

**Class: JSS 2**

**Subject: Business Studies**

**Week: 8**

**Topic: Trade**

**Trade:** This is the act of buying and selling of goods (merchandise) and services to satisfy human want. It can also be seen as the marketing of commodities and services. Trade is divided into two (2) Home Trade or domestic trade and Foreign Trade or external trade.

**HOME TRADE:** This is the buying and selling of goods and services within a particular country. It does not cut across another country. Example, a trade between Imo state and Oyo state, Lagos and Abuja, Rivers state and Abia state.

### **Types of Home Trade**

1) **Wholesale Trade:** The wholesale trade is concerned with buying of goods in large quantities or in bulk from the producer/manufacturer and sells to the retailer in small quantities. The wholesaler is seen as the last link between the producer or manufacturer and the retailer.

### **Functions of the wholesaler**

1. Buys goods in large quantities from the manufacturer
2. Gives information about the market to the manufacturer
3. Relieves the manufacturer from the problem of storage
4. Sells in smaller quantities to the retailer
5. Sells on credit to the retailer
6. Gives useful advice to the retailer on how to use the product

2) **Retail Trade:** this type of home trade is concerned with buying of goods in small quantities from the wholesaler and sales in small units directly to the final consumers. The person who engages in a retail trade is called a retailer and he performs a lot of functions. A retailer is a trader who buys goods from the wholesaler in small quantities for resale to consumers. In other words, the retailer is the final link between the manufacturer, and the consumer.

### **Functions of the Retailer**

1. Provides goods when the consumers want them
2. Offers door-to-door services to his customers
3. Sells in small quantities to make buying easier for consumers
4. Anticipates consumer needs i.e. makes the needs of consumers readily available

5. Provides goods in suitable quantities to consumers requirements

**FOREIGN TRADE:** This is the buying and selling which involves other countries. When business men in Nigeria buy goods from or sell goods to other countries, such as America, foreign trade has taken place. When buying and selling takes place between countries, foreign trade has taken place. Foreign trade is made up of:

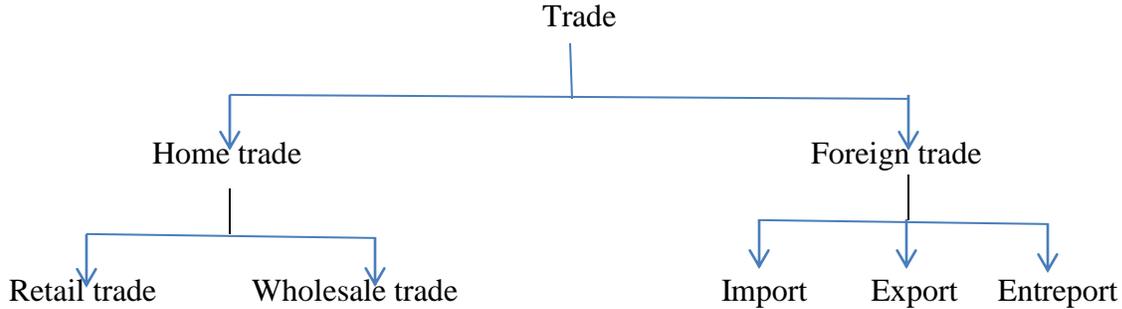
- Import trade:** This is concerned with buying of goods and services from another country (abroad). Nigeria does not produce all the goods she uses. Therefore in order to get these goods she does not produce, she imports from other countries where they are produced. The buying and bringing such goods into Nigeria is called importation. A good example of this is importation of cars from Japan and wrist watches from Switzerland.
- Export trade:** This is the selling of goods and services produced in Nigeria, to other countries that need them to satisfy the needs of their citizens. In 1960s, Nigeria was known as a major exporter of groundnut, palm produce, rubber etc. Industries in America, also buys crude oil to be refined into gasoline.
- Entreport Trade:** This is the re-selling and re-exporting of imported goods by one country to another without working or transforming the goods. Entrepot refers to the re-exporting of goods already brought into Nigeria from another country as import. This re-exporting should be done without adding value.

**Products in Foreign Trade:** Examples are as follows: clothes, electronics, drugs, chemicals, transport equipment, machinery, mobile phones, refined petroleum oil, paper for printing etc.

#### **Differences between Home Trade and Foreign Trade**

<b>Home Trade</b>	<b>Foreign Trade</b>
1. It involves the use of local currency	It involves two or more currencies
2. It takes place within a country	It involves two or more countries
3. Capital for investment is small	Capital for investment is huge
4. The goods are locally made	The goods and services involved are imported
5. There is no language barrier	It involves the use of two or more languages

## TRADE CHART



**Aids to Trade:** These are the things or an activity that enhances, encourages, helps, facilitates buying and selling of goods and services. They are:

1. Banking
2. Insurance
3. Advertising
4. Communication
5. Transportation
6. Warehousing
7. Tourism

- 1) **Banking:** This provides and manages finance or money for trade. It also provides different methods of payment for goods and services, both in foreign and home trades. Banks also grant loans to their worthy customers.
- 2) **Insurance:** This assists the entrepreneur (businessman) in bearing the risks involved in investing in business. When there are damages or loss of goods, insurance company provides compensation thereby helping the trader to remain in business.
- 3) **Advertising:** This informs the public about the existence of any goods and services in order to encourage them buy or use them.
- 4) **Communication:** This facilitates the sending and receiving of information between sellers and buyers, both at home and abroad. Examples of means of communication are telephone, mails, e-mails, radio, television etc.
- 5) **Transportation:** This involves the movement of people and goods from one place to another. In other words, transportation facilitates distribution of goods and services.
- 6) **Tourism:** This involves visiting places of interest for pleasure as well for business. Services that are not available in one's local environment may be obtained on a tour.
- 7) **Warehousing:** This is the storing of goods over time before they are distributed or sold. In other words, warehousing is a means of providing storage for goods before they are sold to

wholesalers and retailers. Large quantities of manufactured goods are usually stored in warehouses.

- 8) **E-Commerce:** This is the carrying out of trade through the use of electronic devices e.g. transacting business on internet. Also carrying out buying and selling activities through e-mails.

Another word to **aids** to trade is **auxiliaries** to trade.

**Customs and Excise:** This is an agency of the federal government charged with the responsibility of collecting import and export duties.

- i. **Import Duties:** These are taxes imposed on goods and services brought into any country
- ii. **Export Duties:** These are taxes imposed on surplus goods and services of a country that are sold to other countries.
- iii. **Excise Duties:** They are duties imposed on some locally made goods.

**Roles of customs and excise in foreign trade are:**

1. Preventing the smuggling of prohibited goods into the country
2. Regulating import and export duties in order to make sure that quantities imported or exported is in line with government guidelines
3. Generating revenue by collecting fines imposed on smuggled goods
4. Supervising the bonded warehouses so that goods are well kept and regulated.