LIMITED LIABILITY COMPANIES

Specific objective: by the end of this lesson, I should be able to

1. Explain the meaning of limited companies
2. Compare private limited and public limited companies
3. Describe the legal requirements for the formation of limited companies
4. State the advantage of limited companies

**A company** is a legal entity created by the association of a number of people in accordance with the law for the purpose of a defined object.

A LIMITED LIABILITY COMPANY is a company whose memorandum of association limits the liability of its members to the amount of the full value of the shares they acquired in the company.

There are 2 types of Limited Liability Companies

1. Public Limited Liability Company
2. Private Limited Liability Company

**PUBLIC LIMITED LIABILITY COMPANY (PLC)**

Public Liability Company is defined by the Company Act 1968 as one which by its articles

1. Allows the public to subscribe to its shares
2. Must have a minimum of 7 persons but no prescribed maximum
3. Allows the shares to be transferred
4. Its name must end with PLC

Features of a Public Limited Company

1. The word “public” must be stated in the memorandum.
2. Its shares must be easily transferrable on the stock market
3. It must be formed by at least seven people but no limit to number of shareholders.
4. It must file and publish its annual accounts.
5. It must receive certificate of trading before it can commence business.

Reasons for Dissolving a PLC

1. Shareholders can pass a resolution at a meeting for voluntary liquidation. This may be as a result of the company’s inability to pay its debts or it is no longer a good investment or the reason for its establishment has been fulfilled
2. A company can be liquidated by the court if it cannot honor its obligations, settle its debts or if it was formed for illegal purposes
3. The Corporate Affairs Commission (CAC) can strike out a company’s name out of its register if it does not commence operations within a year of receiving its certificate of trading
4. Liquidation can occur if the minimum number of shareholders is not met
5. The creditors of the company can apply for its dissolution.

**PRIVATE LIMITED LIABILITY COMPANY (Ltd.)**

Private Liability Company is defined by the Company Act 1968 as one which by its articles

1. Prohibits the public to subscribe to its shares
2. Limits its number of members from 2-50
3. Restricts its shares from being transferred
4. Must end with Ltd

Exam: WAEC 1993-2; 1997-2

Sources of capital for a Limited Liability Company

1. Sale of shares to public (PLC only)
2. Bank loan and overdrafts
3. Sales of debentures (PLC only)
4. Leasing of equipment
5. Ploughing back of profit
6. Debt factoring
7. Trade credit

Advantages of Limited Liability Company

1. The business will be a legal entity with the ability to sue and be sued
2. The public limited company has a continuous existence independent of its member. The death of even the largest shareholders does not affect its existence
3. The company can raise large amounts of capital by offering shares and debentures
4. Due to its scale of operations, the business is able to enjoy economies of scale
5. It is able to easily obtain financing through financial institutions

Disadvantages of Limited Liability Company

1. The legal process of creating LLCs is tedious and costly
2. It is slower to make decisions because of the number of people involved
3. Management of the company is divorced from its ownership
4. There is no business privacy because it has to publish its account statements
5. The tax burden on such companies is usually very high
6. It has a large capital requirement for initial setup

**Homework:** In a tabular form, distinguish between a private and a public limited liability company

**SUB-TOPIC 3: FORMATION OF A LIMITED LIABILITY COMPANY.**

The steps taken in the formation of a limited liability company are as follows:

1. The promoters are required to deduce a way of getting the initial capital bearing in mind the cost of formation, assets to be bought and working capital
2. The promoters then secure the services of a lawyer and an accountant to prepare certain documents to be filled with the Registrar of companies at the Corporation. The documents are:
3. Memorandum of Association
4. Articles of Association
5. Statement of Nominal Capital
6. These documents are stamped and lodged with the registrar of companies.

**Memorandum of Association**

This is the document containing rules and regulations which govern the external relationship of a company with outsiders. It also serves as a constitution of the company and defines its objectives and powers in respect to its dealings with the outside world.

It contains the following

1. The name of the company ending with the word “Limited”/PLC.
2. The location/address of the registered office of the company.
3. The object clause of the company
4. The proposed amount of the authorized capital and the various shares into which it is divided.
5. A statement indicating that the liabilities of the shareholders are limited.
6. The names of the founders/promoters of the company and the number of shares taken up by them.
7. Status of the company : public or private
8. The restriction on the power of the company if any.

**ARTICLES OF ASSOCIATION**

This is the document containing the regulations governing the internal management of the company’s affairs, duties, rights and powers of the members. It is also a document in which the internal regulations of Limited Liability Company are stated.

**The contents of an article of association include:**

1. The method of issue of capital
2. Methods of holding meetings
3. Defined powers and duties of directors
4. The right of shareholders
5. How directors are to be elected
6. How auditors are to be remunerated
7. Method of sharing dividend
8. Transfer and forfeiture of shares
9. Method of audit
10. Method of settling dispute.
11. Procedure for winding up the company in the event of liquidation.

**Certificate of Incorporation**

This is the document which confers legal status on the company to commence business. It is issued by the registrar of companies as evidence that all the requirements of the Acts in respect to registration have been met by the company.

It contains the following information:

1. The name of the company
2. The company registration number
3. A statement showing that the company has been registered in accordance with the law
4. The signature of the registrar

**Certificate of Trading**

This is the document issued to PLCs only and permits it to commence operation after the company has been given the Certificate of Incorporation.

**Prospectus**

This is a circular, or an invitation or advertisement made by PLCs, inviting them to subscribe in a company’s shares.

It contains the following information:

1. Brief history of the company
2. Information about the present position and future prospect
3. Promoters’ remuneration
4. The nature of the capital offered for subscription
5. Particulars of directors and other officials
6. The number of founder’s shares

Copy: WAEC 2006-2; WAEC 2004 – 3

**PUBLIC ENTERPRISES**

Public corporation, also known as public enterprises or statutory corporation may be defined as a large-scale business organization set up, owned and financed by the government of a country to provide services to the members of the public.

