

GRADE 10

BUSINESS STUDIES

UNIT 4

LAWS AND BUSINESS REGULATIONS IN PAPUA NEW GUINEA



COURSE BOOK 4

Name: _____

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FLEXIBLE, OPEN AND DISTANCE EDUCATION
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LAWS AND BUSINESS REGULATIONS IN PAPUA NEW GUINEA

In

TOPIC 1: BUSINESS LAWS AND REGULATIONS

TOPIC 2: BASIC LAWS

TOPIC 3: LAWS AND EMPLOYMENT

TOPIC 4: LEGAL AGREEMENTS IN BUSINESS

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




















**DEMAS TONGOGO
PRINCIPAL**

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SECRETARY'S MESSAGE

Achieving a better future by individual students and their families, communities or the nation as a whole, depends on the kind of curriculum and the way it is delivered.

This course is part and parcel of the new reformed curriculum. Its learning outcomes are student – centred with demonstrations and activities that can be assessed

It maintains the rationale, goals, aims and principles of the national outcome based curriculum and identifies the knowledge, skills, attitudes and values that students should achieve.

This is a provision by Flexible, Open and Distance Education as an alternative pathway of formal education.

The course promotes Papua New Guinea values and beliefs which are found in our Constitution and Government Policies. It is developed in line with the National Education Plans and addresses an increase in the number of school leavers as a result of lack of access to secondary and higher educational institutions.

Flexible, Open and Distance Education curriculum is guided by the Department of Education's Mission which is fivefold:

- to facilitate and promote the integral development of every individual
- to develop and encourage an education system which satisfies the requirements of Papua New Guinea and its people
- to establish, preserve and improve standards of education throughout Papua New Guinea
- to make the benefits of such education available as widely as possible to all of the people
- to make the education accessible to the poor and physically, mentally and socially handicapped as well as to those who are educationally disadvantaged.

The college is enhanced to provide alternative and comparable pathways for students and adults to complete their education through a one system, many pathways and same outcomes.

It is our vision that Papua New Guinean's' harness all appropriate and affordable technologies to pursue this program.

I commend all the teachers, curriculum writers and instructional designers who have contributed towards the development of this course.



DR. UKE KOMBRA PhD
Secretary for Education

UNIT 4 INTRODUCTION



Welcome to the fourth unit in your Grade 10 Business Studies Course.

This unit emphasises the strand economic and business environment. It teaches you a general outline of government laws and regulations affecting businesses. It also teaches you to take into consideration particular laws and regulations when planning and operating a business.

This unit incorporates the following topics:

Topic 1: Business Laws and Regulations

In this topic, you will be introduced to the general business laws and regulations affecting businesses. The topic will also teach you about the business laws that provide protection to the environment where the businesses are operated in. Finally, the topic also discusses laws to protect consumers.

Topic 2: Basic Laws

In this topic, you will learn the basic laws and regulations in licencing, taxation, insurance and partnerships and incorporated land groups. It will also teach you about certain restrictions on businesses.

Topic 3: Laws and Employment

In this topic, you will be introduced to laws that protect people who are employed by organisations. The topic will also teach you about employment conditions and the legislation of minimum wages. Finally, the topic will teach you about the Labour and Industrial Relations Office.

Topic 4: Legal Agreements in Business

In this topic, you will learn about legal agreements in businesses. This topic will teach you about contracts and agreements made in franchising, leasing and hire purchasing. The topic will also teach you about the legal requirements of companies and the function of the Investment Promotion Authority (IPA).


STUDY GUIDE

- Step 1: Start with Topic 1, study Lesson 1 and do the Lesson Activities as you go along. When you have completed Lesson 1, do Practice Exercise 1.
- Step 2: When you have completed Lesson 1 Activities and Practice Exercise 1, turn to the back of the Topic and Unit Book to correct your answers. The answers for your Practice Exercises are at the end of the Topic. The answers for your Lesson Activities are at the end of the Unit Book.
- Step 3: If you make any mistake, go back to the Lessons in your Unit Book, revise the lessons well and try to understand why you gave an incorrect answer.
- Step 4: When you have completed steps 1 to 3, tick the box for Lesson 1 on the contents page (page 3) like this,
- ☒

Topic 1 : Business Laws and Regulations

Lesson 1 : Introduction of Laws to Business
- Step 5: Go to Lesson 2 and repeat the same process until you complete all the Lessons in Topic 1, 2, 3 and 4
- Step 6: After completing your Lessons and Practice Exercises in each Topic, Then, complete each Topic Test in Assessment Book 1
- Step 7: After you have studied the whole Unit, do also the Unit Examination in the Assessment Book.
- Step 8: Check through your Assessment Book when you are satisfied, then submit your Assessment Book to your Provincial Centre for marking.

Icons

 Introduction	 Lesson Activity Practice Exercise	 Summary
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Assessment

Your Assessment Book 4 is out of 100 marks. It will be marked by your distance teacher. The mark you score will count towards your final mark and grade.

If your score is less than 50%, you must repeat the Assessment. If you continue to score less than 50% in your assessment three times, then, your enrolment will be cancelled, and you need to re-enroll if you wish to continue this Course.

Study Schedule

Here is a Study Schedule. It will guide you to complete your Unit 4: Laws and Business Regulations in Papua New Guinea Course Book and its assessment.

WEEKS	SUBSTRAND / LESSON NUMBER	ASSESSMENT	COMMENTS
1-2	Topic 1 Lessons 1-3 Lesson Activities and Practice Exercises	Topic 1 Test 15 marks	
3-4	Topic 2 Lessons 4-8 Lesson Activities and Practice Exercises	Topic 2 Test 15 marks	
5-6	Topic 3 Lessons 9-12 Lesson Activities and Practice Exercises	Topic 3 Test 15 marks	
7-8	Topic 4 Lessons 13-16 Lesson Activities and Practice Exercises	Topic 4 Test 15 marks	
9		Unit Examination 40 marks	
9	Submit your Assessment Book 4 to your Provincial Centre for marking.		

Remember

As you complete each lesson, tick the box on the contents' page. This shows what you have done and what you still have to do in each Topic.

All the best and enjoy your studies with FODE – Business Studies

TOPIC 1

BUSINESS LAWS AND REGULATIONS

In this topic, you will learn about:

- **Business laws**
- **The business laws that protect the environment**
- **The laws that protect consumers**

TOPIC 1 INTRODUCTION



Introduction

Welcome to Topic 1, Business Laws and Regulations. In this topic, you will learn about business laws and how these laws protect the environment and the consumers.

Topic 1 has three (3) lessons: They are:

Lesson 1: Introduction to Business Laws

This lesson teaches you about the importance of having business laws in Papua New Guinea. The lesson will also discuss the laws that affect businesses. Finally, the lesson identifies and discusses advantages and disadvantages of laws that affect businesses in Papua New Guinea.

Lesson 2: Business Law and the Environment

This lesson explains business law and its importance. It also discusses Environment Planning Act, its purpose and the kind of protection the Act gives to the environment in Papua New Guinea. Furthermore, it also discusses the different town planning laws.

Lesson 3: Laws to Protect Consumers

This lesson explains the importance of laws to protect the consumers and the different aspects of consumer protection laws. The lesson also identifies the different health regulations and explains the importance of it. Furthermore, the lesson teaches you about the different aspects of standard measurement laws and their purpose.

Lesson 1: Introduction to Business Laws



Introduction

Welcome to Lesson 1: Introduction to Business Laws. In the previous unit, you learnt about Marketing and Distribution. It covered areas such as the elements of marketing, advertising and promotion, distribution, costing and pricing. In this lesson, you will be introduced to the laws of operating businesses.



Your Aims:

- Explain the importance of business laws
 - Identify the laws that affect business
 - Identify the advantages and disadvantages of business laws in Papua New Guinea.
-

What is Law?

Law is a rule of conduct or procedure recognised by a community which has been enforced by the authorities. In Papua New Guinea, our laws are passed by the National Parliament. These laws are known as Acts of Parliament. Once an Act is passed by the Parliament, it becomes part of the written law. The Parliament is the country's legislative body that makes laws. Breaking these laws is an offence and is punishable.

In addition to these laws, there are regulations. Regulations are administrative guidelines that are put into practice certain Acts or Laws. For example, the Physical Planning Regulation 1990 implements the Physical Planning Act 1989, giving procedural guidance for physical planners, the board and tribunal members to make sure builders do the right things. For example, if your business intends to expand its current building, then, you need to write to the Building Board to get the approval for the extension. Otherwise, it will be against the law if you build without the notice of the proper authorities.

Importance of Business Laws

Laws and regulations are important to the businesses for the following reasons:

- **To set up a legal business**

Knowing what is legal and what is illegal is important. This guides a person to engage in a legal business.

- **To operate business in legal ways**

Following certain rules to conduct business is important. This ensures the business owner become aware of the requirements and enables the owner to comply with these rules and avoid penalties.

- **To avoid paying large amounts of compensation to hurt or injured parties**

It is important for business owners to protect themselves through these laws such as vehicle insurance, driver's licensing and workers' compensation. When they

follow these laws, they are protected. They avoid paying large amounts of compensation to injured parties when accidents occur.

- **To settle disputes**

Disputes are common in conducting business. Therefore, it is important to sign employee contracts and lease agreements according to the law so that this will help a business to settle its disputes easily.



Activity 1.1:

1. In a paragraph, explain in your own words why it is important that business must know about the laws and regulations? Use your own paper or an exercise book to answer the question.
2. What should you do if you are not sure about the legal areas of running a business?

Laws that affect Businesses

Any person who wants to set up a business needs to know the legal requirements for business. The person must carry out business within the legal boundary provided by the laws and regulations that relate to the business.

Consider the following situations:

- In urban areas, you cannot just put up a building to start a business. You need to obtain a Building Board's approval.
- You cannot set up a bottle shop to sell liquor without a licence from the Provincial Liquor Licensing Board
- You cannot open a restaurant or Kai Bar without a licence from the Provincial Government
- You cannot sell packaged food without following packaging and health regulations.
- You cannot run a business without registering a business name under the Business Names Act with the Investment Promotion Authority.
- You cannot operate a PMV business without a licence from the Lands Transport Board.
- You cannot pay your workers the way you want. You need to follow the minimum wage requirements.

