DOWEN COLLEGE LAGOS

NAME OF TEACHER: OLADUNJOYE. OLUSEYI

TERM / WEEK: SUMMER TERM/ WEEK 3

SUBJECT: COMMERCE

CLASS: SS3

TOPIC: TRADE ASSOCIATIONS AND OTHER ENTERPRISES

E-NOTES:

TRADE ASSOCIATION AND OTHER ENTERPRISES

Objective of the lesson :

At the end of this lesson, you should be able to :

(I) Define and give examples of trade association.

(ii) dentify the aims of trade association .

(iii) State the functions of trade association .

(Iv) List examples of Chambers of commerce .

(v) Explain the meaning of consortium, trust and holding company.

(vi) State the reasons tor their formation .

MEANING OF TRADE ASSOCIATION

Trade association is an associaion of

traders or producers engaged in the same

line ot trade, whose major aim is to protect and safeguard the interest ot their members as well as their businesses. It is a group of firms in the same trade.

Trade association is regionally

based to provide services for their

members and to advance their interest. It is tinanced from the subscription paid by the members. Membership of trade association is voluntary. Trade association can be found in difierent towns, Ciies etc.

Some examples of trade associations

include: garri selers association, tailors

association, yam sellers association,

ldumota spare part dealers association,

association of butchers, taxi drivers, Vulcanizers association.

AIMS AND OBJECTIVES OF TRADE ASSOCIATIONS

The aims and objectives of trade associations are mostly:

1. To ensure that members provide good quality services.

2. To ensure that members charge uniform price.

3. To maintain professional ethicsof

their line of trade.

4. To supply members with

information about developments in

their line of trade.

5. To create uniformity in the way

their members deal with people.

6. To promote trade in a particular line

of business.

7. To act as pressure groups in order to

influence some government

policies.

8. To defend and advance the interest

of members.

9. To assist members who are in need.

FUNCTIONS OF TRADE ASSOCIATIONS

The functions of trade associations are as follows:

1. They disseminate information to

members.

2. They fix prices for their services or products.

3. They put political pressure on

government for the interest of their

members.

4. They settle disputes among

members.

5. They provide credit facilities and assistance to members.

6. They educate members on trade activities etc

7. They negotiate with other trade

associations on collective basis.

8. They carry out research and publish

the report for members use.

CHAMBER OF COMMERCE

Chamber of commerce is an association of merchants, manufacturers and businessmen from different commereial

fields or various line of businesses who

agree to come together in a town or city

with the aim of representing and protecting their business interest. This is not restricted to a particular trade. The members come together to have trade connections as well as to further their business interest.

There are national and international Chambers of Commerce such as.

1. London Chamber of Commerce

2. International Chamber of Commerce

3. Lagos Chamber of Commerce

4. ljebu Chamber of Commerce

5. Ibadan Chamber of Commerce

6. Oyo Chamber of Commerce

7. Nigerian-American Chamber of Commerce

8. Owerri Chamber of Commerce

Aims and Objectives of Chamber of Commerce

A chamber of commerce is set up:

1. To promote commercial activities in a community, country or town.

2. To liase with other chambers of commerce in relation to their business interest.

3. To influence the policy of the government relating to commercial activities in an area.

4. To further business interest of the area.

Functions of Chamber of Commerce

(1). To Organise Trade Fairs and Exhibitions: One of the functions of the chamber of commerce is to organise trade fairs in order to promote their businesses to the Customers.

(2). To Promote Home and Foreign Trade: They develop trade with other towns outside the country or other towns within its territory.

3. To Co-operate with Other Chambers of Commerce:

They can co-operate with other chambers

of commerce in the country and outside the country.

4. To Collect and Disseminate Information to Members:

They supply all relevant information to

members in their areas ol interest as

well as the latest development in the

world of commerce.

5. Settlement of Disputes Among

Members: They can act as arbitrators in the settlement of disputes among its members.

6. They Act as Watchdogs in the

Admini-stration of Government Laws: Chambers of commerce are

set up to watch how government

laws are administered so as to

prevent anything injurious to their

commercial interest.

7. To Educate Members on Government Legislations:

Chambers of Commerce do educate

their members on government policies on matters relating to customs'regulations and tariff of other countries.

8. To Educate Members on Conditions of Trade and Industry:

Chambers of commerce can educatee members on the conditions of trade and industry in a country.

	Chamber of Commerce	Trade Association
1.	It is not restricted to a particular business or trade.	It is restricted to members who are engaged in the same line of business or trade.
2.	They have national and international outlook.	They are regionally based.

OTHER BUSINESS ENTERPRISES ARE:

CARTEL

A Cartel is a monopolistic type of organisation established originally by producers of similar product for the main purpose of restricting output of members in order to kecp up the price of their product. It is an association of independent producers, formed mainly for the main purpose of regulating prices by controlling output. Members of a cartel retain their separate identity and are independent.

Cartel has its origin in Germany.

The producers are given certain quotas of the commodities to produce, and this can be increased or reduced depending on the market Situation. Prices can be increased by cutting output while an increase in output will force the price down, e.g. Organisation of Petroleum Exporting Countries' (OPEC) regulation of oil prices.

Features of a Cartel

1.Cartel is monopolistic in nature.

2. It is established by independent producers of similar product.

3. They allocate quotas to members.

4. They restrict output so as to force

the price up.

