**GRADE 7 TERM 1**

**BUSINESS STUDIES LESSON NOTES**

**BUSINESS AND MONEY MANAGEMENT**

**Introduction to business studies**

**Business** – refers to any activity that is carried out by an individual or an organization concerned with provision of goods and services with the aim of making profits

**Business studies**- it is the study of the activities that are carried out in and around production, distribution and consumption of goods and services

**Goods** – These are items which are tangible i.e. can be touched and felt e.g. furniture, buildings, bread. Etc

**Services** – These are actions or activities that may be sold. They are intangible e.g. teaching, banking, hairdressing etc

**Production** – It is the creation of goods and services or increasing their usefulness. Its done by producers e.g. farmers.

**Distribution** – It’s the movement of goods and services from the producer to the user. Involves transport, communication etc

**Consumption** – Refers to using of goods/service mostly done by consumers

**Concept of business studies in Kenya**

1. ***Commerce***

It is the Study of trade and aids to trade.

This component will help you understand how goods are distributed from where they are produced to where they are required

**Trade** is the exchange of goods and services for other goods or services or for money.

1. ***Accounting***

It’s a systematic way of recording/keeping accurate business records arising from trading activities for decision making***.***

1. ***Financial literacy***

This is the ability to understand effectively use various financial skills

These skills include personal financial management, budgeting and investing.

1. ***Economics***

It’s the study of how human beings strive to satisfy their unlimited needs and wants using limited resources available.

***Human wants*** are the desires that people strive to satisfy using goods and services. ***Resources –*** Things that are required in order to satisfy human wants

1. ***Entrepreneurship***

It’s the study of activities involved in identifying a business opportunity and acquiring necessary resources to start a business.

**Importance of business studies**

1. It equips us with the knowledge and skills to successfully start and run a business
2. It helps us to appreciate the importance activities in the provision of goods and services.
3. It assists individuals in acquiring skills for wise buying and selling
4. It helps us understand the country’s economy
5. It assists individuals in acquiring self discipline and positive attitude towards work.
6. It helps us understand the role of communication and modern technology in business management.
7. It provides us with the knowledge and skills necessary for identifying business opportunities.
8. It helps us understand and appreciate the role of government in business activities.
9. It helps understand and appreciate the basic economic issues that affect society such as increase in prices of goods and services.
10. It creates a firm foundation for further education and training in business and other career development.

**Careers and opportunities related to business studies**

A career refers to a job, a profession or an occupation that one chooses as one’s life’s work.

A career helps one to earn money or make a living.

Some of these jobs include

1. **Teacher**
2. **Bookkeeper or accountant** – a person who keeps records of business transactions, inspects and analyse financial accounts.
3. **Salesperson** – a person whose job is to sell products or services.
4. **Self employed people**- some people utilise the skill and knowledge learned from business studies to start and manage their businesses.
5. **Banker**
6. Marketer
7. Entrepreneur

**Money**

Money is anything that is generally accepted as a medium of exchange for goods and services

Money can be in form of notes and coins.

**Uses of Money**

1. As a medium of exchange

Money can be exchanges for another good or services because it is generally acceptable by everyone.

1. As a standard of deferred or future payment.

Money can be used to pay for goods or services at a later date.

This is known as **deferred payment**.

This is allowed because money is acceptable by everyone.

1. As a store of value

Money is used in storing wealth for example savings. Money stored or saved retains its value for many years.

1. As a measure of value

Money determines the worth and value of goods and services.

Expensive goods and services have a higher value than cheap goods and services.

1. As a unit of account.

Money makes accounting possible because the worth of goods and services are measure in money.

Different goods and services are calculated and recorded according to the money used to acquire them.

1. Transfer of immovable assets.

Some properties like land and buildings cannot be moved from one place to another but can sell them and use the money obtained to buy a land or a building in different place

**Key security features of the Kenyan currency**

The Kenyan money has the following security features which help the people of Kenya to identify real Kenya money from fake money.