FEATURES OF PUBLIC CORPORATIONS (WAEC 2013-2a)

1. It is created by an act of parliament
2. It is monopolistic in nature
3. It is managed by a board of directors appointed by the government
4. It is not profit oriented
5. It is financed by tax income
6. It is a legal entity that can sue or be sued
7. Its employees are public servants

SOURCES OF CAPITAL

1. Government Grants: This is the major source of capital to public enterprises. They receive budgetary allocation from the government.
2. Loan from banks: public corporations can obtain loan from financial institutions to expand their operation.
3. Interest on fixed deposit**:** another source is the interest received from deposit with banks.
4. Internally generated revenue: public enterprises also generate revenue internally, for example Lagos state university teaching hospital generate a lot of money from patients.
5. Donation and gift: they can also receive donation and gift from friendly countries or international institutions.

REASONS FOR GOVERNMENT OWNERSHIP OF PUBLIC ENTERPRISES (WAEC 2001-5b)

1. Provision of essential and infrastructural facilities without the motive of profit for the overall good of the masses.
2. For security and strategic reasons the government might decide that management and control of certain industries and organizations should be in its hands. For instance, the Army and police are under the country of the federal government.
3. Limitation of foreign control of the economy.
4. Large capital requirement that might surpass private funding capacity
5. Generation of revenue for the economy.
6. Control of monopoly power.
7. To stabilize price.
8. To encourage all round Economic development.
9. To provide employment opportunities.

ADVANTAGES OF PUBLIC ENTERPRISES

1. Public enterprises are separate legal entities distinct from the owners. They can sue and be sued in their names and can enter into contract on their own.
2. The government generates a lot of revenue from its participation in public enterprises. Government can receive income from dividend rates and fees.
3. There is continuity in public enterprises. Death or retirement of any member cannot bring the organization to an end.
4. They provide the public with social amenities at a reduced cost.
5. The government because of its large financial resources provides large capital. This will fund available for large-scale investment.
6. They are able to produce at lower costs due to economies of scale accruing to large scale production.
7. Public enterprises help to control price and ensure stability. This will prevent the exploitation of the consumers by private businessmen.
8. They are accountable to the general public through the submission of annual reports and statements of accounts to the National Assembly.
9. To regulate the economy of a nation and ensure full employment of its citizens many public corporations provide employment for the people. The federal government is the largest employer of labour in Nigeria.

DISADVANTAGES OF PUBLIC ENTERPRISES(WAEC 2001-5a)

1. No privacy because they have to publish their financial records
2. Delay in decision-making process due to extensive bureaucracy or red-tape
3. High cost of production as there is no incentive to reduce costs because they are externally funded
4. Corruption and embezzlement from officials who feel no sense of ownership of the business
5. Political instability means that the management and goals of a corporation are not secure
6. Lack of innovation or growth because there is no competition as it is a monopoly.

CO-OPERATIVE SOCIETIES

Specific Objectives: by the end of this lesson, I should be able to:

1. Define cooperative society
2. Describe the formulation of cooperative society
3. List their various types
4. List their various types
5. State the advantages and disadvantages
6. Identify and discuss the problems of cooperative societies in Nigeria

A cooperative society is any group found by individuals with common interest who contribute money in form of capital to promote the business interest of members.

Characteristics of cooperative societies (WAEC 2002 – 1)

1. Membership is open to everybody in the particular environment
2. It protects its members from the exploitation of open market forces
3. The sharing of profits is based on member’s patronage
4. Each member has 1 vote in decision making
5. Thrift saving is encouraged among its members
6. Capital is paid tack to those who wish to withdraw from the organization
7. Management of its activities and accounts is done by committee
8. It can raise extra capital through loans

Types of Cooperative societies (WAEC 2002 – 1a)

1. Producer cooperative society is formed by producers of similar goods who come together om order to promote the production and sale of their products. Members of this society eg farmers contribute money in order to buy equipment and raw materials to enable them engage in large scale production
2. Consumer cooperative society is formed by consumers who pool their resources together to enable them buy goods directly from manufacturers at a cheaper rate
3. Multi-purpose cooperative society combines different activities such as marketing consumer goods, production of goods and giving of credit and loan etc. the term multi-purpose allows the society to engage in any form of venture that members consider to be profitable
4. Retail cooperative society is a type of cooperative society where retailers come together to buy goods in bulk for onward sale by the members to consumers
5. Wholesale cooperative society is a type formed by wholesalers to buy in bulk from manufacturers.
6. Credit and Thrift society is formed to encourage members to save money which can be borrowed by members at a lower rate of interest than banks.

Services rendered by Thrift societies (WAEC 1993-5b)

1. They grant low-interest loans with no requirement of collateral
2. Members are encouraged to save a little of their income
3. The society can act as guarantors for their member for financial services
4. They encourage inter-personal relationship among their members
5. They help members access a higher standard of living through loans and bulk purchase

Sources of Fund to Credit and Thrift Society

1. Shares purchased by members
2. Registration fees paid by new or incoming members
3. Fines on defaulters
4. Loan from financial institutions
5. Deposits of members
6. Retained profits
7. Interests on loans given to members

Advantages of cooperative societies (WAEC 1992 -2b)

1. Every member is enabled to contribute to common interests leading to proper harnessing of resources
2. Cooperative societies have corporate existence and perpetual succession
3. Cooperative societies encourage savings among members
4. They help members benefit from large scale production which would otherwise be beyond the reach of a single person
5. Cooperative societies assist their members in marketing members products

Disadvantages of cooperative societies (WAEC 1992- 2b)

1. Lack of capital inhibits the growth and development of cooperative societies
2. Illiteracy among most members make them unable to understand certain legal processes
3. The management of these societies are usually handled by amateurs
4. There is usually difficulty in recovering loans granted to members
5. There are frequent cases of embezzlement of funds

Features common to cooperative society and Private Limited Companies (WAEC 1996-4a)

1. They are registered
2. They are legal entity
3. Members buy shares
4. The liability of members is limited
5. They hold annual general meetings

Differences between private limited companies and cooperative societies (WAEC 1996-4b)

Differences between public limited companies and cooperative societies (WAEC 1989-9b)

**TRADE ASSOCIATION**

A trade association is a group of individual or firms in the same trade who have voluntarily agreed to come together with the major aim of promoting and protecting the trade interest of their members. National Association of Road Transport Workers and Manufacturers Association of Nigeria are examples of Trade Association. **(WAEC 1990-8)**

FUNCTIONS/AIMS OF TRADE ASSOCIATION

1. Maintenance of professional ethics among members.

3. Ensures uniformity in prices for its products.

4. Creating uniformity in the method of dealing with the public.

5. They undertake research work which may be beyond the ability of individual members.

6. Acting as pressure group to influence government policies.

8. Giving assistance to needy members.

**CHAMBER OF COMMERCE**

Chamber of commerce is a voluntary association of entrepreneurs, tradesmen, business executives in a large geographical area e.g. a city or a state who come together to protect their common interest. The members of a chamber of commerce are not restricted to a certain trade. Examples of chamber of commerce are London Chamber of Commerce; International chamber of commerce; Ibadan chamber of commerce; Lagos chamber of commerce etc.

