



Master Consultants Ltd

Growing People, Growing Organizations

COURSE OUTLINE

INTERNATIONAL DIPLOMA IN *BUSINESS ECONOMICS & COMMERCE*

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Module 1 - Economic Systems and Activities

Economics defined:

the definition explained

The economic system:

wants and needs

income:

types and sources

effects of limited incomes

differences in satisfactions of wants

the choice factor

The concerns and focus of:

macroeconomics

microeconomics

business economics

Economic law

Planning and forecasting in business:

why forecasting is essential

What influences wants:

utility:

definition

diminishing utility

marginal utility

equilibrium of expenditure

the satisfaction of wants

The factors of production:

land

labour

capital

the entrepreneur and entrepreneurship

Private enterprise

Public enterprise

Communism

Economic planning:

planned economies

The relationship between economics and commerce:

how Economists can assist business people



The division of labour:

- barter and its disadvantages
- mass-production
- advantages of specialisation
- disadvantages of over-division
- human resource management to overcome disadvantages

The development of money

The uses of money:

- medium of exchange
- essential features
- stages in its development

The functions of money:

- primary and secondary

Module 2 - Demand and Supply

A business person's view of a market:

- definition
- market share

An Economist's view of a market:

- definition
- interaction
- function

Demand and quantity demanded

- demand theory
- caeteris paribus - other things equal

Supply and quantity supplied

- supply theory

Price

Equilibrium price and quantity:

- when equilibrium occurs

Demand and supply curves:

- meanings
- construction
- information shown

Effects of price changes on the market:

- excess supply
- excess demand

Buyers' choice whether to purchase or not

Judging equilibrium price:

- newspapers and journals
- observation

The market mechanism and market clearing price

Factors affecting demand and the demand curve:

- complementary goods
- substitute goods
- the incomes of purchasers - personal disposable income
- preferences, tastes, trends and fashions numbers of potential buyers
- consumer expectations about the future

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- population changes
- demographics
- seasonal factors
- good's own price

Inflation

Deriving a demand curve:

- identifying key variables
- designing the demand model
- gathering relevant and accurate data
- testing the model, regression analysis
- interpreting results
- deriving and producing a demand curve

Movements (shifts) of the demand curve:

- changes in demand and equilibrium

Changes in supply:

- how prices affect suppliers and supply
- profits
- efficiency
- investment

Factors affecting supply and the supply curve:

- technology
- costs
- external regulations
- supplier expectations about the future

Opposing and complimentary supply and demand factor changes

Equilibrium price changes

Module 3 - The Role of Commerce

What commerce involves

Products:

- goods and services

The public sector

The private sector

Categories of enterprises:

industrial:

- extractive
- processing and refining
- manufacturing
- trading/distribution
- wholesaling
- retailing

service-providers:

- utility organisations
- the interdependence of enterprises

Types of business units:

- sole-proprietor businesses
- business partnership firms
- limited liability companies:
 - the meaning and benefits of limited liability
 - private companies
 - public companies

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- the board of directors:
 - composition
 - its responsibilities
- the managing director
- executive and non-executive directors
- the chairman

Commercial terms explained:

- assets:
 - fixed assets
 - current assets
- liabilities
- debtors
- creditors
- income or revenue
- expenditure
- profit:
 - example demonstrating the need for profit
- loss

Capital:

- the need for initial capital
- raising initial capital by:
 - sole-proprietors and partnerships
 - limited liability companies
- company shares:
 - ordinary shares
 - preference shares
 - returns on shares

Working capital:

- factors to consider in computing it
- balancing its composition

Raising additional capital:

- additional share issues
- loans or mortgages
- debentures

Types of income

The Business Plan

Module 4 - Price, Demand and Elasticity

Price elasticity of demand:

- definition, measurement and calculation
- responsiveness to price changes:
 - increases and decreases
- characteristics