1. The word Kenya can be felt on all the notes.
2. The value of each note can be felt.
3. At the edge of each note, there are a number of bars according to the value of the currency that is 1 bar for shs 50, 2 bars for shs 100, 3 bars for shs 200
4. There is a watermark of a perfect lion’s head, the text CBK and the value of the bank note in each note. A watermark can only be revealed when the note is held up against light.
5. The security thread appears as a continuous line.
6. The security thread colour from red to green on all banknotes. The 200, 500, 1000 notes have additional rainbow colours on the thread.
7. The golden band on the back of the notes show the value of each note

**Themes and symbols on the Kenyan currency**

* The Kenyan currency symbolises significant aspects of the nation which serve as a means of passing knowledge, conserving culture and promoting the country’s global image.
* The face of all notes bear the image of KICC, one of the most common and known landmark in our country. It also shows a photo of our founding first president .
* All the Kenyan currencies have symbols of Kenya “big five” animals such as lion. Leopard, rhino, giraffe and buffalo.
* Eah note has a dove to symbolise a peaceful Kenya.
* All Kenyan currencies have the coats of arms. The coats of arms of Kenya features two lions, a symbol of protection, holding spears and traditional east African shiels. The shield and spears symbolises unity and defence of freedom.
* Each of the Kenyan currencies or notes symbolises various themes that promote different aspects of the country.

1. The 50 shillings note symbolises the theme of green energy
2. The 100 shillings note symbolises the theme of agriculture
3. The 200 shillings note symbolises the theme of social services
4. The 500 shillings note symbolises the theme of tourism
5. The 1000 shillings note symbolises the theme of governance

* The coins continue to promote Kenya tourism sector by promoting kenya’s famous animals that is elephant for kshs 20 coin, lion for ksh 10 coin, rhino for ksh 5 coin and giraffe for kshs 1 coin.

**Personal goals**

A goal is an aim that someone tries to achieve through hard work and planning.

A personal goal is an aim that is meant to motivate a person to achieve what they want in life.

They can be short term or long term.

**Importance of setting personal goals for self development**

1. Provides a clear path to success.

When one sets goals, they give him or her the steps to follow so that tasks are completed according to importance.

1. Helps improve time management and organisation skills.

If one knows exactly what he or she wants to achieve and knows the steps required to achieve it, there isles room for delaying or postponing.

1. Increase motivation

When we achieve one short term goal after the other, we become motivated and work even harder.

1. Measures progress.

Setting clear goals makes it easier for one to track his or her progress.

1. Gives focus and purposes

Setting goals determines a clear pathway to success, allowing one to focus on what needs to get done.

1. Boost self confidence.

When one starts making progress towards achieving his or her goals, one starts to believe in themselves and become more confident.

**Factors to consider when setting personal goals for self-development**

1. Specific

The goal should be very precise with no room for misinterpretation.

1. Measurable

The progress of the goal set should be easy to track

1. Achievable

The goal should be attainable. Set goals that can actually be done.

1. Relevant

The short term goal should contribute to your broader goal.

1. Realistic

Goals should relate to your personal strengths snd abilities

1. Time bound

The goal should have a defined start and end date

**NB**

SMART

**Setting personal goals for self development**

Technology has provided tools or devices that we can use for setting personal goals.

ICT devices like computers and software programs can help us in setting goals to improve our lives.

They can help us set measure to track our goals.