5. Competition is removed.

Reasons for Forming a Cartel

1. To keep up the price of their products

2. To ensure higher profit for members

3. To reduce waste by eliminating competition.

4. To regulate output

Differences between Cartel and Trust

Trust	Cartel
1. Members will lose their independence.	Members will still maintain their independence.
2. Trust is a complete merger.	It is voluntary and members can withdraw.
3. It has a vertical structure.	It is horizontal in structure.
4. Certificates are issued.	No certificate is issued.
5. There is no quota system.	Producers are given quotas.

.TRUST

This is an amalgamation of different

competing firms in different lines of

businesses under a single control. In Trust, the firm will retain their identity but the trustee will take over the management and control.

It is vertically integrated in nature and the amalgamated firms are brought under a central control.

Certificate will be issued to all members. Trust has its origin in America.

CONSORTIUM

A consortium is a group of independent firms formed to work on a particular project which requires large capital / resources and is too complex for a firm to undertake.

It can also be regarded as an association of firms that pool their resources together to finance a project which they cannot embark upon individually because of its complexity or the required capital outlay.

A very good example is the consortium of banks that give loan to African Independent Television (AIT).

Reasons for forming a consortium.

1. To finance a project which requires large capital outlay.

2. When the project is complex in nature,

OTHER FORMS OF INDUSTRIAL COMBINATIONS.

HOLDING COMPANY:

In holding, one company acquires the whole or a large proportion of the issued share capital of other companies with the objective of actively controlling such companies. A Holding company is purely a financial concern which uses its capital to acquire controlling interest of over 51% in other firms. The parent company is called holding company while others whose Shares are being acquired are its subsidiaries. The subsidiary companies will retain their identities and names.

PRICE RINGS: Price rings is an association of a number of competing fims who have agreed to operate a common price policy for their competing products. Price rings advocates uniform price but allows competition among the firms. The firms are loosely associated together. e. g newspaper house, banks could also operate as price rings for their products.

SYNDICATE: Syndicate is an association of organisations who work together for a common aim while retaining their independence. It is voluntary, e.g. underwriters at Lloyds work in syndicates.

MERGER / AMALGAMATION:

Merger is the combination or coming together of two or more previously independent firms to form one large firm. It is the unificatíon of two or more organisations to form a new one. The old firms will lose their identity in the new organisation while the new firm can take a new name or adopt a combination of names of the old firms.

Merger may also arise from the desire to diversify or to buy out a Competitor

A merger is an amalgamation of the undertakngs, interest in undertakings or any part of the undertakings of one or more companies.

Reasons for Merger

1. For Larger market share:

To obtain a larger share of the total market

2. To take Advantage of economies of scale:

To enjoy economies associated with large scale production which will reduce unit costs and increase profit

3. Efficiency:

To incrcase cfficiency of management where the acquired company is poorly managed.

4. Diversification:

To diversify the activities of the firms into other areas

5. Elimination of competition:

Firms may merge in order to check or eliminate competition.

6. Financial stability: To ensure greater financial stability through internalgrowth.

7. To reduce cost: To reduce the overhead cost by eliminating duplication of facilities

8. To obtain raw materials: Firms may merge in order to obtain raw materials from direct source.

Disadvantages of Merger (Argument Against)

1. Monopoly: It can lead to monopolistic situation.

2. Unemployment: Merger can lead

to unemployment as Some employees can be laid off.

3. Discourage specialisation: It does

not encourage specialisation in the production processes.

4. Low quality: Since there is no competition, the quality of their products may be reduced.

Forms of Merger:

Merger can be vertical or horizontal.

Vertical amalgamation is the coming together of firms at different stages of the production process. It is therefore a method of linking the various stages of production from the raw material stage to the finished product, e.g. an amalgamation of fim producing cotton with a textile firm, whereas

horizontal amalgamation is the coming together of different firms at the same stage of the production process.

It occurs when firms producing similar goods come together at the same stage of production process.

It shows the extent to which firms in the same stage of production in an industry come under some unified control, e. g merger of two pharmaceutical firms or banks.

TERMS FREQUENTLY USED IN TRADEASSOCIATIONS.

Group: An association of companies that are linked by some degree of common ownership. This is composed of one holding company and several subsidiary companies.

Subsidiary: This is a company in which a holding firm has controlling interest by acquiring more than 51% of its share. It is a company of which another company is a member and has control over the composition of the board of directors or hold more than half of its equity.

Parent Company: This is a holding company which has control over a number of firms known as subsidiaries. It is a company which controls several subsidiary companies.

Forward Integration: This is the coming

together of a manufacturing business with a firm that markets its products. This occurs when a firm producing a product joins with a retail firm selling its product.

Backward Integration: This is a form of integration in which a business merges with the firm supplying it with its raw materials.

ASSIGNMENT :

1. (a) What is a business merger?

(b) Explain 3 reasons why some

businesses merge.

(c) Give three disadvantages of

business merger.

2. (a) What is a trade association?

(b) Give four examples of trade associations.

(c) State five functions of trade association.

3. (a) What is a cartel?

(b) State three reasons for the establishment of a cartel.

(c) State three differences between cartel and trust.

4. (a) Explain the following:

(i) Trust

(ii) Price rings

(iii) Syndicate

(iv) Consortium.

5. (a) What is a Chamber of Commerce?

(b) State five functions of a Chamber of Commerce.

(c) Distinguish between forward and backward integration.

Date due for submission / Deadline: 30 /4/ 2020.

E-MAIL ADDRESS OF TEACHER (caleboladunjoye@gmail.com

Department of Business Studies.: business_studies@dowencollege.org.ng