There are so many laws that affect businesses. Some of them have been mentioned above. Others will be discussed in details in the lessons that will follow. Here, we will look at:

1. Town Planning
2. Zoning
3. Land Titles and Rights
4. Guidelines on trading hours

1. Town Planning

The key national government agency that provides support in town planning is the Department of Lands and Physical Planning. You should also know that, town planning is also known as Development Planning or Physical Planning.

The Physical Planning Act 1989 puts planning responsibilities in the care of Physical Planning Boards. These boards are both within the Department of Lands and Physical Planning itself and at the provincial level.

Where there are no boards in the provinces then, the National Physical Planning Board handles all applications for buildings.

2. Zoning

Classifying urban land into different areas according to the activities allowed there is called zoning. Zoning may include regulating the kinds of activities that maybe acceptable in particular zones. For example, factors such as the height of buildings, landscaped spaces, the number of traffic lanes and parking requirements can be specified in a particular zone.

The Physical Planning Board is responsible for zoning. The board can zone land as per the zones set out in the Physical Planning Regulation. Zones are defined according to the purpose for which zoned land can be used.

Look at the zones outlined below:

Zone 1	Open space
Zone 2	Residential
Zone 3	Commercial
Zone 4	Light industrial and warehousing
Zone 5	General industrial and warehousing
Zone 6	Isolation industrial
Zone 7	Public institutional
Zone 8	Public utilities

Permission from the Physical Planning Board must be obtained to undertake any development work in these areas. Specific regulations are attached to each zone.

3. Land Titles and Rights

Before any person constructs or builds a building on a particular piece of land, it is necessary to get the title of that piece of land. With the land title, construction of building will be approved or granted. You get this approval from the Physical Planning Board.



What is a title?

The word, *title* refers to the legal ownership of a piece of land.



A person becomes a legal owner of a piece of land once it is registered under his or her name. Land is registered with the Land Registrar, operating under the Land Registration Act 1981.

The three types of land ownership in Papua New Guinea are:

- (a) Customary land
- (b) Alienated land or state-owned land
- (c) Private freehold lands

(a) Customary lands

Customary land is owned by tribes and clans. These lands are owned by traditional land owners and are not registered. The government encourages customary land owners to form Incorporated land Groups (ILGs) and register their land with the Land Registrar. These lands can be leased by ILGs to developers.

(b) Alienated lands

Alienated land is controlled by the government. Most of these lands are found in urban and smaller towns. The government leases these land for development purposes to developers. The alienation of land from customary owners is a legacy of the early German and Australian colonial administrations, which negotiated and acquired land for towns, ports and “public interest” purposes.

Developers can use leased land for commercial purposes including construction of buildings. The maximum period of lease is 99 years.

(c) Private freehold lands

Private freehold land is owned by individuals or companies. These land are registered under their names. This means individuals or companies hold the title.



Activity 1.2:

Match these terms to the given descriptions by drawing arrows.

Words	Descriptions
1. Zoning	Land that has been removed, from customary ownership and is controlled by the government.
2. Isolation industrial	Reserved for such things as roads, sewerage works, cemeteries, rubbish tips and airport
3. Public institutional	Reserved for industries that need to be isolated.
4. Public utilities	Reserved for such things as schools, prisons, hospitals, police stations, and place of worship.
5. Alienated Land	Classifying urban land into different areas according to the activities allowed there

4. Guidelines on Trading Hours

Opening and closing times for businesses that sell goods and services is called *trading hours*. Shops, offices and banks all have their own trading hours. Trading hours may also differ from one province to another.

Look at the different trading hours for the different shops, businesses, offices and the banks on the next page.

Types of Businesses and Organisations	Different Trading Hours
<ul style="list-style-type: none"> • Supermarkets 	<ul style="list-style-type: none"> - Open 7 days a week - 8.30am–8.00pm(some Saturdays) - 8.30 – 6.00pm (some Sundays)
<ul style="list-style-type: none"> • Service stations 	<ul style="list-style-type: none"> - Open 7 days a week - 5.00am – 10pm (in the city) - Different places depending on owners from province to province
<ul style="list-style-type: none"> • Banks 	<ul style="list-style-type: none"> - Open Monday to Thursday 8.45am to 3.00pm and - Friday 8.45am to 4.00pm
<ul style="list-style-type: none"> • Bottle shops 	<ul style="list-style-type: none"> - Open Monday to Saturday 10.00am to 5.00pm - Different depending on owners from province to province
<ul style="list-style-type: none"> • Government Departments 	<ul style="list-style-type: none"> - Open Monday to Friday 7.45am to 4.06pm
<ul style="list-style-type: none"> • Private Business Houses 	<ul style="list-style-type: none"> - Open Monday to Friday 8.00am to 5.00pm and Saturday 8.00am to 12.00 noon.

Table 1.1: Trading Hours for Businesses and Organisations
Source: Adapted information from Panditha, B.2012. pp. 230.



Activity 1.3:

Complete this given activity. The first one has been done for you.

Name of Business	Nature of Business	Trading Hours
Example: Stop n Shop	Supermarket, selling consumable goods	<ul style="list-style-type: none"> - Open 7 days a week - 8.30am – 6.00pm
1. Papindo		
2. PNG power		
3. Digicel		
4. School canteen		
5. A village trade store		

Advantages and Disadvantages of Laws that affect businesses in Papua New Guinea**Advantages:**

- Laws protects the businesses as well as the people
- Laws guide businesses to function legally and responsibly

Disadvantages

- Laws can delay processes of businesses
 - Laws can limit the physical expansion of businesses, even if it is your own land
-

Summary:

You have come to the end of Lesson 1. In this lesson you learnt that:

- Law is a rule of conduct or procedure recognised by a community which has been enforced by authority.
- Regulations are administrative procedural guidelines.
- Laws to businesses are important because they guide a person to: conduct a legal business, conduct business in legal ways, avoid paying large amounts of compensation to injured parties and settling disputes
- A person must carry out business within the legal boundaries provided by the laws and regulations that relate to business such as town planning, zoning, land titles and rights and guidelines on trading hours.
- Classifying urban land into different areas according to the activities allowed there is called zoning
- Title means the legal ownership of the land.
- The three types of land ownership in Papua New Guinea are; customary land, alienated land or state-owned land and private freehold lands
- Customary lands are owned by tribes and clans
- Alienated lands are controlled by the government.
- Private freehold lands are owned by individuals or companies.
- Opening and closing times for businesses that sell goods and services are called trading hours.
- Advantages of the laws are to: protect the businesses as well as the people and to function legally and responsibly
- Disadvantages of the laws are; laws can delay processes of businesses and laws can limit the physical expansion of businesses, even if it is your own land

NOW DO PRACTICE EXERCISE 1 ON THE NEXT PAGE
--

**Practice Exercise 1**

-
1. Explain „law“ and „regulations“

 2. List the four (4) importance of business laws.
(a) _____
(b) _____
(c) _____
(d) _____
 3. List the four (4) laws that were studied in this lesson that affect businesses.
(a) _____
(b) _____
(c) _____
(d) _____
 4. List two (2) advantages of Laws affecting businesses.
(a) _____
(b) _____
 5. List two (2) disadvantages of Laws affecting business.
(a) _____
(b) _____
-

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC

Lesson 2: Business Law and the Environment



Introduction

Welcome to Lesson 2: Business Law and the Environment. In the previous lesson, you learnt about laws that affect businesses such as town planning, zoning, land titles and rights and trading hours. In this lesson, you will learn about the Environmental Planning Act in Papua New Guinea and the different town planning laws.



Your Aims:

- Explain what the environmental law is and state its importance
 - Explain the purpose of the Environment Planning Act in Papua New Guinea
 - Identify the kind of protection the Act gives to the environment
 - Identify the different town planning laws
-

Environmental Laws, its Importance and Purpose

Environmental laws are set of rules made by the Parliament to guide development projects. It enforces developers to operate under certain conditions so that they do not destroy the environment. These laws make up the Environmental Planning Act 1978. Its purpose is to assess the environmental impact of development projects and determine whether permission should be granted, denied, or granted with certain conditions.

The provision in the Environmental Planning Act aims to balance development and the protection of the environment. It is also in line with the fourth goal of the National Goals and Directive Principles in the constitution that says; “Papua New Guinea’s natural resources and environment to be conserved and used for the collective benefit of us all, and be replenished for the benefit of future generations.”

The Environmental Planning Act protects the environment against:

- Littering
- Pollution
- Dumping waste at sea
- Constructing buildings
- Waste disposal by residents and industries

The effects above mentioned are explained further through the laws that come under town planning, zoning and pollution. We have looked at town planning and zoning in Lesson 1. You can refer to these notes in Lesson 1.

Town Planning Rules

Town Planning Rules work together with the Environmental Planning Act. Business must obey town planning rules in urban areas. These are regulations which control the development of land for various purposes. For example, some land is used for industrial and commercial purpose. Other areas are set aside for national parks and play grounds for children. In such areas no developments may take place.

Zoning

We have already learnt that permission from the Physical Planning Board should be obtained to undertake any development work in these areas. Specific regulations are given to each zone. This is how the environment is protected under certain conditions covered in zoning.

Certain requirements should be met by the developers in their development plans according to required regulations. Some common requirements are:

- A set of maps and a written document
- The boundaries and identification of all portions, sections and allotments
- The position of roads and their names
- The contours or outline of the land
- The proposed zoning
- An analysis of the investigations and surveys made during the preparation of the development of the proposals.

Laws against Pollution

Pollution takes place when an industrial activity causes damage or harm to the surrounding area. For example, poisonous industrial wastes dumped into rivers can kill the fish. The Environmental Planning Act aims to limit the amount of industrial pollution. This law is aimed at companies or developers whose activities may harm the environment. Such companies must prepare an environmental impact plan. This plan will contain details of how the company will try to limit or prevent pollution from taking place.

To avoid large-scale environmental pollution, the government has enacted the Dumping of Wastes at Sea Act 1979. Also, the government has enacted the Environmental Act 2000 which includes provisions relating to pollution.

You will learn more as you read and do the activity below.



Activity 2.1:

Let us read Article 1 and then answer the questions that follow.

Article 1: NCDL urged to tighten building board rules **By Eric Tapakau**

The National Capital District Commission needs to sharpen its teeth to ensure that new buildings in the nation's capital follow rules and regulations of the Physical Planning and Building boards.

Critics of the commission have warned that disasters were waiting to happen if many structures going up in NCD go unchecked by those responsible within the National Capital District Commission.