They can also remind us on the times we should be doing an activity that was planned through alarms and schedules

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**Talents and abilities**

**A talent** is an inborn or natural ability to be good at something especially without being taught.

It is something you are naturally good at and you enjoy doing like drawing, singing, dancing

**Ability** is the skill to do a particular task that is acqire through learning training or practise.

**Distinguishing between talents and abilities of learners in school**

Difference

1. Talent is an inborn special skill while ability is a skill acquired by a person through training and experience.
2. Talent is God given gift while ability is a skill in which you put your effort and time to develop.
3. Talent is often possessed by a few people while ability can be acquired by any person who is interested.
4. Talent require coaching while ability require training.
5. Talent is hidden and needs recognition while ability requires development

**Ways of nurturing talents and abilities**

* Nurturing talent and abilities involves offering ways to promote and encourage people to develop their skills and demonstrate their talents.
* Everyone has a talent. However it is important to be in environments that helps us discover them early as possible.
* Once we have identified our talents and abilities, we should demonstrate and improve them as much as possible. Skills need to be practised and improved for them to be helpful in our lives.
* We can nature skills by engaging in activities like talent shows, creating clubs like drama, music and journalism among others. Sports teams can also help in nurturing sports skills.
* In a business environment, employees can encourage the workers to be creative and share their skills and ideas. They can also provide skills development programs that help the employees to improve and acquire more skills.
* Nurturing talents and abilities in a business motivates and encourages people to be more productive. This can improve different areas of the business and make it profitable.

**Demonstrating personal talents and abilities in school**

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**Relating talents and abilities to career opportunities in the world**

* Identifying our talents and developing abilities helps us to realise the careers we can purse in the future.
* Apart from having the knowledge to do something, we should also develop the skills required to perform various tasks.
* Having the right abilities to do a job is an important aspects of a person’s career
* Having the talent to perform the task makes the job more enjoyable since one naturally has the skill needed to perform the tasks.
* We can use our God given talents and abilities to earn living

Pupil’s activity

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**Ethical issues related to the use of talents and abilities in business**

Ethics is a set of beliefs about what is morally right and wrong

The following are some of the ethical issues relating to use of talents and abilities in business.

1. Discrimination

In a business environment, people should not be advantaged or disadvantaged according to the talents and abilities they do or do not have.

1. Harassment.

We should not use talents and abilities to treat people who do not share talents and abilities unfairly.

1. Unethical accounting.

We should not use our talents and abilities to mislead or give false information

1. Nepotism and favouritism

Nepotism is when someone is given advantage for being a family member.

Favouritism occurs when a person is treated better than others because of one reason or the other.

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**BUSINESS AND ITS ENVIRONMENT**

**BUSINESS ACTIVITIES**

**Business environment** – these are the business surroundings which may be internal or external

**Needs and wants as used in business studies**

A business should provide things that people need and want to make a profit

**Needs**

* Is a good or a service that a person must have to live.
* They include basic needs like shelter, food and clothing
* Without this needs, we can fall sick, causing us to require products like medicine and services like healthcare
* Needs remain the same, doesn’t keep on changing.
* Lack of basic needs may lead to death

**Wants**

* Is a good or a service that a person would like to have but not for survival. Therefore we can live without wants
* Wants are unlimited. This means that human beings get enough of their wants.
* Wants keep on changing and increasing as we progress in life

Sometimes we can mistake a want for a need. For instance clothes are needs but expensive designer clothes are wants.

We should learn to differentiate our need and wants to live effectively and within our means.

A business develops and provides products and services to satisfy its customers needs and wants.

**Scarcity, choice, scale of preference and opportunity cost**

**Scarcity** is the lack of enough resources to acquire goods and services that satisfy a consumer’s needs and wants

* Scarcity of money can limit what one can afford at one particular time. Therefore we must use whatever resources available wisely by selecting goods and services we need most.
* Due to scarcity of resources a consumer can be forced to chose between or amongst completing needs or wants.

**Choice** is the ability of a buyer to decide between goods or sevices to buy from a range of possible options.

* A customer can make and use a list of goods or services that they require to make a choice.

**Scale of preference** is a list of goods and services in their order of importance to the consumer.

* For example when going to supermarket you can list goods you want to buy starting with most to the least important.
* When a customer picks one item instead of another, they forego the value of the unchosen item, this is known as opportunity cost.