Elastic and inelastic demand

Using elasticity in considering price changes

Price, quantity demanded and total expenditure

Changes in total revenues caused by changes in price

Factors affecting price and price elasticity of demand:

- substitute products available
- quality of products
- cross price elasticity of demand
- market structure:
 - competitive markets
 - monopoly

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oligopoly
the going market price
Pricing objectives and strategic pricing:
low-price strategy:
penetration pricing
barrier to entry pricing
promotional pricing
market-price strategy
high-price strategy
Collaboration and collusion between suppliers
need and necessity for a product
Price discrimination
first-degree price discrimination
marginal cost
imperfect price discrimination
second-degree price discrimination
stepped or block pricing
quantity discount
third-degree price discrimination
branding
consumer groups
market skimming
product life cycles
peak-time pricing
bundling
pure bundling
mixed bundling
durability and life-span of a product:
durable goods, nondurable goods and fashion goods
time factors
proportion of income spent on a product
changes in income
income elasticity of demand
the effect of credit
pricing for shortages and excesses of demand
marketing and advertising
consumer tastes
geographical markets
immediate or long-term profit/revenue
technological improvements
business survival and cost covering
government intervention

Module 5 - The Distributive Trade

The vital importance of distribution
Channels of distribution
The wholesale trade:
wholesale businesses - the middlemen
some advantages of distribution through wholesalers
some disadvantages of distribution through wholesalers
The retail trade:
retail businesses and their customers
distributing direct to retailers and bypassing wholesalers
Groups of wholesalers and retailers
Selecting the right channel(s) for products

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Types of retail businesses:

- co-operative enterprises
- chain stores/multiple shops
- department stores
- supermarkets and hypermarkets
- do-it-yourself organizations
- garden centres
- franchising
- mail order business
- door-to-door sales
- unsolicited selling
- methods of selling by telephone
- clubs
- selling on the Internet:
 - websites

Credit in Business

- Monthly accounts
- Fixed periods of credit
- Credit cards issued by banks and credit card companies
- In-store credit cards:
 - building customer loyalty
- Leasing, contract hire/rental
- Instalment selling: credit sale agreements
- Hire purchase: special features
- Consumer protection acts
- The importance of credit to industry and commerce:
 - how it also helps manufacturers
 - how it also helps distributors
 - how it also helps consumers
- Dangers in allowing credit
- Credit policy and credit limits
- Credit control

Discounts

- Trade discount to wholesalers and retailers:
 - RRP and list prices
 - Quantity discount:
 - why it is offered
 - possible dangers
 - Cash discount
 - Regular custom discount
 - Prompt payment discount

Module 6 - Documents Used in Commerce

- The vital need for information in business:
 - internal information
 - sources of external information
 - types of information
 - records

- Common forms and business documents:
 - manually produced and computerised forms

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descriptions, uses and illustrations of:
form-type business letters
form-type reply letters
quotations
estimates and tenders
orders and order forms
acknowledgements of orders
invoices
proforma invoices
credit notes
statements of account
bank cheques/checks and counterfoils
pay-in or deposit slips and counterfoils
receipts for payments
petty cash vouchers
delivery notes
goods received notes
series of documents

Appendix 1: Introduction to business arithmetic

The value of money:
its measurement
prices
purchasing power
Index numbers:
changes in price
changes in purchasing power
weighting of commodities
calculating indexes
values and limitations of index numbers
Business arithmetic:
fractions:
unequal fractions
proper fractions
improper fractions
mixed fractions
percentages
decimals:
decimal fractions
Graphs:
uses
relationships shown
construction

Module 7 - Consumer Choice and Behaviour

Determinants of consumer behaviour:
budget constraints:
preferences and tastes
incomes, budgets and prices
product bundles
Budget lines:
possible purchases, trade-offs

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Consumer choice:

- utility
- relative prices
- consumer utility decisions

Consumer tastes:

- marginal rate of substitution
- diminishing marginal rate of substitution

Indifference curves

- utility levels
- utility maximising points

Consumer choice and changes in consumer income:

- inferior products
- normal products:
 - necessities and luxuries
- movement of budget lines
- income increases and inferior products

Consumer choice and price changes:

- attainable product bundles and utility
- cross price elasticity of demand and consumer choice
- substitution effect of a price change:
 - product demand ratios, relative utility
- income effect of a price change:
 - purchasing power of budgets
- the combined effect:
 - substitute and complementary products
- shape of indifference curves
- forecasts and business predictions

Module 8 - Profit and Turnover

The profit motive

The necessity to make profits

Remuneration and profit:

- the meaning of remuneration
- why it arises - wages, salary and pay
- time rates and piece work rates of pay
- distribution of profits

The nature of profits:

- how they arise
- how profits differ from other form of income

Profits and capital:

- why entrepreneurship must be rewarded

Cost and selling prices:

- what the cost price really is
- example of how it might be calculated
- fixed or recommended selling prices
- price setting by business people:
 - factors to consider, the mark-up

Profits and turnover

- calculation of percentages of turnover - their uses
- the rate of turnover:
 - method of calculation
 - the importance of a high rate
 - ways of improving the rate

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Gross Profit

- the formula for its calculation
- the trading account:
 - essential information needed
 - how that information is presented
 - interpreting the information
 - gross profit as a percentage of turnover
 - horizontal and vertical layouts
 - the inclusion and uses of comparison figures

Net profit:

- the real gain of the business
- direct expenses or prime cost
- indirect expenses or overheads
- formula for calculating net profit
- the profit & loss account:
 - why it is produced
 - information it contains
 - net profit as a percentage of turnover
 - depreciation
 - horizontal and vertical layouts
 - the inclusion of comparison figures

The significance of gross profit in business management:

- the need for a definite minimum size of gross profit
- apportioning gross profit to lines, sections or departments

The distribution of profits:

- provisions and reserves
- why capital is a liability of the business
- drawings:
 - by sole-proprietors and by partners
 - caution in taking drawings

Costs in manufacturing businesses

- types of fixed costs:
 - spreading fixed costs amongst units of production
- types of variable costs:
 - prime costs and supplementary costs:
 - when the distinction becomes important

Module 9 - Business Finance

The balance sheet:

- why it is produced
- preparation as at a specified date
- what it is designed to disclose
- horizontal and vertical layouts
- order in which liabilities are shown
- presentation of capital position
- order in which assets are shown
- the inclusion of comparison figures:
 - two balance sheets, side by side

Interpreting financial statements:

- obtaining information about working capital
- composition of working capital:
 - practical example

Cash and funds flow:

- cash or funds flow statements:

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- what they are intended to show
- comparative cash/funds flow statements
- The danger of overtrading:
 - how the situation can arise
 - steps which must be taken to control:
 - cash flow
 - amounts due from debtors
 - stocks of materials and/or goods
 - payments to creditors
- Commonly used accounting ratios:
 - how to calculate and use ratios for:
 - gross profit percentage
 - net profit percentage
 - return on capital employed
 - strength of working capital
 - liquidity comparison
- Assessing the performance of a business from:
 - turnover
 - gross profit
 - total gross profit
 - selling and distribution costs
 - net profit
- Studying the balance sheet of a business
- Break-even analysis:
 - minimum revenue earnings to avoid losses
 - determining when a profit will be made
 - the break-even point
 - changes which can bring about changes in profits
 - break-even charts:
 - what they can show - a specimen examined

Module 10 - Production

- Objectives in business
- Considerations prior to production:
 - the market
 - design and technology
 - production processes
 - support services
 - production policy
 - product range:
 - specialisation, diversification
- Production levels:
 - the value of costing
 - overheads
 - optimum level of production
 - calculating total production costs
- Financial considerations:
 - cost accounting
 - decisions based upon cost analysis
 - marginal costs
- Expansion
- Economies of scale:
 - internal economies
 - external economies