(Continues on the next page)

Some structures were built just one or two metres away from the main roads posing big risks to traffic as well as forcing people to walk on the road as there were no footpaths. One such is a new development where the fencing for a looming new project is being erected just a metre away from the main road where a lot of vehicles and people pass.

With many buildings going up in the nation's capital, the National Capital District through its Building Board and the Physical Planning Board will be working overtime to ensure all buildings in the city meet the commission's requirements. City manager Leslie Alu said in a statement that the two boards faced the challenge of balancing the requirements of the statutory regulations, they were mandated to implement against the economic viability of the projects being submitted for consideration.

It is not the two boards' furthest intention to be seen as obstacles to the development in the city. However, the two boards must ensure that the buildings are safe and that adequate amenities are provided. Therefore, building critics in Port Moresby should appreciate the complicated issues that come into play when the boards consider them.

He said the NCDC through its regulatory services department has a set process for approval of development applications. Any proposal submitted for approval must first obtain or show proof of the Physical Planning approval. "Only upon tendering of this proof can the proposal be submitted for the Building Board consideration," Mr Alu said.

"The Building Board considers the application under the terms and conditions approved by the NCD Physical Planning Board but specific attention is given to the application of the Building Act and Regulation in the proposal."

Mr Alu said the NCD Physical Planning Board was established by the Physical Planning Act to consider all physical planning matters in NCD. Likewise NCD Building Board was established by the Building Act to regulate and control construction including maintenance, alteration, demolition, and the use of buildings during and after the construction.

Source: Adapted from Panditha.B.2012. pp 227

1. What two (2) boards regulate the building construction in the National Capital District?

- (a) _____
(b) _____

2. What is the purpose of these boards?

3. What are some of the challenges faced by these boards?

4. What must be done before a proposal is submitted to the Building Board for consideration?

Study Article 2 on the next page, it will teach you more about the procedures that need to be followed so that the laws and regulations are obeyed when building a warehouse.

Article 2: Building a warehouse

The World Bank's "Doing Business Project" surveys business regulations and their enforcement in different countries. It conducted a study to understand what is involved in building a warehouse in Port Moresby. The bank's report (June 2010) is titled "Dealing with Construction Permits in Papua New Guinea". It summarizes the following procedures:

1. Request and obtain planning permission from the Department of Lands and Physical Planning, NCD.
2. Request and obtain certificate of ownership and site map from the Department of Lands and Physical Planning, NCD.
3. Request and obtain permission from the NCD Fire Authority
4. Request and obtain project clearance from the Health Department
5. Request and obtain project clearance from the Department of Environment and Conservation.
6. Request and obtain project clearance from the Water and Sewage Authority (Eda Ranu)
7. Request and obtain a building permit from the Department of Lands and Physical Planning, NCD. The building permit is issued by the Building Board after all clearances have been obtained.
8. Request and have foundation work inspected by the NCD inspectors
9. Request and have concrete work inspected by the NCD inspectors.
10. Request and have steel work for the slabs inspected by the NCD inspectors.
11. Request and receive frame inspection by the NCD inspectors.
12. Request and receive damp-proof course inspection by the NCD
13. Request electricity connection from PNG Power
14. Receive electricity inspection by PNG Power
15. Connect to electricity through PNG Power
16. Request water and sewage connection from Eda Ranu
17. Receive plumbing inspection from Eda Ranu
18. Connect to water and sewage service through Eda Ranu
19. Connect to telephone services through Telikom PNG
20. Receive inspection from Telikom PNG
21. Connect to telephone services through Telikom PNG
22. Request an occupancy permit
23. Receive inspection by the NCD
24. Obtain occupancy permit from the Building Board.

Source: Adapted from Panditha.B.2012.



Activity 2.2:

Complete the table below by listing the different departments, authorities and organisations involved in the building.

Departments	Authorities	Organisations

Article 1 and **Article 2** clearly indicate the legal requirements for construction. Similar procedures and rules are to be followed in other provinces because the procedures and rules are derived from the Physical Planning Act 1989 and the Physical Planning Regulation 1990. The Environment Act and the Health Act are also important to construction projects as shown in point 4 and 5 of Article 2.

Summary:



You have come to the end of Lesson 2. In this lesson you learnt that:

- Environmental laws are set of rules made by the Parliament to guide development projects and developers to function under certain conditions so that they do not destroy the environment.
- The purpose of the environmental law is to assess the environmental impact of development projects and determine whether permission for them should be granted, denied, or granted subject to certain conditions.
- The provisions in the Environment Act are designed to balance development and protect the environment
- The kind of protection the Environmental Planning Act gives are; Littering, Protection against pollution, Dumping waste at sea, Construction of a building and Waste disposal by residents and industries
- In a development plan, a developer should include matters such as;
 - A set of maps and a written document
 - The boundaries and identification of all portions, sections and allotments
 - The position of roads and their names
 - The contours or outlines of the land
 - The proposed zoning
 - An analysis of the investigations and surveys made during the preparation of the development of the proposals.
- The Environmental Planning Act aims to limit the amount of industrial pollution.
- To avoid large-scale environmental pollution, the government has enacted the Dumping of Wastes at Sea Act 1979 and the Environment Act 2000 which includes provisions relating to pollution.
- The Environment Act and the Health Act are important laws that developers must follow when involved in construction projects.

NOW DO PRACTICE EXERCISE 2 ON THE NEXT PAGE



Practice Exercise 2

-
1. Explain the Environmental Laws

2. Explain the importance of having the environmental law

3. State the purpose of having the Environment Planning Act in Papua New Guinea.

6. Name the two (2) Acts the developers must follow when involved in the construction projects.

(c) _____

(d) _____

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4

Lesson 3: Laws to Protect Consumers



Introduction

Welcome to Lesson 3: Laws to Protect Consumers. In the previous lesson, you learnt about laws that protect businesses and the environment and the importance of having these laws. In this lesson, you will learn about the laws that protect consumers.



Your Aims:

- Explain the importance of the laws to protect the consumers
 - Identify the different aspects of the consumer protection laws
 - Explain the importance of the health regulations
 - Identify the different health regulations
 - Explain the purpose of standard measurement laws
 - Identify different aspects of standard measurement laws at work
-

Importance of Consumer Protection Laws

Everyone is a consumer. We use goods and services that are produced by someone else. The producer may be an individual, a manufacturer, or a multi corporation company. It is important that consumers are protected by the laws so that they are not cheated; get poor quality products for their money and also their health is not endangered by the products and services they consume.

Different Aspects of the Consumer Protection Laws

There are several aspects of the consumer protection laws. We will look at them as listed below.

- Goods Act 1951
- Health Regulations
- Standard Measurements
- Price Control
- Labelling Requirements
- Trademarks

Goods Act 1951

This Act deals with laws relating to the sale of goods. When we say, “sale of goods” it involves two parties. One is the seller and the other is the buyer. The seller is the person who sells or agrees to sell a product and the buyer is the person who buys or agrees to buy the product. The seller and the buyer are the two parties in the sale of goods and this involves a contract. A contract is an agreement between the seller and the buyer

Now, let us look at the contract.

The contract is of two types. One is called contract of sale and the other is called an agreement to sell.

- Contract of sale. When the property or the goods is transferred from the seller to the buyer, the contract is called *a sale*. That is, the ownership of the good has to go to the buyer before we can call it a sale.
- Agreement to sell. When the transfer of property or the goods is to take place at a future time or subject to a condition to be fulfilled, the contract is called *an agreement to sell*.

The Act also deals with specific areas such as;

- The goods offered for sale are “reasonably fit” for the purpose for which they are offered.
- If goods are sold by samples, the bulk should correspond with the sample shown in the quality.
- The duties of the seller and the buyer in relation to the performance of the contract
- The remedies for non-performance or breach of contract. Non-performance come as; non- delivery of goods, delivery of wrong quantity, delivery of wrong quality, non-payment for the goods, and purposely not accepting goods delivered.

The purpose of the Goods Act 1951 is to regulate fair trading. It provides protection for genuine buyers and sellers.



Activity 3.1:

1. Explain the term, *sale*.

2. Explain the statement, *agreement to sell*.

3. What type of buyers and sellers does the Goods Act cover for?

Health Regulations

It is the government's responsibility to ensure that food supply is safe for human consumption. The government provides that protection for consumers through the health department. Health regulations are set and they need to be followed by businesses.

Health regulations are imposed on businesses to ensure;

- Hygienic preparation, storage and handling of food
- Health and safety of employees working in the business
- Health and safety of consumers visiting the business

There are also other laws that are enacted to control the food business. These laws are;

- **Food Sanitation Act 1991**

This Act is „for securing wholesome, sound and safe food for human consumption and for related purposes“. It deals with the following, among other things;

- Appointment of a Food Sanitation Council to investigate matters relating to the prevention of food poisoning, the preparations, standards and requirements of food, food additives and packaging.
- Establishing of food standards, including: standards for manufacturing, preparation, preservation, and transportation of food or food additives for sale, and measures to prevent the contamination of food or food additives.
- Prohibition on sale of meat from animals suffering from disease
- Prohibition of sale of newly developed food before it is approved
- Packing and labelling requirements
- Licencing requirements for food businesses

- **Bread Act 1974**

This Act is „to fix the size and weight of loaves of bread“. According to the Act:

- There are standard sizes and weights of loaves of bread. Bakers are required to make bread accordingly.
- Selling underweight bread is an offence
- When bread is sold in a package, the kind of loaf contained in the package must be clearly stated
- A Chief Inspector of Weight and Measures, a Deputy Chief Inspector of Weights and measures or an inspector appointed under the Trade Measures or an inspector appointed under the Trade Measurement Act 1973 can enter any bakery or shop selling bread and inspect the bread to ensure it complies with the Act.

- **Baby Feed Supplies (control) Act 1977**

This Act is to regulate supply of baby feeding aids (feed bottles and bottle teats). They may be supplied only on the recommendation of an authorised medical person.

- **Slaughtering Act 1964**

This is an Act relating to the slaughtering of certain animals (cattle, pigs, sheep, horses, deer, goats, and buffalo). It specifically outlines standards to be maintained in the slaughtering of animals such as cleanliness and the health status of the animal. It regulates licensing for slaughtering houses or abattoir. A chief Meat Inspector is appointed to administer the Act.