 **FUNCTIONS OF CHAMBER OF COMMERCE**

1. Promotion of home and foreign trade.

2. Ensures cooperation with other chambers of commerce.

3. Provision of business information.

4. Settlement of dispute among members and they render technical and legal advice when necessary

5. They evaluate customs regulation and tariffs of foreign countries in the light of national interest

6. Organization of trade fairs.

7. Acting as pressure group on government policy.

9. They collect and spread vital information to members.

10. Act as watchdog on government policies.

Homework: In a tabular form, differentiate between chamber of commerce and trade association

**OTHER FORMS OF TRADE ASSOCIATIONS**

**CONSORTIUM:**

Consortium is a voluntary association of still independent firms formed for the purpose of executing a large capital project. The firms combine their skill and resources to execute a definite project. The association is dissolved as soon as the project is completed

**SYNDICATE**

This is a group of people or organization voluntarily working together for a particular purpose while retaining their independence e.g., Lloyd’s underwriters.

**Price RING**

This is a group of firms in an industry loosely associated together to operate a common price policy. The major reason for operating this policy is to increase profit. It is formed when competitors come together to fix uniform price for their product.

**TRUST**

This is an amalgamation of different competing firms in different lines of businesses under a single control. Each firm in a trust retains their identity but the trustee takes over the management and control.

**CARTELS**

A cartel can be defined as a group of firm or producers whose objectives is to limit competition by centrally fixing prices or quantities or both as a means of maximizing their profit. It is an association which has monopoly influence on the market by artificially restricting output competition and raising price.

**MERGER (WAEC 1991-7)**

This is the term used to describe the coming together of two or more independent companies without any of them being superior in control or ownership, to form one bigger, united company e.g., Exxon Mobil (Exxon and Mobil)

**TYPES OF MERGERS**

1. **Horizontal Merger:** This is the union of two or more firms within an industry. It occurs with fusion of firms, which directly compete for sale of products e.g., a merger between PAN and VIN Nigeria Ltd.

2. **Vertical Merger:** This involves coming together of two or more firms at different production stages in the same industry. It could either be backward or forward.

3. **Conglomerate Merger:** This involves the joining of firms producing unrelated products e.g., the merging of a construction company with a super-market.

REASONS FOR MERGER

1. Efficiency in management
2. Diversification of the firm’s activities into order areas
3. Elimination of competition
4. Larger market share
5. To reduce overhead cost by eliminating duplication of facilities
6. To enjoy economies associated with large scale production and to increase profit

Disadvantages of a Merger

1. The business may become monopolist
2. Some workers may lose their jobs
3. It discourages specialisation

**HOLDING COMPANY**

A holding company is any company that acquires the whole or an equity interest in another company or companies (by acquiring 51% and above) with the objective of actively controlling such company or companies.

The companies so acquired, are called subsidiary companies while the holding company is also called parent company.

**TRANSPORTATION**

Transportation is the movement of people and goods from one place to another

**Importance of Transportation**

1. **Availability of Raw Materials to Producers**
2. **Facilitates International Trade.**
3. **Employment Opportunities:** Transportation is one of the main employers of labour, especially in the countries where white collar jobs are hard to come by (get).
4. **Mobility of Workers:** Workers from different parts of the country can be moved from one place to another with the aid of various means of transportation.
5. **Improved Standard of Living.:** Transportation has made it possible for goods and services to get to the consumers at the right time and in the right place.
6. **Influences the Location of Industries:** One of the conditions for siting industries is the availability of good transport network.
7. **Prevention of Waste:** Perishable goods like vegetables are moved quickly from the farms with a suitable means of transportation to places where they are needed. This has in a way prevented waste of such goods.
8. **Widening of the Firm’s Market:** Transportation has the ability to extend a firm’s market through the sales of firm’s product in both rural and urban areas.
9. **Development of Rural Areas:** Transportation has caused the growth and development of many rural areas in this country. Through transportation, some businesses have been established as well as the provision of social infrastructures in the rural areas.

**Factors Determining the Choice of Transportation**

1. **Nature of goods:** Perishable and fragile goods are better handled by fast means of transportation like aircraft while bulky goods are better handled by ship or rail.
2. **Cost of transport:** The cost a particular transport will determine the choice of transportation of goods. This is because if the cost is high, it will result to an increase in production cost
3. **Weighty/Bulky goods:** Goods that are bulky are better moved by road, rail and sea while light goods are best suited for air transport.
4. **The type of transportation available in the area:** The available transport can also determine the choice to transportation. For example, people living in riverine area have no option but to use water transportation.
5. **The value of the goods:** Commodities with high cost like jewellery are better moved by air so as to reduce pilferage.
6. **Distance involved:** The distance to be covered is also a factor to consider when choosing a means of transportation. For instance, water and air transportation are suitable for long distances while road transportation is good over short distance.
7. **Degree of urgency of delivery:** Goods may require urgency in delivery are better handled by fast means of transportation.
8. **Consumers’ preference or choice:** There is a popular saying that ‘another man’s meat is another man’s poison’. This means that the kind of transportation Mr. A will like may be different from that of Mr. B.
9. **Speed:** The rate of speed of one means of transportation is different from another. This is why a businessman will prefer to move his perishable goods by a fast means of transportation in order to avoid spoilage and loss.
10. **Convenience:** Some means of transportation are more convenient than others. For instance, aged people will prefer air transportation to road transportation because of the poor state of our roads.