**Opportunity cost** is the next best forgone alternative after choosing another good or service.

* Scarcity, choice, a scale of preference and opportunity cost is important in making economic or financial decisions
* Scarcity, choice, a scale of preference and opportunity cost are all related to one economic fact that resources are limited while human wants are unlimited.
* A Resource is something that can be used to achieve an aim or goal.

**Preparing a scale of preference**

-Preparing a sale of preference involves arranging wants in their order of importance, from the most urgent or important to the least urgent or important.

-When preparing a scale of preference, one should know the resources available and the wants and needs required.

Making a scale of preference helps a person to

1. Decide which goods to buy according to their importance or priority and resources available.
2. Manage their finances well by buying only the most important things
3. Efficiently use available resources
4. Make reasonable choices when purchasing goods.
5. Maximise the satisfaction of needs and wants using limited resources

-A scale of preference can be used by both the consumer and the business person to make decisions

For instance if there is a demand for a particular good, business person can use a scale of preference and compare the scarcity of resources against the demand for the good.

When making a scale of preference needs come before wants.

**Need for business activities for self and the community**

Business activities involve the production and scale of goods and services with an aim of making profit.

Business activities make it possible for a business to provide and satisfy the needs and wants of the consumer and the community.

The main business activities include

1. Extraction
2. Processing
3. Manufacturing
4. Distribution and transportation
5. Construction
6. Trading
7. Provision of services

***Extraction – m***eans obtaining goods from their natural setting e.g mining, farming, lumbering etc

***Processing of raw materials –*** it is changing the form of goods without combining it with other goods

***Manufacturing –*** combining different raw materials to come up with one final product e.g. table is made of wood, glue, nails and varnish

***Construction –*** involves building structures like Rails, road and buildings

***Distribution of goods –*** Spreading of goods from the manufacturers to the users. Done by distributors

***Trade –*** Buying and selling of goods with the aim of making profits. Done by traders

***Provision of services –*** Selling services to consumers e.g. hairstylist, car washers

* Business activities create employment for self and other people in the community
* Business activities help individuals improve their standard of living due to increased income from the profit earned.
* Business activities use available resources within societies to create goods and services.
* Business activities help to offer alternative goods that may not be easily available in the community.

**Trading activities in the community**

* Trading is an activity that involves buying and selling of goods and services with the aim of making profit
* People who are involved in trading activities are called **traders.**

**Examples** of traders are

1. Producers
2. Wholesalers
3. Retailers

* A **retailer** buys goods from the producer or wholesalers and sells them to consumers at a slightly higher price in order to make profit
* Retailer exist in two main groups,

1. Large scale retailers – supermarkets, departmental stores, hypermarkets, chain stores, mail order stores

* Large scale retailers deal in a variety of goods and mainly operate in urban centres

1. Small scale retailers – canteens and kiosks

* These are commonly ran and owned by one person
* They deal with small and fast moving goods like foodstuffs
* Small scale retailers are further divide into two

1. Small scale retailers with shops such as single shops, kiosks
2. Small scale retailers without shop such as automatic vending machines, open air markets, roadside sellers

* The roles of a retailer include

1. They serve as the link between consumer and producer
2. They break goods into smaller quantities for consumer to buy
3. They package and grade goods
4. They provide the customer with many products so that they can choose the one that best satisfies their needs
5. The retailer may provide after sale services like delivery and installation of goods for the consumer
6. A retailer at times sells goods to the consumer on credit, thereby providing credit facilities

* A **consumer** is a person who buys goods for use, not for reselling.
* Consumers buy goods from retailers hence enabling them to make their business.
* A **wholesaler** is a trader who buys goods in large quantities from producers and then sells them to retailers
* The roles of wholesalers include

1. Breaking bulk

Wholesalers divide a product into smaller quantities for the convenieve of the buyer

1. Branding

Wholesalers assign a given identity, name and mark by which it will be sold.