- **Health Inspectors and Officers**

The Department of Health is responsible for implementation of the health regulations. It employs health inspectors and health officers for this purpose. The task of health inspectors and health officers is to ensure businesses involved in the food industry comply with health standards imposed by the department. They visit manufacturing, processing, and packaging industries. They also visit hotels, restaurants, and food parlours to check whether they comply with the health standards. Inspectors and officers have the power to take samples and conduct laboratory tests when necessary.

The most important health standard is hygiene. If a certain industry fails to comply with these standards, penalties may be imposed including cancellation of the licence.

The provincial government also implements this function as it is decentralised. For example, NCD has health inspectors for this purpose. Other cities like Lae and Mt. Hagen also have health inspectors to check on health standards.

**Activity 3.2:**

1. What is the most important health standard?

2. Why do you think there is a law on the baby feed supplies?

3. If a woman baked some bread and sold them in the public market, would she be committing an offence? Yes/ No. Explain your answer

Standard Measurement

When a product is made following certain specifications laid down by an approved institution, it is called a standard product. The word „standard“ means, a documented guide, rule, and specification, code of practice, which has been formulated by consensus of parties of immediate concern on product, service, process and physical units of measurement.

The body that is responsible for international standards is called the International Standard Organisation (ISO). When ISO's logo is marked on a product, it means that the product is made according to standards approved by the ISO.

In Papua New Guinea the National Institute of Standards and Industrial Technology (NISIT) is the body responsible for overseeing standardisation of conformance activities in Papua New Guinea. Conformance means to follow or abide.

Role of the National Institute of Standards

The institute in Papua New Guinea is known as Papua New Guinea Standards. Its role is to:

- Develop and publish standards
- Distribute or spread information about standards
- Ensure there is accuracy, verify and test measuring equipment and artefacts
- Give official recognition to laboratories
- Certify management systems
- Conduct training programs on standardisation and quality assurance.

There are two types of standards in Papua New Guinea. They are; voluntary standards and mandatory standards. Voluntary standards are not enforceable. Any industry can use these standards according to their choice. Mandatory standards are bound by laws. Regulation of these standards is the responsibility of the respective regulatory agencies. NISIT is responsible for developing and publishing national standards.

Different Aspects of Standard Measurement Laws

Let us look at the different aspects of Standard Measurement Laws listed below.

• Biological Standards	- standards relating to agriculture, medical science and technology; food sciences and technology; and biological science and technology
• Chemical Standards	- standards relating to chemicals and chemical technology and application
• Construction and Building Standards	- standards relating to construction and building
• Electrical Standards	- standards related to electrical technology and application
• Mechanical Standards	- standards relating to mechanical application and testing
• Productivity and Performance Based Standards	- standards relating to productivity and performance; corporate management and responsibility
• Quality Systems Certificates Standards	- management system standards relating to quality, environment and food safety
• Testing Laboratory Accreditation Standards	- standards relating to laboratory accreditation and testing
• Units Standards Calibration	- standards relating to metrology and measurement technology

**Activity 3.3:**

1. (a) Which body is responsible for overseeing standardisation activities in Papua New Guinea?

-
- (b) List two of its roles.

Other Laws that Protect Consumers

- **Price control**

Price control means the charging of a legal maximum price for a product under a price control authority by price control law. Price control is targeted at those goods and services that the government considers to be basic necessities for an average Papua New Guinea household.

When the price control is imposed on a product, all shops should sell that product at the controlled price. This means the retail shop owners are not allowed to increase the selling price to increase their mark-up. This is illegal. The shop owners that charge more can be punished under the law.

The law relating to price control is the Prices Regulation Act 1949. The administration of the Prices Regulation Act is now the responsibility of the Independent Consumer and Competition Commission (ICCC). With the establishment of the ICCC in 2000, it took over the price control task previously undertaken by the Price Controller, and the consumer protection tasks previously undertaken by the Consumer Affairs Council.

Under the Act the government can declare goods and services subject to direct price control and price monitoring. Under this method the ICCC allows the relevant industry to adjust its prices based on a formula developed by the commission.

- **Labelling Requirements**

The Packaging Act 1974 and the Packaging Regulation 1975 enforced certain legal requirements relating to packaging. One important requirement is the labelling. On a label, the brand, description, weight, measure, volume, name and address of the packer should be shown. The Regulation further states how volume and weight are expressed using both the imperial system and the metric system.

The Food Sanitation Act 1991, the Tobacco Product (Health Control) Act 1987 and the Bread Act 1974 also deal with packaging and labelling requirements. The Food Sanitation Act 1991 specifically states that date of manufacture and expiry date should be included on the label.

- **Trademark**

A trade mark is a unique mark used to identify a product. It may be:

- A name (Example, Coca Cola, Axion)
- A word or phrase (Example, Nike's "Just do it")
- A logo or symbol
- A particular design or a visual image
- A mixture of the above

A trade mark must be distinctive when connected with goods or services. It helps consumers to distinguish a particular product from other products. It is important to protect a trademark by registering it with the Intellectual Property Office of Papua New Guinea (IPOPNG). The purpose of the registration is to provide the proprietor of a trademark or registered user, with the legal title for exclusive use or use with limitations. The symbol ® is used to identify a registered trademark.

Summary:



You have come to the end of Lesson 3. In this lesson you learnt that:

- Consumers are protected by laws so that they are not cheated, will not get poor quality products for their money and their health is not endangered by the products and services they consume.
- Consumer protection laws are the ; Goods Act 1951, Health Regulations, Standard measurements, Price Control, Labelling Requirements and Trademarks
- The Goods Act provides protection for genuine buyers and sellers.
- The Health regulations exist to ensure that preparation of food, its storage, and handling are safe for consumption and also the employees working in the food industries are protected.
- „Standard“ means, a documented guide, rule, and specification, code of practice, which has been formulated by the consensus of parties of the immediate concern on products, services, processes and physical units of measurement.
- Papua New Guinea Standards is obligated to: develop and publish standards, distribute or spread information about standards, ensure, accuracy, verify and test measuring equipment and artefacts, give official recognition to laboratories, certify management systems and conduct training programs on standardisation and quality assurance.
- There are different aspects of standard measurement laws such as biological, chemical, construction and building and the others as learnt in the lesson
- Price control means the legal maximum price for a product by a price control authority under the price control law. It targets at those goods and services that the government considers to be basic necessities for an average Papua New Guinea household.
- A product's label must have the brand, description, weight, measure, volume, name and address of the packer
- A trade mark is a unique mark used to identify a product. It may be a name, a word or phrase, a logo or symbol, a particular design or visual image or a mixture of any of the above mentioned. It must be distinctive when connected with goods or services. It cannot be used by another product by law.



Practice Exercise 3

-
1. Explain the importance of the laws to protect consumers

2. Identify the different aspects of the consumer protection laws

3. Identify the different health regulations

7. What is the purpose of standard measurements?

8. List the three (3) aspects of the standard measurement laws

NOW DO PRACTICE EXERCISE 3 ON THE NEXT PAGE

ANSWERS TO

TOPIC 1

PRACTICE EXERCISES 1-3

ANSWERS TO PRACTICE EXERCISE 1 -3

Practice Exercise 1

1. Explain „laws“ and „regulations“
Law is a rule of conduct or procedure recognised by a community which has been enforced by authority and regulations are administrative procedural guidelines that put into practice certain Acts or laws.
 2. List the four (4) importances of business laws.
 - (a) *To set up a legal business*
 - (b) *To operate business in legal ways*
 - (c) *To avoid paying large amounts of compensation to aggrieved parties*
 - (d) *To settle disputes*
 3. List the four (4) laws that were studied in this lesson that affects businesses.
 - (a) *Town Planning*
 - (b) *Zoning*
 - (c) *Land titles and rights*
 - (d) *Trading hours*
 9. List two advantages of Laws affecting business.
 - (a) *Protects the business as well as the people*
 - (b) *Guide businesses to function correctly and acceptably*
 10. List two disadvantages of Laws affecting business.
 - (a) *Delay processes of business*
 - (b) *Limit the physical expansion of business, even if it is your own land*
-

Practice Exercise 2

1. Explain the Environmental Law
Environmental laws are a set of rules made by the Parliament to guide development projects and developers to function under certain conditions so that they do not destroy the environment.
2. Explain the importance of having the environmental law
The Environmental Act is important to balance development and the protection of the environment.
3. State the purpose of having the Environment Planning Act in Papua New Guinea.
The purpose of the Environmental Planning Act is to assess the environmental impact of development projects and determine whether permission for them should be granted, denied, or granted with certain conditions.

4. Name the two (2) Acts the developers must follow when involved in construction projects.

- (a) *The Environmental Act*
(b) *The Health Act*
-

Practice Exercise 3

1. Explain the importance of the laws to protect consumers
 - *Consumers are protected by laws so that they are not cheated; get poor quality for their money and their health is not endangered by the products and services they consume.*
 - *Consumers are protected from being cheated and unfair trading, dangers of products not meeting the standards of safety*
 2. Identify the different aspects of the consumer protection laws
Goods Act 1951, Health Regulations, Standard measurements, Price Control, Labelling Requirements and Trademarks
 3. Identify the different health regulations
Food Sanitation Act 1991, Bread Act 1974, Baby Feed Supplies Act 1977, Slaughtering Act 1964 and Health Inspections by inspectors and officers
 4. What is the purpose of standard measurements?
To make sure that products meet standards in how they should be made, their weights, heights, widths and packaging.
 5. List the three (3) aspects of the standard measurement laws.
Any of these listed below.
 - Biological Standards
 - Chemical Standards
 - Construction and Building Standards
 - Electrical Standards
 - Mechanical Standards
 - Productivity and Performance Based Standards
 - Quality Systems Certificates Standards
 - Testing Laboratory Accreditation Standards
 - Units Standards Calibration
-

END OF ANSWERS TO PRACTICE EXERCISES 1-3

TOPIC 2

BASIC LAWS

In this topic, you will learn about:

- **Licensing regulations**
- **Partnerships and incorporated land groups**
- **Restrictions on business**
- **Taxation and business**
- **Regulations for insurance businesses**

TOPIC 2 INTRODUCTION



Introduction

Welcome to Topic 2: Basic Laws. In this topic, you will learn about the basic laws and regulations in the areas of licensing, insurance, taxation and Partnerships and Incorporated Land Groups.

Topic 2 has four (4) lessons. They are:

Lesson 4: Licensing Regulations

This lesson is about regulations in licensing and its importance. The lesson discusses trading licenses and the Business Names Act and its importance.