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The size of businesses:

horizontal, vertical and lateral integration

Predominance of small businesses:

demand and supply factors

flexibility, niche markets, entrepreneurial management

Location of production:

the general area

the site

Using resources:

problems in combining resources

the law of diminishing returns:

practical example

optimum combination of variable factors

Government Involvement in Commerce

Reasons for involvement

Government income and expenditure

Taxation:

direct taxes on:

income, corporation, capital gains, capital transfer

indirect taxes:

sales tax or VAT, excise duty

local rates

national insurance/social security

tourist and travel taxes

the effects of taxes on businesses

Module 11 - Commercial Services (1)

Services and service providers

Banking

Main reasons for using banks

Basic functions of a bank

Inwards and outwards flows of funds

Cheques:

crossing for security

open cheques

Telephone and Internet Banking

Current accounts:

payments by:

cheques, standing orders, direct debits, transfers

bank charges

Rates of interest:

minimum lending rate

bank base rate

effects of changing rates of interest

Deposit accounts:

notice accounts

fixed or term accounts:

maturity dates

call accounts

Bank credit facilities:

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bank loans:
collateral security
interest and repayments
mortgages
overdrafts:
what they really are
to borrow by loan or overdraft:
comparisons, businesses for which each is best
credit cards
Other bank facilities

Insurance

Spreading the risk
Indemnity:
returning the insured to the same financial position
methods of indemnifying
Differences between insurance and wagering
Types of risks
Risks not insured against - reasons
Secondary functions of insurance:
reducing fear of the future
encouraging confidence to undertake new ventures
releasing money for investment and development
assisting saving
The insurance contract
Classes of insurance business:
life, marine, fire, accident, motor, engineering, aviation
Business combined insurance Categories of insurance:

property, liability, person, interest or rights
Uncertainty

Module 12 - Commercial Services (2) and Export

The 'New global economy'
technological advances
globalisation
networking

Transport

Its essential role in commerce in:
the distribution of products
the movement of people
Factors in transport efficiency:
economy, speed, convenience, regularity
Rail Transport:
reasons for its decline in importance
its advantages and disadvantages
developments:
containerisation
special transporters
Road Transport:
reasons for its expansion

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its advantages:

door-to-door service, flexibility, economy

its disadvantages:

dis-economies, travelling time, social consequences

Own-vehicle transportation:

advantages and disadvantages

Inland waterways

Internal air services

Pipelines

Sea Transport:

passenger liners, passenger cargo liners and tramps

coastal shipping

bulk carriers

roll-on-roll-off ferries

requirements for efficient sea transportation

Air Transport:

factors which offset higher charges

courier services

Choosing the form of transport: factors to consider

Documents used in transportation:

delivery note, charter policy, consignment note, bill of lading,

shipping note, air waybill, certificate of insurance

Communications

The need for effective communications in business

Methods of communication:

oral communication:

what it involves, advantages and disadvantages

written communications:

when they are essential or preferable

types of written communications

methods of posting and postage rates

types of mail

telecommunications:

fax transmission, text messaging,

e-mail, local area networks (LAN), email via the internet

advantages over other methods

Factors in selecting the most appropriate method:

speed, accuracy, record, safety and confidentiality

Advertising, Sales Promotion, Public Relations

Advertising:

its primary aims

the media - what they are

direct and indirect advertising

Sales promotion:

how it differs from advertising

Public Relations

International Trade and Export Business

Reasons for embarking on exporting

International trade:

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economic theory:

absolute advantage, comparative advantage, opportunity cost

Engaging in successful international trade:

decisions, activities, research and questions to ask

visible trade and invisible trade balance of

payments

Government control over:

imports

foreign exchange, rates of exchange

customs duties

Advantages to businesses of exporting

Payments for exports:

the documentary bill of exchange

letters of credit

other methods of payment

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