kaolin, Dolomite, Mica, Zicron, Marble, Limonite, Barite, Quartz, Talc, Galena.
    3. Rivers: petroleum, Natural gas, Silica sand, Glass sand, clay
    4. Sokoto: Silica sand, Clay, salt, limestone, Phosphate, gypsum, kaolin, laterite, potash, granite,
    5. Enugu: Laterite Clay, Crude oil, kaolinitic clay, iron ore, glass sand, petroleum, gypsum, coal, silica sand ceramics.
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    10. Federal Capital Territory: Limestone, Kaolin, granite, marble, feldspar, mica, dolomite, clay, sand, talc.