Lesson 5: Partnerships and Incorporated Land Groups

This lesson explains partnership ordinance and partnership deed and the importance of having them.

Lesson 6: Restrictions on Business

This lesson identifies the different types of restrictions on businesses. It also teaches how these restrictions regulate and affect businesses.

Lesson 7: Taxation and Business

This lesson explains how business tax is collected and explains the functions of Internal Revenue Commission in relation to business taxation.

Lesson 8: Regulations for Insurance Businesses

This lesson explains insurance businesses and the different types of regulations on insurance businesses. It also explains how the regulations affect insurance businesses and identifies advantages and disadvantages of regulations on insurance businesses.

Lesson 4: Licensing Regulations



Introduction

Welcome to Lesson 4: Licensing Regulations. In the previous lesson, you learnt about laws that protect consumers and its importance. You also studied the different aspects of laws that protect consumers. In this lesson, you will continue to learn about laws but specifically to do with licensing regulations.



Your Aims:

- Explain licensing regulations and state its importance
 - Identify licensing regulations
 - Identify a simple trading licence
 - Discuss the Business Names Act and state its importance
-

Licensing regulations and their importance

A license is permission given in writing to someone to allow him or her to perform a particular activity. For instance, a driver's licence is issued to people to allow them to drive vehicles. A trade licence is issued to conduct a trading business. A tradesman's licence is issued to a worker to work as a tradesman such as an electrician, a plumber or a carpenter. A practising licence is issued to professionals such as doctors, dentist and architects to practise what they are skilled at.

Licensing regulations are administrative procedures that guide the enforcement of the laws set by the National Government and the local authorities. Licensing regulations are important because they give guidelines to those who have been given the permit to perform responsibly. Failure to perform responsibly according to the laws of businesses will result in the cancellation of the license. This means businesses come to an end.

Different Licensing Regulations

There are different licensing regulations. Below are some of these licencing regulation.

- The Business Name Act 1963
- The Trading Licence Act 1969
- The Liquor Licencing Act 1963
- The Road Traffic Act 2014

Licensing Regulations for different purposes

Licenses are issued for different purposes:

- **Preventing crime and maintaining social order.**

For example, if firearms were sold without any license, this would contribute to the high crime rate, thus, destroy social order.

- **Ensuring public safety**

For example, the authority that issues license for health care businesses considers the importance of certain standards of care to ensure patient's safety is not compromised.

- **Preventing public nuisance**

For example, the liquor licensing authority imposes conditions on the sale of alcohol. These conditions may include:

- when it should be sold (trading hours)
- where it should be sold (specified locations such as the bar or the bottle shop)
- to whom it should be sold to (selling liquor to underage persons is illegal)

These restrictions are to protect the community against disorderly behaviour and potential harm.

- **Protecting children from harm**

One of the conditions of liquor licensing is not to sell liquor to anyone who is under 18 years.

- **Making licensees accountable**

A licensing authority makes businesses accountable by imposing certain conditions. For example, food providers must follow a series of standards or face the possibility of losing their licence.

- **Maintaining product standards**

For example, doctors, nurses, pharmacists and other health workers are issued a licence to practise. These licences are issued only to those who have undergone education and training programs acceptable to regulators. The purpose of maintaining certain standards in the health care industry is to encourage everyone to do the same practice with quality.

- **Regulating industries**

It is easy to regulate industries by requiring them to obtain licences when they meet certain requirements.



Activity 4.1:

Read the article and answer the questions that follow.

Licensing Act Too General

By: Poreni Umau

Madang Province would soon have its own Liquor Licensing Act because the National Liquor Licensing Act is too general.

This was revealed by the Provincial Administrator and Chief Liquor Licensing Commissioner Bernard Lange when announcing the end of the liquor ban in the province early this week.

Mr Lange said that the Provincial Liquor Act was already put together by the Provincial Administration under the Attorney General and Justice Minister

Sir Arnold Amet, who was the governor before taking up the ministry.

He said that the Act was still awaiting the blessings of inter-Government Relations Minister Job Pomat. Mr Lange said that the Act is purposely to be used as a guide in the province.

He said that the Provincial Liquor Act would also invite partnership with the marketing manager of SP Brewery to identify genuine liquor retailers only and also conduct awareness of alcohol.

Source: Adapted from Panditha.B. 2012.pp 242

1. Why is Madang Province trying to have its own Liquor Licensing Act?

2. Who put together the Madang Provincial Liquor Act?

3. What is the purpose of the Provincial Liquor Act?

Licensing Regulations for Businesses in Papua New Guinea


The table below shows some of the businesses that need licences and the authorities that issue respective licences.

Business	Issuing Authority
Liquor business	Provincial Liquor Licensing Board
Public transport	Land Transport Board
Banks and financial institutions	Bank of Papua New Guinea
Pharmacies	Department of Health (Pharmacy Board)
Telecommunication business	National Information and Communications Technology Authority (NICTA)

It is important for you to obtain a licence before you can carry out your business because it gives you the legal permission to operate under a registered business name.

A Simple Trading License

A trade license is a legal requirement to carry out business. Below is a sample.

Act: Sec: 4(1) Reg.: Sec: 2	 PAPUA NEW GUINEA <i>Trading Act Chapter 324 as amended to date</i>	Form 1 NO: 26804
LICENSE TO TRADE		
<p>1. NATIONAL CAPITAL DISTRICT COMMISSION.....in pursuance of the Trading Act Chapter 324 as amended to date hereby grant toof.....</p> <p>A license to trade atfrom.....</p> <p>On board the*.....and this license shall be and continue in force, unless Sooner cancelled or suspended, from the date hereof until the thirtieth day of June, 20..... and no longer.</p> <p>Dated thisday of 20.....</p> <p>Amount K..... Receipt No. Date...../...../..... +.....</p> <p style="text-align: right;">LICENCING MANAGER</p> <p>Note: License Fee K13 K255 K550: if issued after 31st December.</p> <p>*Insert the name of the vehicle or vessel as the case requires + Signature of the authorised Officer</p>		



Source: Adapted from B.Panditha.(2012).Business Studies Gr 10.pg.242

Activity 4.2:

1. What is a trade license?

2. What type of license would the following businesses receive?
 (a)Yumi Yet Beer Distributor: _____
 (b)Wantok Taxi service: _____
3. List at least six (6) different information that is required on the *Licence To Trade* form.

(a) _____	(d) _____
(b) _____	(e) _____
(c) _____	(f) _____

Business Names Act and its Importance

A businesses must have a name to operate under. That business name must be registered by the owner if that name is other than his or her own. Business name registration is a legal requirement. It gives recognition to the business as it operates. Banks and other financial institutions will prefer to provide loans to registered

businesses rather than unregistered ones. A registered business name also gives an identity to the business. The business may grow with the name.

There are certain conditions that should be satisfied when deciding or choosing a business name. These are:

- It should define the type of business or identify the proprietor
- It should not contain words that are misleading or offensive
- It should not include abbreviations such as “Pty”, “Ltd” or “Inc.” or words such as “holding” or “group”
- It should not be a name that is already registered.

A business name is registered by the Registrar of Companies and it can only last for three (3) years. After the third year, the registered name must be renewed, if it is still to be used for business.



Activity 4.3:

Answer these questions.

1. How long can a registration of a business name last? _____
2. Which body should register business names?

3. List two (2) conditions that should be satisfied when deciding or choosing a business name.

Act.Sec.8(1).(2):9(1)	PAPUA NEW GUINEA Business Names Act	Form 1						
Application for Registration of Business Name FOR INSTRUCTIONS THE SEE OTHER SIDE								
<p>1. Business Name</p> <p>2. Where the business is or is proposed to be carried on-</p> <p style="margin-left: 20px;">(a) at one address in the country state-</p> <p style="margin-left: 40px;">(i) the precise location of the place of business.....</p> <p style="margin-left: 40px;">(ii) the postal address</p> <p style="margin-left: 20px;">(b) at more than one address in the country , state-</p> <p style="margin-left: 40px;">(i) the precise location of the principal place of business</p> <p style="margin-left: 40px;">(ii) the postal address at that place of business</p> <p style="margin-left: 40px;">(iii) the precise location of each other place business</p> <p>3. Concise description of the nature of the business</p> <p>4. Name and other particulars of each applicant-</p>								
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; padding: 5px; font-size: small;"> Given names and surnames of each individual and corporate names of each corporation (if any applicant is under the age of 21 years, he or she is to be described as an infant and the date of his birth is to be set out) </td> <td style="width: 33%; padding: 5px; font-size: small;"> Former given names or surname (if any) of each individual. </td> <td style="width: 33%; padding: 5px; font-size: small;"> Usual place of residence and postal address of each individual and place of registered office in the country of each corporation. </td> </tr> <tr> <td style="height: 60px;"></td> <td></td> <td></td> </tr> </table>			Given names and surnames of each individual and corporate names of each corporation (if any applicant is under the age of 21 years, he or she is to be described as an infant and the date of his birth is to be set out)	Former given names or surname (if any) of each individual.	Usual place of residence and postal address of each individual and place of registered office in the country of each corporation.			
Given names and surnames of each individual and corporate names of each corporation (if any applicant is under the age of 21 years, he or she is to be described as an infant and the date of his birth is to be set out)	Former given names or surname (if any) of each individual.	Usual place of residence and postal address of each individual and place of registered office in the country of each corporation.						
<p>5. Date or proposed date of commencement of carrying out business in the country by the application(s) under the business name</p> <p>6. If the business name is adopted in substitution for a business name already registered by the applicant(s), State other name</p> <p>7. Full name, place of residence and postal address of resident agent authorised, in writing, to accept service on behalf of the persons carrying on or proposing to carry on business under the above business name of any notices for the purpose of the Business Names Act and of any process</p> <p>of.....</p>								
<p>8. Date 20.....</p> <p style="text-align: right;">(Signature)</p> <p>Date..... 20.....</p> <p style="text-align: right;">(Signature)</p> <p>Date..... 20.....</p> <p style="text-align: right;">(Signature)</p>								
PLEASE COMPLETE BOTH SIDES OF THIS FORM FOR INSTRUCTIONS SEE OTHER SIDE								

Summary:

You have come to the end of Lesson 4. In this lesson you learnt that:

- A license is a permission given in writing to someone to perform a particular activity. Failure to perform responsibly according to the laws of businesses will result in the cancellation of the licence.
- Licensing regulations are guidelines required by the national government and local authorities to practise certain Acts or laws.
- Licenses are issued for different purposes such as liquor outlets, public transport businesses, banks and financial Institutions all need licenses.
- A trade licence is a legal requirement to carry out trading businesses.
- Business name registration is a legal requirement. It gives recognition to the business to operate under that name.
- Certain conditions should be separated when choosing a name for a business.