**Forms of Transportation**

There are four major forms of the transportation system.

1. Land
2. Water
3. Air
4. Pipeline.

**TRANSPORTATION BY LAND:**

Land transportation is the movement of goods and people from one place to another by land. Land transportation can be sub-divided into two: road and rail transportation**.**

**Road transportation**: It is the movement of goods and people from one place to another on road. Examples of this type of land transportation are motor vehicles, trailer, buses, motorcycles, camels and so on. In Nigeria, road transport is the most used means of transportation across the villages, towns and cities.

**Advantages of Road Transportation**

1. Convenience: Road transportation provides for convenience in the sense that it offers door to door services to the owners of goods.
2. Flexible: There is high degree of flexibility in the use of road transportation because there is no fixed time schedule for passengers who use them.
3. Suitable of perishable goods: Perishable goods like tomatoes are better conveyed through this means because road transportation is fast and easily accessible to farmers in the rural areas.
4. Low cost of maintenance: The cost of keeping motor vehicles in order is higher than that of airplanes and ships
5. Special routes are not required: Road transport does not need special routes like terminals, rail tracks, etc. before it can operate.
6. Suitable for short journey: Road transport is very easier, faster and cheaper for short distances. For instance, the distance between Lagos and Ogun State can be covered within a short time.
7. Availability: Road transportation is always readily available for use because of their number and strategic location.

**Disadvantages of Road Transportation**

1. Prone to accident: Road transport is more exposed to accident, especially where roads available are not in good condition.
2. Road transport is not suitable for heavy and bulky goods: Road transport is not suitable and economical for the movement of heavy and bulky goods like machinery, motor vehicles etc
3. Fragile goods: Road transport is not good for the conveyance of fragile goods like glass plates, drinking glasses, mirrors and so on.
4. Low capacity: What thirty trailers cannot carry; a train will conveniently do. This shows that road transport is not suitable for bulky materials because of the cost involved.
5. Welfare facilities are not provided: Facilities such as toilet, canteen, and television are not usually provided for in road transport as these are available in trains, water and air transports. This reduces the comfort of the means.
6. Road transport is faced with the problem of high traffic congestion on bushy roads, thereby causing delay.
7. Increase in highway robbery

**Rail Transportation**

Rail transport is the means of conveying goods and passengers from one place to another by train. Heavy and bulky goods are carried by train. A train moves on special routes. It moves on iron tracks known as railway lines. In Nigeria, the Nigerian Railway Corporation manages the rail system.

There two types of train. They are (a) the passenger train and the cargo or goods train. Passenger train carries people while cargo traincarries goods.

**Advantages of Rail Transportation**

1. Suitable for long distance: The rail system is good for long distances. For instance, goods and people can be moved from Lagos to Kano
2. It is very cheap: Rail transport is the cheapest means of transportation. Because of the cost and volume of goods and passengers it can carry per time.
3. Suitable for heavy and bulky goods: Bulky and heavy goods can be carried over a long distance.
4. High capacity: Trains carry more passengers than motor vehicles. This because of the roomy nature of trains.
5. Less prone to accident: Accident is not common in rail transport as in road transport.
6. Provision of welfare service: Passengers can enjoy toilet facilities, canteen services, television programmes, video and film shows etc. in rail transport. In other words, there is comfort and convenience in rail transportation.
7. No traffic hold up: Unlike road transport, rail transport is not usually affected by hold up.
8. Standard rate of charges: Goods are weighed and charged at standardized rate. etc

**Disadvantages of Rail Transport**

1. It is not flexible**:** The way rail system is operated id not flexible because it requires special facilities like tracks and terminals.
2. High cost of operation and maintenance: The construction and maintenance of rail way lines and terminals are very expensive.
3. Not suitable for Perishable goods: Rail transportation is not suitable for goods like vegetables etc because of its speed rate.
4. Slow on short distance
5. It is not convenient: It cannot provide door-to door services like road transport.
6. There is much delay: Trains stop at almost all stations, and this causes delay.
7. Large capital outlay: High capital outlay is required in rail transport which individuals or firms cannot afford to provide

**TRANSPORT BY PIPELINE**

Transport by pipeline is the movement of gases and liquid from one place to another through the use of pipeline. Pipelines are constructed or laid underground as means of carrying water, gases and petroleum products. In Nigeria, pipelines are constructed to transport crude oil from Warri to Kaduna refinery.

**Transport by Pipeline**

**Advantages of transport by pipeline**

1. Low maintenance cost: It is cheap because of low maintenance cost. Since pipes are not exposed, it can hardly be damaged.
2. Free flow of goods: Unlike land transportation, there is usually free movement of goods without any hindrance or obstruction on the way.
3. Safety: Transport by pipeline is very safe. Since pipelines are constructed underground, they are less likely to encounter accidents that are common with vehicles on the roads.
4. Pipeline transport is not easily affected by change in weather and climatic condition.
5. It is best suitable for transporting liquid products like oil, gases, kerosene etc.

**Disadvantages of Pipeline transport**

1. Prone to leakages and unauthorized tapping: pipeline transportation has the problem of leakages and unauthorized tapping by the people called bunkerers.
2. High cost of construction: The cost of constructing and laying pipes underground is quite expensive.
3. It is easily damaged: Pipeline can be easily damaged during road and other constructions thereby leading to the waste of its content.
4. Limited in scope: It is only meant for conveying liquid. Solid goods cannot be transported by pipeline.
5. It is vulnerable to climatic and weather changes: Climatic and weather conditions can affect the pipeline by causing it to rot leading to leakages. Excessive rain can rust the pipes.

**TRANSPORT BY AIR.**

Transport by air means the movement of people and goods from one place to another through the air by aeroplanes, helicopters, hovercrafts, jets etc. This is the fastest means of transport and is carried out on fixed routes. Air transport is comfortable but expensive. Air transport has aided both local and international trade. Some airlines operating in Nigeria include Belview, Okada, ADC etc.