This helps to differentiate the products from a similar product

1. Sorting

Wholesalers select and arrange goods as per their size, weight, colour and quality

1. Blending

Wholesalers mix different grades of products to achieve the desired colours, tastes or qualities

1. Packing

Wholesalers put products in packets, boxes, bottles or cartoons

1. Grading

Wholesalers differentiate goods as per their qualities. This makes it easier to price goods

**Goods and services**

**Goods** are things that we can touch

**Services** refer to the activities that people or organisation do or provide to get paid to satisfy the needs or wants of a consumer

**Types of goods**

1. Producer and consumer goods

**Producer goods** are used in producing other. They are also known as capital goods e.g. machines, equipments and tools.

**Consumer goods** are readily usable by the final consumer. E.g. food, clothing, furniture, cosmetics, medicine etc

1. Economic goods and non economic goods

**Economic goods** are goods with a price and are generally limited in supply

**Non economic goods** are free goods with no price. These are also known as free goods

1. Intermediate goods and finished goods

**Intermediate goods** cannot be used until they are further processed

Example: cotton

**Finished goods** have already been transformed into final products for consumption

Example: clothes

**Types of services**

1. Commercial services

Business use these services in conducting various business activities

They include banking services, insurance

1. Social services

These are essential public services. They are provide by the government or other organisations such as non profit organisations

Include services in education, sanitation, medical facilities

1. Personal services/direct services

These are services provide by an individual according to their personal needs

They include teaching, healthcare

**Importance of goods and services**

1. Goods and services help satisfy consumer needs and wants
2. Business make money by producing and selling goods and services
3. Goods and services ensure the community of business
4. Selling goods and services is a source of income

**Distinguishing between goods and services**

|  |  |
| --- | --- |
| **Goods** | **Service** |
| * Are tangible ie can be seen, touched or felt | * Are intangible i.e. cannot be seen touched |
| * Not always exhausted during use | * Always used up or exhausted after every act |
| * Identical goods can be created through mass production | * Are difficult to make identical since they vary over tome and provider |
| * The price paid is for the possession or ownership of the good | * Price paid is the effect of the act or the effort |
| * Surplus goods can be stored for latter use | * Cannot be provided in excess and once provided cant be stored later |
| * Are easily separable from the producers | * Are inseparable cant be |

**Characteristics of goods and services**

The characteristics of goods and services can be used to distinguish or differentiate goods and services

1. Goods are tangible that is they can be touches and felt

Services are intangible that is they cannot be touched or felt

1. Goods can be separated from the seller

Services cannot be separated from the service provider

1. Ownership of goods can be transferred from the seller to the buyer

Services cannot be transferred to the client

1. Goods can be stored for future use

Services cannot be stored for future use

1. Goods can be quantified in various shapes and sizes

Services cannot be quantified

1. The quality of goods can be standardised

the quality of services cannot be standardised

1. Goods can be seen while services cannot be seen

**Sources and places for buying goods and services**

* Goods can be obtained from various sources and places. These places and sources include open air markets, kiosks, supermarkets online markets
* Services are acquired from different service providers such as barbershops, transport operators, lawyers offices, they can be located at different places
* Goods and services can be obtained through online markets platforms through websites and applications
* Examples of online services include online banking, where people can conduct banking transactions such online cash withdrawals and payments.

**Economic resources**

A **resource** is anything needed to accomplish a task or satisfy a need or a want

**Economic resource**s are the inputs used to produce goods and services for satisfaction of human needs and wants.

Economic resources are those resources that require human effort to produce goods and services.

They include

1. Soil
2. Minerals
3. Machines
4. Vehicles
5. Buildings
6. Tools

**Characteristics of economic resources**

1. Can change ownership

Economic resources can change ownership from one person to another through sale or donations

1. Have utility

Utility means usefulness.