NOW DO PRACTICE EXERCISE 4 ON THE NEXT PAGE
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Practice Exercise 4

1. Explain what the Licensing regulation is and its importance

2. Identify three (3) different licensing regulations

3. Why is it important that you obtain a license to trade?

4. What is the importance of registering a Business Name?

5. What will happen if you operate without a license?

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4

Lesson 5: Partnerships and Incorporated Land Groups



Introduction

Welcome to Lesson 5: Partnership and Incorporated Land Groups. In the previous lesson, you learnt about licensing regulations and its importance in Papua New Guinea. You also studied the different licensing regulations that relate to different types of businesses. In this lesson, you will learn about partnerships and incorporated land groups.



Your Aims:

- Explain the Partnership Ordinance and the Partnership Deed and their importance
 - Explain the Incorporated Land Group Act and state its importance
 - Identify the implications of the Benefit Sharing Agreement (BSA)
-

Partnership

A partnership is defined as the relationship that exists between two (2) or more persons carrying on a business in common with a view to make profit. At least two (2) people are required to form a partnership. There is no legal maximum number with regard to the number of partners in a partnership. Price Waterhouse and Coopers (PWC) is an example of a partnership.

Partnership Ordinance

Partnership Ordinance is the law that guides the operation of a partnership. If there are any disputes involving partnership businesses, the court will settle the dispute according to the partnership ordinance. This happens when the partners of a business do not put in place a partnership deed.

Partnership Deed

Partnership deed is a written agreement between partners. It is also called a partnership agreement. A partnership deed or agreement is the contract that is signed by partners prior to commencing a partnership business. In it they agree to certain details and conditions of operation. There is no restriction against starting and operating a partnership business based on an oral agreement. However, for the purpose of settling court cases between partners, it is advisable to have the agreement in writing.

The key items that should be included in the written agreement are:

- Name of partners
- Name and nature of business
- Location of business and address
- Capital contribution by partners
- Commencement date
- Profit and loss sharing ratio
- Salaries payable to partners, if any
- Interest on capital payable to partners, if any

- Interest on drawings, if any
- Document signing authority
- Buy-out provisions in the case of death, bankruptcy or illegal activity of one person
- Conditions for admission of new partners
- Method of handling a deceased partner's interest in the case of death
- Mechanism for settling disputes
- Process for dissolving partnerships
- Signatures of partners
- Date of agreement

It is very important to have the partnership ordinance and the partnership deeds so that conflicts and disputes are avoided or can be solved according to the agreement.

Furthermore, you should also know the meaning of the term, *bind firm*. It is the principle that anything one partner does on behalf of a business binds the whole business. If a partner signs the agreement the whole partnership is liable if it fails to pay.



Activity 5.1:

1. How many individuals can form a partnership?

2. How is a conflict or a dispute solved when there is no partnership deed in place?

3. Explain the term, bind firm.

Incorporated Land Groups Act

The Incorporated Land Group Act allows the members of the customary land to incorporate as a business group. The purpose of Incorporated Land Groups (ILG) is to allow national citizens to participate effectively in the development of economic enterprises, particularly at the village level.

This is the simplest form of business suitable for a group of people. It provides a form of legal protection and is simple and cost-effective to form and operate. It contributes even when its original members change. This is called perpetual succession.

Incorporated Land Groups (ILGs) are registered with the Registrar of Business Groups. The Act states: "On application by or on behalf of the group by not less than three members of the proposed committee and after payment of the prescribed fee, the Registrar may incorporate a customary group of persons as a business group, by

issuing to it a certificate of incorporation. The name of an incorporated land group shall end with the words „Business (Inc.)“ or „Business Group (Inc.).“

Incorporated Land Groups must have a constitution. Among other things, the constitution must set out:

- a. The name of the group
- b. The qualifications (and disqualifications if any)
- c. The title, composition, membership and manner of appointment of the committee or other controlling body of the group
- d. A provision that the committee or other controlling body of the group must at all times comprise not less than three members of the group
- e. The names of the first members of the committee
- f. The manner in which the group acts, and the manner in which its acts are evidenced
- g. Any limitations and conditions of the exercise of the powers conferred by the Act on the group
- h. The name, or other means of identification, of any relevant custom in accordance with which, or subject to which, the group is to act
- i. Details of the proposed dispute- settlement authority and the rules (if any) applicable to it.
- j. A postal address for service
- k. Any other matters that the group, with the approval of the Registrar, desires to have included in its constitution.



Activity 5.2:

1. An Incorporated Land Groups has perpetual succession. What does it mean?

2. How should an Incorporated Land Groups" name end?

3. Incorporated Land Group is a common type of business in many countries. Is this statement true or false? Explain your answer.

The Benefit Sharing Agreement

The Benefit Sharing Agreement is a government policy that allows land owners to share business activities with foreign companies on their customary land. It involves the sharing of direct and indirect benefits fairly for the people as well as the whole country.

Examples of direct and indirect benefits are;

- Direct benefits include royalties, equity entitlements and a development levy

- Indirect benefits include employment, training, business development as well as infrastructure development such as roads, bridges, schools, clinics, and other community initiatives.

**Activity 5.3:**

1. (a) What is the Benefit Sharing Agreement?

- (b) Give examples of direct and indirect benefits that are shared by a foreign company operating on a local land.

Summary:

You have come to the end of Lesson 5. In this lesson you learnt that:

- A partnership is the relationship that exists between two (2) or more persons carrying on a business in common with a view to make a profit.
- The Partnership Ordinance is the law that governs partnership.
- The Partnership deed is a written agreement between partners. It is also called a partnership agreement.
- A partnership deed or agreement is the contract that is signed by the partners prior to commencing a partnership business.
- The partnership ordinance and the partnership deeds are important to avoid disputes or conflicts and also solve them if they arise.
- Incorporated Land Groups are registered with the Registrar of Incorporated Land Groups.
- Incorporated Land Groups must have a constitution to guide its operations.
- The Benefit Sharing Agreement is a government policy that allows land owners to share business activities with foreign companies on their customary land. It involves the sharing of direct and indirect benefits fairly for the people as well as the whole country.

NOW DO PRACTICE EXERCISE 5 ON THE NEXT PAGE
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Practice Exercise 5

1. Define these terms;

(a) Partnership Ordinance

(b) Partnership Deeds

2. Why is it important to have the Partnership Ordinance and the Partnership Deed?

3. Explain the Incorporated Land Group Act and its importance

CHECK YOUR ANSWERS AT THE END OF TOPIC 4

Lesson 6: Restrictions on Businesses



Introduction

Welcome to Lesson 6: Restrictions on Businesses. In the previous lesson, you learnt about partnership and incorporated land groups. You also discussed the importance of the Incorporated Land Group Act. In this Lesson, you will learn about how laws and regulations impose certain restrictions on businesses.



Your Aims:

- Explain how restrictions regulate businesses
 - Identify types of restrictions on businesses
 - Discuss how restrictions affect business
-

How Restrictions Regulate Businesses

Laws and regulations impose certain restrictions on businesses. This is done in a number of ways:

1. Declaring businesses illegal

Some businesses are illegal because the law prohibits its operation.

For example:

- Selling pirated or illegally copied CDs and DVDs is illegal because the law of copyright prohibits it. You cannot make copies without getting permission from the producer.
- Selling cigarettes to underage children is illegal because the law in the Health Act, prohibits such sales
- Selling pornographic materials is illegal because the law prohibits it.

2. Imposing licensing requirements

To better regulate and coordinate certain businesses, the government imposes or enforces licensing requirements. For example, selling liquor and operating a restaurant business are two (2) businesses that require licences

3. Reserving certain businesses for Papua New Guineans.

The government has declared a list of businesses that are reserved for PNG nationals. Foreigners are not allowed to be engaged in these businesses.

4. Restricting certain businesses to designated areas.

For example, under the Informal Sector Development and Control Act 2004, provincial or local level government authorities may specify certain areas for informal businesses such as selling second-hand goods.

**Activity 6.1:**

Answer the questions that follow.

1. Explain illegal

2. Give an example of an illegal business

3. Why do you think certain economical activities are preserved for PNG nationals?

Types of Restrictions on Businesses

Some of the laws or regulations that impose restrictions have already been discussed in our previous lessons. We will list them down again and briefly discuss how they are a restriction to businesses operations.

1. Town Planning

Under Town Planning, permission must be obtained from the Physical Planning Board to undertake any development work in the zone that the business is operating. This means businesses cannot build any building on their land, even if they have the title, until they get permission from the Physical Planning Board.

2. Zoning

Zoning is the classifying of urban land into different zones or areas for different uses or activities. Zones are used and developed according to the purpose for which that land is classified.

Look at the zones below.

Zone1	Open space
Zone 2	Residential
Zone 3	Commercial
Zone 4	Light industrial and warehousing
Zone 5	General industrial and warehousing
Zone 6	Isolation industrial
Zone 7	Public institutional
Zone 8	Public utilities

For example, a business cannot build its factory in Zone 1 or Zone 2. These two (2) zones have different purpose.

3. Trading Hours

Trading hours refers to the opening and closing times for businesses that sell goods and services. The trading hours restrict businesses to operate 24 hours according to accepted times as allowed by law.

For example, shops should not open throughout the night. Opening businesses

For example, shops should not open throughout the night. Opening businesses at late night hours is risky, mainly due to robbery.

4. Licensing Regulations

Licensing regulations restrict businesses from conducting businesses in any way they like, because this would cause or create a lot of social problems. For example, legal age to purchase alcohol and beverage is 18 years and above. Imposing licensing requirements is one of the key measures to ensure business activities are conducted in the right way.

5. Health Regulations

Health regulations are imposed on businesses to ensure they function hygienically in terms of their preparation, storage and handling of food. It also makes sure that businesses have clean working environment for their employees and consumers. The health regulations restrict businesses from practices that are unhygienic which will surely cause illness to consumers.