**Advantages of Air Transport**

1. **It is very fast**: Air transport can cover a very long distance within a short time (five or six days) whereas other means of transportation would take many days to cover the same distance.
2. **Comfort ability:** Air transport provides comfort to its passenger because of the welfare facilities like canteen television, toilet, etc available for the passengers.
3. **Safety**: The safety of lives and properties are ensured in air transport. Air transport is free from hijacking or armed robbery.
4. **Suitable for perishable and fragile goods**: Air transport is suitable to convey perishable goods from one place to another especially on long distances without getting bad.
5. **Reduction in damages and pilferages**: Pilferage and damages to goods as a result of mal handling of such goods by bus conductors of road transport is rare with air transport
6. **No traffic congestion**: Hold up caused by accident, road blocks, check points common with road transportation is not associated with air transport.
7. **It aids communication**: This is achieved because air mails are sent through air transportation.
8. **Reliability:** Air transportation travels on fixed schedule and therefore it is reliable.
9. **Suitable for long distance journeys:** Air transport provides a very good means of transport over long distance journeys.

**Disadvantages of Air Transport.**

1. **Expensive**: The cost of travelling by air is very exorbitant in price. Also, it requires huge amount of money to construct airport and aerodrome.
2. **Weather and climate Condition**: Air transport is seriously affected by weather and climate. For instance, during the harmattan season planes cannot move freely because of mist.
3. **Heavy and bulky goods**: Unlike other means of transportation, air transport cannot carry heavy equipment and machinery.
4. **Restricted Movements**: Aircrafts do not take passengers and cargoes to their final destinations. It requires a supplementary means of transportation (road).
5. **Prone to accidents**: Accidents are always fatal when they occur.
6. **It is inflexible**: This is because it travels on schedule.
7. **High cost of operation**: The cost of buying and maintaining aircraft is usually very high

**TRANSPORT BY WATER OR SEA**

Water transport is the movement of people and goods from one place to another through rivers, oceans and seas etc. by ships, canoes etc. Water transport facilitates international trade between different nations because goods and people can be easily transferred. The Nigerian Ports Authority is responsible for providing facilities as well as management of the ports in Nigeria. Water or sea transport is divided into two:

1. Inland water transport
2. International water transport

**Inland water transport** involves movement of passengers and goods through the rivers, canals, creeks and lakes within the country. Inland water transport aids home trade but passenger transport through water ways is not popular in Nigeria except for areas surrounded by water. Inland water transport is carried out by the following means: Canoes, Engine, boats, Ferry boats, Launches.

**International water transport** ensures that cargoes and people are moved from one country to another through the seas and oceans. Since one port is connected to another, it aids foreign trade. The various means of transportation by sea are; ocean liners (passenger and cargo) tramp liners, coastal liners and special purpose ship.

1. **Ocean liners**: it sails through the high seas and oceans in all the continents of the world, e.g., Atlantic, Indian and pacific oceans etc. It is divided into: passengers and cargo liners and they charge standard rates.
2. **Passenger liners** are luxurious ship which conveys passengers from one place to another on a definite or specific route and they usually move on scheduled timetable.
3. **Cargo liners** are ships which carry heavy and bulky goods from one place to another on the high seas and oceans. Cargo liners operate on a specific timetable and they normally run-on definite routes. They can also carry few passengers.

**Characteristics of ocean liners**

1. Ocean liners act as passenger liners, passenger-cargo liners, and cargo liners, ranging from say 10,000 to 50,000 gross tonnages or more.
2. They maintain a regular service, at scheduled times between specified ports and at a scheduled freight charge.
3. Their freight charges are normally fixed by the shipping companies themselves.
4. Cargoes may vary from comparatively small but valuable cargoes to the bulkier cargoes of the cargo-liners.



1. **Tramp liners:** they carry cargoes where they are found and leave when there are sufficient cargoes. Tramp liners have no fixed timetable and do not run along specific routes. They are available for general hire, hence are referred to as cargo water taxis.

**Characteristics of tramp liners**

1. They are sometimes described as unspecialized general-purpose ships.
2. Tramp vessels have no fixed routes or scheduled sailing times.
3. Tramp shipping are usually fixed
4. They do not carry cargoes un parcels but prefer dealing with bulk cargoes.
5. Tramp vessels are frequently employed on a charter basis, i.e. by importers or exporters on either a time or voyage charter.
6. They operate as sea taxis.
7. **Coastal liners**: these are flat bottom steamers that are used to convey goods along the coast to the main port. They can go through the creeks and rivers easily. Sometimes they are referred to as lighters and tugs. Coastal liners are good for carrying raw materials for firms.
8. **Special purpose ships**: special purpose ships are specially built for particular cargoes. For instance, in conveying crude oil, specially built tanker ships are used.

**Containerisation**

This is a method of freight handling in which metal boxes of standard sizes are filled with goods at the manufacturer’s warehouse and transported to their various destinations. Containers are used in road, rail, sea, and air transport. Containers are loaded or off-loaded by a special machine called crane.

**Advantages of containers**

1. It reduces pilferage: pilferage of goods can be reduced since the containers are sealed.
2. Quickens loading: it increases the speed of loading of goods into a ship as containers are transferred from one form of transportation to another with specialized cranes.
3. Protection: goods can be protected from water, fire, or bad weather etc.
4. Cost Reduction: the use of containers reduces cost of loading and offloading of goods because they are packed in containers.
5. Easy movement: it can be easily moved to their destination without being unpacked.

**Disadvantage of containers**

1. High costs are usually incurred in purchasing the containers
2. Packing the goods into the containers entails additional expenses.
3. The quantity of goods involved may be too small to fully occupy the available space in the containers.

**CARRIER**

A carrier is a firm or organization that specializes in transporting other people’s goods. There are 3 types of Carrier:

1. **Common carrier**: is a person or firm who undertakes to transport goods from one place to another for anyone willing to pay a reasonable charge. They are open to the generality of the people.
2. **Contract carrier**: is a public carrier which undertakes to transport goods from one place to another under contract. Example, tanker that transports oil to the oil depot.
3. **Private carrier**: helps to move his or its own goods from one place to another. E.g., a company car can be used to carry their products about

 **CHARTER PARTY**

**Charter party** is a written agreement between the hirer or the importer and the shipping company stating the conditions for hiring the ship or vessel for the purpose of transporting cargoes from one place to another. The charterer must pay charges called **charter freight.**

There are two types of charter:

1. Time charter: time charter is the written agreement for hiring of a ship for an agreed period.
2. Voyage charter: voyage charter is a written agreement for hiring a ship for a specified voyage or voyages.

