

Subject: Business studies
Topic: Buying and Selling
Class: JSS2
Week: Week 10

Definition of Buying: Buying simply means the acquisition/purchase of goods and services by paying out some money either cash or credit. A student may need books and Biro for his learning. If he/she does not have the items in his/her bag, then he or she would have to buy from a seller.

Methods of Buying: There are basically four methods of buying.

1. Buying by description.
2. Buying by sample
3. Buying by auction
4. Buying by inspection

1. Buying by description: This is the process by which a buyer buys goods based on the description of the manufacturer or seller. There are so many of products or goods sold in the market or shop in which the buyer relies on the product descriptions. A buyer who needs to buy butter, bottle drink, bread etc., will not open and test or taste it before Buying rather relies on the description.

2. Buying by sample: In this case, the buyer is shown a part or an exact copy of the goods he/she wishes to buy that is in the warehouse e.g. textiles, cloths, cake etc.

3. Buying by Auction: This is the selling of goods by public bidding. Prospective buyers bid against one another for goods. In auction sales, the public or interested consumers would be informed of the date, place and type of goods to be sold. old or new goods can be auctioned.

Conditions necessary before auctioning:

- a. an auctioneer must be appointed
- b. enough notice must be given to prospective buyers
- c. place of auction must be specified
- d. Goods are sold to the highest bidder.

4. Buying by Inspection: This the process by which the buyer is given the opportunity to look closely even test and taste the goods he or she wants to buy. In Nigeria, practically everything we need to satisfy our needs is sold by inspection examples shoes, clothes, food, construction materials, electronics, books etc.

Cash Sales: This is the process where goods are sold in cash. Cash sales occur when goods are paid for on the spot. When goods are bought and paid for, the seller issues a receipt to the buyer. An important cash sales document is the cash register. A cash register is a book or machine where the seller records his/her daily sales on cash.

Advantages of cash sales

1. The seller gets prompt payment
2. The seller does not lack cash for business
3. Capital is not tied down with buyer
4. There is no bad debt as goods are paid immediately
5. There is a high rate of turnover for the seller
6. The buyer may receive discount for paying cash

Disadvantages of cash sales

1. The buyers and sellers are exposed to the danger of armed robbers snatching the cash.
2. The inconveniences of carrying cash

Credit sales: In this case, the seller sells goods and does not receive cash immediately. Payment is deferred and can be paid within days, weeks, months or even years depending on the terms of agreement. The seller issues credit sales receipt to the buyer who buys goods but does not pay on the spot. A good example of credit sales is hire purchase. Here, a buyer goes home with the goods without making full payment but goes home with the goods. Goods sold on hire purchase include durable items like cars, television, refrigerator, etc.

Procedures for Buying: Buying procedures are the generally accepted ways of buying and selling goods. It was first with cowries later to barter now modern business organizations use the following procedures for buying and selling: enquiry, quotation, order, invoice, statement of account, delivery note and receipt.

1. **Enquiry:** Most business transactions begin as Enquiries. A buy enquires when he or she needs something and would like to know how best and how much it would cost to satisfy that need. Enquiries may be made by telephone or personal contact, a letter of enquiry is preferred because it States details and the copy forms a permanent record. Enquiry has details like;
 - a. The name and address of the sender;
 - b. The date;
 - c. A reference-file number;
 - d. The name and address of the person to whom the letter is to be sent;
 - e. A salutation: Example Dear Sir/Ma;
 - f. The message: this should be direct and precisely written clearly to include:
 1. The quantity of goods required
 2. A full description of items and its qualities;
 - g. The complimentary close: example Yours faithfully;
 - h. The subscription: example signature of the sender.

LETTER OF INQUIRY

ELEMEN Digital Photos
11 Omumah Junction Port Harcourt (sender's address)
Jan. 25th, 2023 (date)
Mr Jeo Smith,
Director Joesmith Photo Shop
23 Western city gate Lagos (receiver's address)

Dear Mr Joe, (salutation)

I am a photographer. I need to open a photo studio in my area
I need the details of the following: 2 Camera, 2 speeds light, 2 dust box.
However, I need the below information:

1. Discount	2. Unit price	3. Delivery	4. Times of payment.	5. Warranty
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A simple letter of enquiry.

2. **Quotation:** A quotation is an estimate of the cost of a service or commodity. Quotation is prepared by the seller and is the next after enquiry is made by the buyer. It detailed the cost or price of items.
3. **Order:** This is from the buyer to seller. It is the act of the buyer indicating interest and demanding for the supply of the goods and services he/she enquired for and quotations been sent to him/her by the seller. Order form is prepared in triplicate: the top copy goes to the seller, the second copy to the accounts section of the buyer and the third copy is kept by the department that needs the product.
4. **Invoice:** This is a document that is given out when goods are dispatched; it comes from the seller to the buyer. **Invoice** describe in detail the goods purchased, the discount allowed and the amount owned by the customer. Invoices are usually prepared in quadruplicates (4 copies).
 - a. The original or top copy is usually for the customer indicating for payment expectation
 - b. The second copy may be used as advice note. It is sent by post as notification that the order has been received and/or the goods are on their way.
 - c. The third copy is sent to the warehouse and staff in order to make dispatched to the customer. This copy is included with the goods that serve as dispatch or delivery note.
 - d. This fourth copy is retained by the supplier which is used for book-keeping purposes.
5. **Statement of Account:** This is from the seller or supplier to the buyer or customer, which shows the following:
 - a. Unpaid balance owed from the previous purchases

- b. Value of any credit notes issued during the agreed period
 - c. The amount of any cheques received from the buyer
 - d. The balance due at the end of the agreed period
- 6. Payment:** Payment occurs when a buyer has sent money to a seller in exchange for goods received.
- 7. Delivery Note:** This is a document sent by the seller or supplier to the buyer or customer showing that goods have been delivered. The note usually contains:
- a. Quantity of goods delivered
 - b. Date of delivery
 - c. Signature of the person delivering the goods
 - d. Signature of the receiver
- Sometimes goods are delivered along with an invoice which serves as delivery note.
- 8. Receipt:** This is a document from seller or supplier to buyer or customer indicating or proving that a payment has been made by the buyer or customer. Receipt is an evidence of payment of goods purchased. Receipt contains the name of the seller, date, nature of goods or services, quantity and signature of the buyer and seller.