6. Price Control

Price control means setting a legal maximum price for a product by a price controlling authority under the Price Control law. Price Control law restricts businesses from selling basic necessities at high prices outside or above the maximum price set. Businesses are not allowed to increase their mark-up. If they do, it is illegal and they will be charged accordingly.



Activity 6.2:

1. Why is it important to impose license regulations?

2. What would happen if there were no restrictions in regard to trading hours?

3. Imagine you own a piece of land in Port Moresby. Would you go ahead and build your house with your trade store located in front of it? Yes/No. Explain.

How Restrictions affect Businesses

Business restrictions do have positive impact on businesses in operation.

- There is order

Businesses function in an orderly way according to the trading hours and in the right zones or locations. Restrictions also minimise social problems to some degree as expected

- There are standards of quality products

Businesses are able to meet the required standards in producing products which will be worth the consumers' money thus, attracting customers to do business with them

- There are hygiene standards

Businesses maintained hygiene standards in preparation, storage and handling of food. Businesses are also required to have clean working environment for employees

- There is honesty and fairness

Businesses sell goods at the right prices, so they serve customers fairly. This encourages customers to buy from them, resulting in high profit earned for the businesses.

- There is grouping of businesses

Businesses are located in a specific or particular zone thus makes it easier for customers to locate them to do business and also encourage competition there



Activity 6.3:

1. Can you think of any way in which businesses may be affected negatively by the restrictions put on them?

2. List down five (5) names of the price controlled goods.

Summary:

You have come to the end of Lesson 6. In this lesson you learnt that:

- Laws and regulations impose certain restrictions on businesses
- Some businesses are illegal because the law states that those businesses are illegal.
- To better regulate and coordinate certain businesses, the government imposes licensing requirements.
- The government has declared a list of businesses to be reserved for PNG nationals. Foreigners are not allowed to be engaged in these businesses.
- Under the Informal Sector Development and Control Act 2004, municipal authorities may specify certain areas for informal businesses such as selling second-hand goods.
- Types of restrictions on businesses amongst the many are;
 - *Town Planning*
 - *Zoning*
 - *Trading Hours*
 - *Licensing Regulations*
 - *Health regulations*
 - *Price Control*
- *There is grouping of businesses*
- Businesses are affected positively by these restrictions in the following way;
 - *There is order*
 - *There are standards of quality in products*
 - *There are hygiene standards*
 - *There is honesty and fairness*
 - *There is grouping of businesses*

NOW DO PRACTICE EXERCISE 6 ON THE NEXT PAGE



Practice Exercise 6

-
1. Identify the four (4) ways through which restrictions regulate businesses

2. List three (3) types of restrictions on businesses which were covered or studied in this lesson.

3. Identify three (3) ways in which restrictions can have positive impact on businesses.

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4

Lesson 7: Taxation and Business



Introduction

Welcome to Lesson 7: Taxation and Business. In the previous lesson, you learnt about how laws and regulations impose certain restrictions on businesses. You also learnt how the restrictions affect businesses. In this Lesson, you will learn about taxation and how it works with businesses.



Your Aims:

- Define taxation and states the importance of taxation in the country
 - Discuss how business tax is collected
 - Explain the functions of the Internal Revenue Commission in relation to business taxation
-

What is Taxation?

Taxation is a system of imposing taxes on income, earnings, or purchases. The government agency responsible for collecting taxes is the Internal Revenue Commission (IRC).

There are two (2) types of tax. They are classified as direct taxes and indirect taxes.

1. Direct tax

Direct tax is paid directly by all the taxpayers and from their gross income.

2. Indirect tax

Indirect tax is usually paid by consumers through the business, which is later recouped from consumers by building it into the mark-up on goods.

Tax is levied or charged in accordance with the tax regulations. The Income Tax Act, the Goods and Services Tax Act, the customs Tariff Act and the Income (Salary or Wage tax Act) are some of the legislation that governs the tax system in Papua New Guinea

The government levies tax on income earners and businesses because it needs the money to do such things as; providing essential services, undertaking development projects, protecting the country from foreign invasions, maintaining law and order and distributing national income in a fair and equitable manner.

Importance of Taxation

Taxation is important in the sense that it is the main way the government raises its revenue within the country to finance its expenditure. Apart from this, the tax system is used to achieve other objectives of the government. These include:

- Encouraging or discouraging certain industries
- Encouraging or discouraging the importing of certain products
- Encouraging the fair distribution of national income
- Encouraging or discouraging the consumption of certain goods

Take note that collecting tax from businesses is one way of encouraging certain industries to set up and produce certain products or goods. Imposing of tax is also used as a control method to discourage certain industries producing certain products or goods.

Types of taxes and how they are collected

You have learnt about some of these types of tax in your Grade 9 course. However, we will discuss them again especially in the context of law. Some of them affect small businesses. Below is a list of some of these taxes.

1. Goods and Service Tax (GST)

Goods and Services Tax (GST) is a form of indirect tax. It is levied on goods and services sold by businesses in accordance with the Goods and Services Act 2003. Currently, a flat rate of 10% is levied irrespective of the nature of the goods or services involved. In practice, sales value and GST are shown separately in the tax invoice issued by businesses.

Some business houses such as supermarkets and grocery stores display GST-inclusive selling prices. That means, GST is included in the selling price. The GST component of such goods can be obtained by dividing the marked price by 11. For example, if a grocery item is displayed at K22, the GST component will be $22/11$ (22 divide by 11), equals, K2.00.

Businesses have to register with IRC in order to charge and collect GST from customers. These businesses are allowed to deduct any GST they themselves paid on purchases of stock or raw materials when they remit the GST collected from the customers. If the GST paid exceeds the GST collected, the business can ask for a refund from IRC.

For example: If a business pays K9000 in GST to a supplier when it buys stock and collects K12 500 in GST from its customers, the amount it remits to IRC will be $12\ 500 - 9000 = K3500$

The inclusion of GST means that the amount paid by a customer to purchase an item includes two components. One is the sales price and the other is the GST. The sales component goes into the business revenue and the GST component goes into the government revenue. For example, an item selling for K330 will be divided into:

Sales	K300	————→	Added to the business revenue
GST	K30	————→	Added to the government revenue
Total Selling Price	K330	————→	This is what the customer pays

Take note that, a small business like a village trade store will not be recognised to charge and collect GST but they (small business) will pay GST in the price of stock they buy.

2. Customs duties

Customs duties are levied or taxed when goods pass through the border, either as exports or as imports. The customs duty is charged in accordance with the Customs Tariff Act 1990.

- Export duty are charged on exports
- Import duty are charged on imports

Customs duties are levied at approved rates. The basis for calculating customs duty is the CIF value (Cost, Insurance and Freight)

The customs duties are collected by the customs agents, and then sent to IRC. Small businesses will not be liable as they are not likely to import or export.

3. Excise duty

An excess duty is a tax levied on goods manufactured for sale or goods sold within the country. The main commodities subject to excise duty are cigarettes and tobacco products, beer, spirituous liquors and petroleum products. Excise duty is levied on imported goods as well.

Excise duty is levied in accordance with the Excise Tariff Act. According to the Act, excise duty is levied on “excisable goods”. The excisable goods are listed in the Act.

	K
CIF value	3000
Customs duty 30%	900
	3900
Excise duty 40%	1560
	5460
GST 10%	546
	6006
Clearing charges	300
Landing cost	6306

Excise duty on imports is charged on top of the customs duty. See how it is done in the table above. This is how excise duty and customs duties are calculated, collected and send to IRC.

Take note that, clearing charges is referring to the fee imposed on the commercial transaction of documents taking place to clear the goods or services from one point to another.



Activity 7.1:

1. Why is tax levied on people or businesses by the government?

2. State whether the following actions by the government will encourage or discourage local businesses.

- (a) Increase customs duty on imported vegetables _____
- (b) Reduce customs duty on imported chicken _____
- (c) Increase customs duty on imported beer _____
- (d) Reduce customs duty on imported furniture _____

3. State whether the following actions by the government will encourage or discourage consumption:
- (a) Increase customs duty on raw materials used in the beer industry _____
 - (b) Increase customs duty on raw materials used in the cigarette industry _____
 - (c) Decrease customs duty on meat _____
 - (d) Decrease excise duty on vehicles _____
-

4. Income tax

There are two (2) forms of income tax. One is personal income tax and the other is company tax.

1. Personal income tax is levied on the income earned by individuals from all sources. This includes employment income, business income, rents, interest and dividends. Employment income covers salary or wages, allowances and benefits.
2. Company tax is levied on taxable profit earned during the year by businesses.

Personal income tax and company tax will be discussed separately in point 6 and 7. Income tax will be paid by the owner of the business on his income. Company tax will not apply to you (a small business).

5. Salary and wages tax

Salary and wage tax is deducted from the employment income. It is part of the income tax payable by individuals who are employed. This is enforced under the Salary and Wage Tax Rate Act. Salary and wage tax is referred to as Pay As You Earn (PAYE). Therefore, it is known as PAYE (Pay As You Earn) tax. It is progressive where those who earn more, pay more tax.

Employers are responsible for deducting, sending the employee's tax to IRC and reporting each employee's tax. The employee's responsibility is to lodge a Salary or Wages Tax Declaration form with the employer when he or she is employed.

6. Personal income tax

Income earned from all sources is subject to income tax. Personal income tax is paid on an individual's annual income.

Calculating personal income tax involves a number of steps:

- Step 1: Determine taxable income
- Step 2: Apply the tax rate to find the tax payable. Tax rates can be picked up from IRC at the beginning of each year.
- Step3: Deduct any tax rebates for dependents to find the net tax payable

Net tax payable is the amount the tax payer must pay to IRC. This is deducted from the employee's fortnight earnings each pay day.

7. Company tax

Companies are involved in complex business activities and therefore, the tax calculations are complicated. Company tax is also progressive based on the amount of profit made. Company tax calculation involves the following stages:

Stage 1: Adjusting profit to arrive at a taxable income. This is done by adding non-deductible items to operating profit and subtracting deductible items from operating profit. Deductible and non deductible items refer to the expenses

Stage 2: Calculating tax at the applicable tax rate is done by IRC officers.

Stage 3: Deducting rebates to arrive at the tax payable. Rebates are the money paid back.

Companies are classified as resident companies and non-resident companies for the purpose of tax. The tax rates for 2009 were:

- Resident companies – 30%
- Non- resident companies – 48%

Example: A resident company earned a taxable profit of K55 000. Calculate the company tax for one year.