**Documents used in transportation**

1. **Bill of lading:** This is a document that gives the holder the right to acquire possession of goods that have been shipped. This is a contract between the exporter and the shipping company, stating the terms under which the goods are to be exported. It shows the name of the vessel, the port of destination and the rate of freight. When the goods are loaded into the ship they are checked for any damage or defects. If the goods are free from any defect, a clean bill of lading would be issued but if the goods are damaged, a dirty or foul bill of lading indicating the damaged is issued.
2. **Certificate of insurance:** Is a document t which shows that the goods have been insured against risks or loss by the exporter.
3. **Airway bill or air consignment note:** Airway bill is a contract document issued by an airline (or its agent) for the transportation of goods from a specified airport to another. It shows the name and address of the consignor, consignee and the particulars to the goods such as size. Weight, value and airport of destination. However, unlike a bill of lading, an airway bill cannot be transferred from one party to another in order to convey the title to the goods, i.e. it is not negotiable and neither is it a document of title to the goods.
4. **Travellers Tickets:** A travel or transport ticket is a voucher or commercial document that indicates that the ticket owner has paid for the right to board a flight, train or road vehicle which the ticket relates to.
5. **Manifest:** This is a document that contains a full list of a ship’s cargo or goods, passengers, and crew conveyed by a ship, aircraft, or vehicle. It is signed by the captain of a ship or pilot of an aircraft.
6. **Delivery note:** Is a document that accompanies the delivery of goods. This is to obtain the signature of the buyer, confirming to the fact that a certain quantity of the goods has been received in a stated condition.
7. **Advice note:** This is the document issued by the seller’s warehouse to be received by the warehouse of the customer for record purposes. In short, it is a ‘warehouse to warehouse’ document.
8. **Dock receipt:** This is the receipt issued and signed by an import broker or receiving at the dock or container terminal as proof of the delivery of the goods to the dock under the conditions stated thereon. It is issued in advance of the bill of lading. The dock receipt can be **clean or foul**, depending on whether the goods are received in good or defective condition.
9. **Consular invoice:** A special type of invoice issued to the importer by the exporter, it contains all the information contained in a normal, invoice , but within the document the exporter has to verify the value of the goods
10. **Mate’s Receipt:** This is the receipt issued by the ship-owner after the goods have been loaded into the ship, to acknowledge receipt of the goods. It is issued temporarily pending the availability of the bill of lading when the shipper (exporter) would have to surrender the mate’s receipt in exchange for the bill of lading. It is neither a document of title nor a negotiable instrument.
11. **Certificate of origin:** This is a document of proof that certifies the origin of goods that are being shipped to the importing country.
12. **Waybill or consignment note:** A written contract issued and signed by a carrier giving details and instructions relating to the shipment of a consignment of goods.
13. **Bill of sight is a** documented request (on a prescribed [form](http://www.businessdictionary.com/definition/form.html)) by an importer to [custom](http://www.businessdictionary.com/definition/custom.html) [authorities](http://www.businessdictionary.com/definition/authority.html) for permission to [examine](http://www.businessdictionary.com/definition/examine.html) the [shipment](http://www.businessdictionary.com/definition/shipment.html) that has arrived, without a full set of [documents](http://www.businessdictionary.com/definition/documents.html) or without full particulars. The [importer's](http://www.businessdictionary.com/definition/importer.html) [objective](http://www.businessdictionary.com/definition/objective.html) is to be [able](http://www.businessdictionary.com/definition/able.html) to [submit](http://www.businessdictionary.com/definition/submit.html) a '[perfect](http://www.businessdictionary.com/definition/perfect.html)' [bill of entry](http://www.businessdictionary.com/definition/bill-of-entry.html) after ascertaining the nature, [ownership](http://www.businessdictionary.com/definition/ownership.html), and [estimated](http://www.businessdictionary.com/definition/estimate.html) [value](http://www.businessdictionary.com/definition/value.html) of the shipment



**TERMS USED IN TRANSPORTATION INDUSTRY.**

1. Freight: is used for the cost of shipping a particular cargo for a specific voyage.
2. Dead freight: this is the freight paid on unoccupied space in the ship.
3. Consignment: are goods that are conveyed fro, one place to another, a shipment or delivery of goods.
4. Consignee: is the person or organization to which goods are transported to through a carrier.
5. Consignor: is the owner who sends goods to the consignee.
6. Demurrage is an extra charge or penalty which the charterer pays for exceeding the period originally agreed upon. It is also the charge paid for failing to offload a ship within a stipulated time. It is also [***called***](http://www.businessdictionary.com/definition/call.html)[***detention charge***](http://www.businessdictionary.com/definition/detention-charge.html).
7. Charterer: is a person or firm that hires or charters a ship for a specific purpose.

Demise charter: This is Ship [***leasing***](http://www.businessdictionary.com/definition/leasing.html)[***arrangement***](http://www.businessdictionary.com/definition/arrangement.html) in which the use of the entire vessel and all [associated](http://www.businessdictionary.com/definition/associated.html) [expenses](http://www.businessdictionary.com/definition/expense.html) pass on from the ship [owner](http://www.businessdictionary.com/definition/owner.html) to the charterer

Communication is the act of sending and receiving information, feelings, ideas and opinions from one person to another through different media. Communication is a two-way process which involve sending information and receiving feedback

**IMPORTANCE OF COMMUNICATION**

Communications are important to commerce because of the following.

1. They make internal trade possible
2. They make international trade possible
3. Communications break cultural barriers so that people of various ethnic nationalities are able to understand themselves better.
4. Communication help to link the producer and the consumer thereby making distribution of goods and services effective.
5. Communication is the life wire of today’s business organization. No business can exist without effective communication.
6. Communication has made transportation as an aid to trade efficient. This is because with wireless means of communication, ships and aircrafts are monitored and controlled to avoid accidents.