Economic resources can be used to produce other goods and services

1. Scarce in supply

Economic resources are not available in sufficient quantities

1. Have monetary value

They have a value that can be exchanges for ownership

1. Have alternative use

Economic resources may be put into different uses

Eg car owner may rent it for business

1. Can be complementary

Different economic resources may be consumed together such as a car with petrol

1. Can be combined

Different economic resources are combined to produced the final product

For example a wooden chair is made using nails, timber and vanish

**Types of economic resources**

1. Human made resources/artificial resources

Are made by people to be used in producing goods and services

Examples: machines, factories, vehicles

These things aid the production of goods and services and make work easier

1. Human resources

Are people who have the skills required in producing goods and services

Examples; drivers, technicians, salespeople, farmers, carpenters, bakers

1. Natural resources

Are things that are naturally found in the environment and are important in the production of goods and resources.

Examples; water, land, forests, minerals

* The distribution of economic resources is uneven. This means that different regions or places may have different types of resources.
* Example certain regions have rivers while others do not

**Sustainable ways of using economic resources in Kenya**

1. Suitable use of economic resources mans using resources in a way that ensures we meet our own needs without affecting the ability of future generations to meet their needs.
2. Suitable use of resources aims ensure that future generation can be able to utilise economic resources to produce the products and services they need
3. Some of the ways to sustainably use economic resources include

* Planting trees after cutting down other tress
* Treating industrial wastes before disposing them to water bodies or releasing them int the air
* Protecting soil from the erosion to improve farm produce
* Recycling plastics and other harmful materials instead of dumping them anyhow.
* Tools, instruments or machines should be properly maintained.
* Employees or labourers should be treated well and paid fairly. This ensures their availability for future projects

1. Economic resources are important and therefore should be used responsibly.

Our community needs economic resources because of the following reasons

* They are used to create goods and services which satisfy human needs and wants
* They are a means of development because they are the key to the improved economic growth of a country
* Economic resources create employment opportunities for the people who utilise them
* Economic resources create wealth and eradicate poverty

**Resources mapping and classification of local economic resources**

Pupil’s activity

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**Business communication**

**Communication** is the process of passing information from one person to another.

**Communication in business** involves sharing information between people within and outside a business

**Importance of communication in business**

1. It helps in decision making

Good communication provides all the necessary information that helps to make quality decisions

1. It enhances public relationships

Good communication enables the business to create a good image for the public

1. It improves customer services

Communication enables the business to create good image for the public

1. It helps give instructions

Effective communication helps business to get work done by issuing procedures and orders

1. It enhances good relationship between business owners and employees

Effective communications ensure business owners and employees have a good working relationship

1. It promotes business innovation

Sharing information stimulates creativity and innovation among the employees

1. It increase productivity

Good communication, motivates wor kers which increases productivity

**Use of ICT tools in business communication**

* Technology has changed and improved how information is exchanged, shared in a business environment.
* ICT is defined as a set of digital technological resources used to create, store, share and exchange information.
* There are numerous ICT tools used in business communication. They include computers/laptops, printers, scanner, software programs, Smartphone
* These tools can be connected to the internet to improve communication in a business environment
* The internet allows information through electronic mails, online meetings, social media platforms, video and web conferencing, websites
* Computers, phones and smart televisions can be connected to the internet to enable communication the business environment

**Production of goods and services**

**Production** refers to the creation of goods and services to satisfy consumer needs and wants.

Production involves transforming raw materials into finished goods and transporting the goods to reach the consumer

The final product becomes more useful when the consumer uses it. Therefore the goods and services produced must have utility to the user

**Utility** refer to the ability of goods or services to satisfy human needs or wants

**Importance of production**

1. It makes use of the available resources to make goods and services
2. It creates employment opportunities
3. It provides goods and services required to satisfy human needs and wants
4. It improves trade in a country. This contribute to the economy of the country

**Factors of production, their importance, characteristics and rewards**

Factors or production are the resources needed to produce goods and services

They include

1. Land
2. Labour
3. Capital
4. Entrepreneurship