**FORMS OR TYPES OF COMMUNICATION**

1. **Oral or Verbal communication**

 Verbal communication includes sounds, words, language, and speech. Speaking is an effective way of communicating and helps in expressing our emotions in words. This type of communication can be face to face or via a telephone.

**Advantages of oral communication**

1. Oral communication allows for immediate feedback such as the opportunity to clarify doubt.
2. The sender is able to clarify messages sent to avoid confusion.
3. Oral messages are flexible and can easily be adapted to many diverse situations.
4. It is very fast.

**Disadvantages of oral communication**

1. Misrepresentation of message or misunderstanding and wrong response may occur.
2. Spoken communication is influenced by both verbal and non-verbal communication such as tone or body language.
3. It consumes precious time.
4. It lacks aid to human memory.
5. **Written Communication**



Written communication involves sending and receiving information through the exchange of written documents. Letters, personal journals, e-mails, reports, articles, and memos are some forms of written communication. It provides permanent records as information are documented.

**Advantages of written communication**

1. Written messages can be edited and rectified before it is communicated to the receiver. Thereby, making written communication an indispensable part of informal and formal communication.
2. This form of communication sums up features of visual communication as well, especially when the messages are conveyed through electronic devices such as laptops, phones, and visual presentations that involve the use of text or words.
3. Written communication is good for complicated and vital instructions, which can be given in a summarized and uniform way.
4. There is less chance for distortion and misunderstanding of the message
5. Authority is effectively transmitted with a written order than with an oral or verbal one.
6. It provides permanent record.

**Disadvantages of written communication**

1. It is impersonal.
2. People may not always read them as a result of commitments and distractions.
3. It does not answer questions and there is no immediate feedback.
4. The language of the message may be too difficult to understand thereby causing ineffective communication.
5. It takes time to prepare.
6. **Visual Communication**

****Visual communication is the transfer of information through the use of sight only, through representations in picture form from the sender to the receiver. For example, topography, photography, signs, symbols, maps, colors, posters, banners and designs help the viewer understand the message visually.

**Advantages of visual communication**

1. Information can be presented in a clear way.
2. The information can be seen as more interesting and appealing.
3. It shows actual situations.
4. It can reach many people at fixed date and time.

**Disadvantages of visual communication**

1. There is no immediate feedback.
2. Visual signals may be intercepted by external factors.
3. It is expensive to prepare.

**Non-verbal communication.**

****

 Non-verbal communication manages to convey the sender's message without having to use words. This form of communication supersedes all other forms because of its usage and effectiveness. Nonverbal communication involves the use of physical ways of communication, such as tone of the voice, touch, and expressions. Symbols and sign language are also included in nonverbal communication. Body posture and language convey a lot of nonverbal messages when communicating verbally with someone.

Folded arms and crossed legs are some of the defensive nonverbal signals conveyed by people. Shaking hands, patting and touching, express feelings of intimacy. Facial expressions, gestures and eye contact are all different ways of communication. Creative and aesthetic nonverbal forms of communication include music, dancing and sculpturing.

**Advantages of non-verbal communication**

1. Meanings and expression of feelings are reinforced.
2. It saves time.

**Disadvantages of non-verbal communication**

1. Meaning can only be inferred from body languages.
2. The message is easily misunderstood.
3. Only simple and limited message can be sent.

**NIGERIAN TRADITIONAL MEANS OF COMMUNICATION.**

1. **Oral:** This is the first means of communication to humanity. It involves face-to-face communication of information.
2. **Town criers**: This was the traditional equivalent of government radio and television announcement of today. The town criers use gongs or drum or even a megaphone to call the attention of the crowd before shouting the information to the people.
3. **Gongs:** Gongs are hollow metals beaten with another metal to make announcements to members of a traditional community. On hearing the sound, people will gather at the village square to hear or discuss the news.
4. **Palm frond**: Palm frond is used to disseminate message to the people depending on the color of the palm frond. The use of palm frond signifies peace during a period of dispute.
5. **Smoke signal**: Fire is used to signal or call for help, especially if a person has lost his/her way in the forest. The smoke of the lit fire gives rescuers a sense of direction to the lost person.
6. **Talking /wooden drums:** Drums are used to pass messages to people within the community. Different sounds are produced to mean different messages when the drum is struck.
7. **Canon or gun blast**: Canon gun blast is used to announce the commencement of a festival or great visitors to the community or the lowering of the corpse of a person into the grave.

**COMMUNICATION NETWORKS OR ELEMENTS IN NIGERIA**

1. **Telecommunication**
2. **Postal services**
3. **Mass media**
4. **Satellite**
5. **Courier**
6. **Telecommunication:** NITEL was established by the federal government of Nigeria to provide communication services through telephone, telex, telegram, satellite etc.

**Services provided by NITEL to the public**

1. **Telephone Services:** these include all the methods NITEL uses to enable people send voice messages all over the world. They include:
2. Private Business Exchange (PBE): this facility id provided for big organizations with many phone extensions. A switchboard is installed and manned by an operator who manages the various calls and directs them to the appropriate offices.
3. Subscriber Trunk Dialling: this is a trunk call which is automatically connected to the meter of a subscriber. A switchboard operator is not needed
4. Private phone lines that are linked up directly through telephone boxes
5. Telephone directories containing the names, numbers and addresses of all subscribers
6. International Subscribers Dialling that allows calls to be made abroad
7. Radiophone used in vehicles and security personnel. Its area of coverage is usually limited
8. Public pay phones
9. **Telex Service:** it the contraction of two words: telegraph and exchange. It is a system where printed messages are quickly transmitted by cable through the tele printer to another subscriber. However, with the inception of e-mail, the use of telex has reduced.
10. **Facsimile transmission (FAX):** To fax a paper document, the fax number of the recipient will be keyed into the fax machine, then each page of the document will be inserted in the fax machine as if the page is to be photocopied. If done successfully, a ‘photocopy’ of the page will almost instantaneously appear at the recipient’s own fax machine, anywhere in the world. It is thus more user-friendly than either the telegram or telex services.
11. **Global System of Mobile Telecommunication (GSM):** it is the newest in the development of telephone technology. It provides interconnectivity between the Public Switchboard Telephone Network (PTSN) and mobile stations without a conventional wiring system. Mtel is NITEL’s GSM service
12. **Postal Services**: These are provided by NIPOST. NIPOST provides 2 services to the public – Postal services and Payment services

**Postal Services provided by NIPOST include**:

* Ordinary letters: these are distributed by the post office to its numerous customers. Ordinary or conventional mails include first-class and second-class mails.
* **Express letter**: express letter is a quicker means of sending a letter. Express letter costs more and is delivered faster than a letter post. Express letters are delivered to the owner by hand.
* **Registered letter**: this service provided by the post office ensures that letters are registered after making payments in order to safeguard them. This attracts higher charge than ordinary letters and receipt is issued for registration. Registered letters have lines drawn at the back horizontally and vertically across the envelope.

The person to whom it is sent will be given a notification slip that will enable him claim the letter, and compensation will be paid if it is lost.

* **Telegram**: to send a message by telegram, the sender needs to give the message to the NITEL at a post office. Charges are levied according to the number of words contained in the message so that the number of words needs to be economized. The message is then sent through radio or telephone by the receiving post office to the post office of destination from where a post office messenger delivers the message, in written form, to the addressee. Telegram messages are supposed to be faster than letters. However, with the advent of e-mail facilities, sending of telegram messages is becoming outdated.
* **Parcel post**: this is a material or object wrapped in paper ready to be sent to any part of the world. The parcels are weighed and charged according to the weight. The maximum weight allowed for any parcel is 10 kg and all parcels are registered for safety.
* **Poste Restante**: this service is mainly rendered to travelers and tourists without a fixed address that are visiting another town. They will enter into agreement with the post office so that their mails will be addressed to the post office. The mails must be marked,’ poste Restante.’ The individual involved must providing evidence of his identify when calling to receive his mail from the post office.
* **Recorded Delivery**: is a means of sending mails whereby there is proof that the letter or mail has been delivered.
* **Business Reply services**: this is an arrangement under which somebody (or a business) obtains a license from the post office. The license permits him to send out envelopes or cards to addresses (usually, actual or potential customers) with which the addressees can send replies without the need to affix stamps. Later, the licensee pays the postage, on only the replies received, to the post office.
* **Licensing of franking machine**: these machines can be hired or purchased by organizations who send a lot of mail. It is used to automatically impress stamps on the letters and save time. Users of this machine obtain license from the local head postmaster, and payment in advance in respect of postage must be made from time to time.

**Payment services by NIPOST:**

* **Postal order:** this is a means of payment provided by the post office to transfer small sums of money by post to ensure payment or for the settlement of debts. Postal orders are valid for six months, and commission called poundage is charged by the post office. Postal orders are not negotiable.
* **Money order:** this service ensures that large amount of money is sent through the post office. Money order is safer than postal order. It is an order made by one post office to another post office for payment of a specified sum of money on demand to a named person.
* **Cash on delivery service:** this service is provided by the post office which ensures that businessmen can collect money on the delivery of parcel. It is good for mail order business; the money collected on delivery is remitted to the supplier.
* **Sales of stamps:** different denominations of stamps are sold by the post office**.**
1. Mass Media: this is the transmission of messages through methods that can reach a large number of people at the same time. Mass media is divided into 2:
2. Electronic media: which uses electronic devices like radio television, film etc
3. Print media: which uses newspapers, banners, handbills, pamphlets to spread written information to many people
4. **Satellite**: A satellite is communication equipment which is deployed and stationed in the space to send signal to different countries of the world

**Functions of Satellite**

1. It ensures international or global transmission of messages
2. It ensures that live events are covered and watched all over the World
3. It provides telephone and television links among nation of the world.
4. Video conferencing meetings are made possible.

**F. Courier Services**: courier services are rendered by private owned courier companies to provide reliable and efficient means of conveying urgent documents within and outside the cities and towns. Companies providing this services in Nigeria are UPS, FedEx, DHL, etc.

**Functions of Courier Service**

1. They provide door to door services
2. Banking services
3. Provision of efficient means of mail delivery
4. Ensure cordial relationship
5. Shipment of goods
6. Render services in all location
7. Transportation of loads
8. They provide long hours of service
9. They provide business reply service to customers
10. They ensure safe delivery of document.

**CAREER OPPORTUNITIES IN COMMERCE**

Career – means series of job that a person has in a particular area of work.

Career opportunities are professions that are available for students of commerce.

A. Career is teaching – students from collegues of education, polytechnic and universities can be employed to teach:

i. Business studies

ii. Accounting

iii. Commerce

iv. Economics

B. Career in lecturing – the qualifications required for lecturing are master of science and doctor of Philosophy. In addition to Bachelor degree.

They can teach these:

i. Accounting

ii. Management

iii. Finance

iv. Economics

v. Insurance

vi. Banking

**C. Career in Civil/Service**

Post Grade level

Director General 17

Directors 16

Assistant Director 15

Chief Budget Officer 14

Clerical Officer 4

Clerical Assistant 3

Messenger 2

**D. Career in private sector**

a. Trading: Opportunities are available for skilled and unskilled workers in

- Wholesaling

- Retailing

- Importing

- Exporting

- Agency

b. Insurance

- Risk manager

- Brokers

- Underwriters

- Agents

c. Market

- Salesmen

- Marketing executives

- Marketing managing

d. Management

- Personnel officer

- Administrative office

- Clerical officer

- Management trainees

e. Banking

- Cashiers

- Tellers

- Operation managers

f. Accounting

- Account clerks

- Accountants

- Internal auditors

- Finance managers

- Treasury managers

Basic Requirement For Employment

1. School certificate (SSE)
2. National Diploma (OND & HND)
3. National Certificate of Education (NCE)
4. Bachelor of Science (BSc.)
5. Master of Science (MSc)
6. Doctor of Philosophy
7. Professional qualifications like
* ICAN – Institute of Chartered Accountants
* IB – Institute of Bankers
* CIS – Chartered Institute of Secretaries etc