Answer: $55\,000 \times 30/100 = K16\,500$

Company tax is payable in three (3) equal instalments on or before 30 April, 31 July and 31 October of each year. In this way, IRC collects expected tax throughout the fiscal or financial year. The Commissioner General of IRC issues a provisional tax assessment to each company based on the last income tax return it lodged. If no tax was payable on the prior year's return, or if no tax return was lodged, IRC can estimate the tax that should be payable.

In addition to company tax, resident companies are subject to withholding tax on the distribution of profits as dividends. Withholding tax is a tax system introduced by IRC to receive tax in advance from shareholders taxpayer rather than having to wait for the tax payer to pay tax at the end of the year.

For example, when a company pays dividends to its shareholders, the company must deduct 17% of the dividend as tax. This is called dividend withholding tax. The balance of 83% is paid to the shareholders. A shareholder whose dividend is taxed does not have to pay another tax on his income received.

Take note that in tax calculation, some expenses are not deductible. One example is the depreciation expense. This is where money is not spent but reflects wear and tear of machines when used over time. Depreciation is subtracted to get Net Profit but is added back to calculate the tax.

**Activity 7.2:**

Define these terms:

1. GST

2. Tax invoice

3. Excise duty

4. Income tax

5. Personal income tax

6. Company tax

7. Other Taxes

- Stamp duty – This tax is imposed on the transfer of shares, transfer of properties and partnership agreements at varying rates.
- Land lease tax – This is a tax imposed at the provincial government
- Training levy- This tax is levied on businesses. Employers with a payroll in excess of K200 000 per annum are liable to pay a training levy. This is assessed on an annual basis and is calculated at 2% of the payroll. The amount of levy payable may be offset against any qualifying expenses incurred during the year.

Functions of the Internal Revenue Commission

- The Internal Revenue Commission (IRC) is the sole government tax collector.
- Currently, IRC tries to make it easier for the tax paying community to comply by offering improved services and education products, including encouraging greater reliance on the website: www.irc.gov.pg
- Collect taxes to help build Papua New Guinea
- Develops balanced awareness and enforcement strategies to address key risks for different market segments.
- Ensure that the right amount of tax is collected
- To continue to contribute to the tax system in ways that will reflect values such as fairness, respect, professionalism, honest and openness to the community.

**Activity 7.3:**

Answer these questions

1. The word remit" is used in the GST information, what does it mean?

2. What is the tax return?

3. What is dividend withholding tax?

Summary:

You have come to the end of Lesson 7. In this lesson you learnt that:

- Taxation is a system of collecting taxes
- Tax imposed is broadly classified as the direct taxes and the indirect taxes.
- Direct tax is paid by all taxpayers from their incomes.
- Indirect tax is paid by consumers through the business.
- Taxation is the important source of revenue for the government to finance its expenditures.
- Taxation is used to encourage or discourage certain industries and products.
- The Internal Revenue Commission (IRC) is the sole government tax collector.
- The different types of taxes are:
 - Goods and Services Tax
 - Customs duty
 - Excise duty
 - Personal Income tax
 - Company Tax
 - Stamp duty
 - Land lease tax
 - Training levy

NOW DO PRACTICE EXERCISE 7 ON THE NEXT PAGE
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**Practice Exercise 7**

1. What is taxation?

2. What is the importance of taxation?

3. List four (4) different types of taxes.

4. What is the function of Internal Revenue Commission (IRC)?

CHECK YOUR ANSWERS AT THE END OF TOPIC 4

Lesson 8: Regulations for Insurance Businesses



Introduction

Welcome to Lesson 8: Regulations for Insurance Businesses. In the previous lesson, you learnt about taxation and how it works with businesses. You also learn about how Internal Revenue Commission works. In this Lesson, you will learn about regulations for insurance businesses, and how the regulations affect businesses involved with selling insurance. You will also learn about the advantages and disadvantages of regulations set on businesses dealing with selling insurance.



Your Aims:

- Explain what insurance businesses are
- Identify the types of regulations on insurance businesses
- Discuss how the regulations affect the insurance businesses
- Identify the advantages and the disadvantages of the regulations on the insurance businesses

Insurance businesses

Insurance businesses are companies that sell insurance to individuals and businesses. They are like any other organisation. They provide an important service but at the same time they want to make profit. They attempt to collect premium payments with a higher value of what they have to pay out in compensation claims. A few examples of insurance businesses operating in Papua New Guinea are;

- Tower Insurance,
- National Teacher Insurance Ltd,
- Century Insurance (PNG) Ltd and Pacific MMI Insurance.

You can also find the names of other insurance businesses in the Papua New Guinea Business Directory.

Insurance businesses can be classified through the policies they offer. The policies the insurance businesses offer can be either for individuals or for businesses. While on the same point, some insurance policies can also be offered to both, individuals and businesses at the same time. The policies for individuals are such as life insurance and health insurance. The policies for businesses are many. However, the two compulsory insurance policies that all businesses should take up are; Third Party Motor Vehicle Insurance and the Workers' Compensation Insurance. These two policies have been studied in Lesson 15 of Unit 1.

You should also take note that insurance policies for businesses also include the voluntary ones which were studied in Lesson 16 of Unit 1. You can refer to Lesson 15 and 16 to revise these policies.

**Activity 8.1**

Read through Lesson 15 and 16 of Unit 1 to complete this given activities.

1. What is an insurance business?

2. Name the two (2) compulsory insurance policies that all businesses should take out.

3. Apart from the two (2) compulsory insurance policies, identify six (6) other different types of insurance policies.

The Insurance Act

The Insurance Act is the law that is practised around insurance. This means that the law is practised around the insurance policies and the claims. Papua New Guinea has its own Insurance Act. It is titled, Insurance Act 1995. The Insurance Act 1995 is the law set up to be followed by insurance businesses operating in Papua New Guinea.

The Insurance Act 1995 is arranged in sections. Each of these sections contains clear and detailed instructions of the main activities in the operation of insurance business. While on the same point, you should also know that there are provisions within the sections.

The term provision is referring to prepared steps of actions to be taken to meet a possible or expected need. These provisions provide specific guidance to an insurance business to act according to the insurance law when dealing with the different aspects of insurance.

Below and also on the next two pages are all the main sections of the Papua New Guinea Insurance Act 1995. You may read the list of sections now.

The Main Sections of the Papua New Guinea Insurance Act 1995**Part i Preliminary**

1. Compliance with the Constitutional Requirements
2. Interpretation
3. Application
4. Application of other Acts

Part ii Administration

1. The Insurance Commissioner
2. Tenure of office and conditions of services
3. Salary and allowances
4. Leave of absence
5. Outside employment
6. Public Service rights of service
7. Vacation of office of commissioner
8. Oath of office
9. Delegation
10. Annual report
11. Staff
12. Secretary

Part iii Licensing Of Insurers And Brokers And Loss Adjusters

13. Unlicensed persons carrying on general insurance business or acting as Brokers or Loss Adjusters
14. Commissioner may license insurers, brokers and loss adjusters
15. Licensing of insurers, brokers and loss adjusters
16. Duty of licence holder to give notification of changes
17. Licensing requirements in relation to disablement insurance.
18. Restrictions on names of licensed insurers and licensed brokers
19. Revocation of licence
20. Revocation on request
21. Effect of revocation or failure to renew
22. Policy guidelines

Part iv Deposits and Guarantees

23. Deposits and guarantees by licensed insurers and licensed brokers

Part v Audit, Returns and Inspection,

24. Appointment and duties of auditor
25. Returns to be submitted by insurers and brokers and loss adjusters
26. Form of documents, policies, brochures, etc
27. Insurance of policies and renewals, etc
28. Register of policies, etc
29. Investigation and report by actuary
30. Powers of inspection and investigation
31. Powers of direction

Part vi All Risks Situated in Papua New Guinea to be Insured with Licenced Insurers

32. All risks situated in Papua New Guinea to be insured with licensed insurers
33. Exemption
34. Inspection

Part vii Responsibility for Agents

35. Responsibility of licensed insurers, licensed brokers and licensed loss adjusters for their agents

Part viii Transfer of Insurance Business

36. Transfer of insurance business
37. Application for approval of a transfer scheme
38. Publication, etc., of application
39. Representations may be made in respect of application
40. Commissioner may give approval, etc.
41. Duties of application after approval of transfer scheme.
42. Duties of licensed insurer where application to the National Court in relation to the transfer is required.

Part ix Complaints Procedures and Dispute Resolution

- 43. Internal procedures
- 44. Insurance complaints tribunal
- 45. Resignation
- 46. Vacation of office
- 47. Conduct of Tribunal
- 48. Declaration of interest
- 49. Functions of the Tribunal
- 50. Powers of the Tribunal
- 51. Rights of representation, etc.
- 52. Right of appeal
- 53. Failure, etc., to implement direction an offence.

Part x Trade Practices Provision

- 54. Trade practices provision

Part xi Provisions Relating to the Winding-Up of a Licensed Insurer

- 55. Application and interpretation
- 56. Commissioner may petition for winding-up in certain circumstances
- 57. Winding –up
- 58. Licensed insurer not to carry on business after commencement of winding-up proceedings
- 59. Winding-up may commence in certain circumstances
- 60. Voluntary winding-up

Part xia The Insurance Commissioner's Fund

- 61A. The insurance Commissioner's Fund
- 61B. Application of Public Finances (Management) Act 1995.
- 61C. Contributions to the Insurance Commissioner's Fund
- 61D. Expenditure from the Insurance Commissioner's Fund
- 61E. Estimates of expenditure
- 61F. Insufficiency of Funds

Part xii Miscellaneous

- 62. Notice as to insurance business outside Papua New Guinea.
- 63. Arrangement of cover with overseas Insurer.
- 64. Arbitration Clauses
- 65. Address for service.
- 66. Service of documents and notices
- 67. Register of Licensed insurers and Licensed Brokers and Licensed Loss Adjusters
- 68. Inspection of Register and Accounts
- 69. Evidence and judicial notice
- 70. Defaulting officers.
 - "officer"
 - "officer of the corporation who is in default"
- 71. Time for bringing proceedings
- 72. Regulations

Part xiii

- 73. Repeal

Part xiv Savings and Transitional

- 74. Interpretation
- 75. Savings of existing licences.
- 76. Policy guidelines
- 77. Directions, prohibitions, exemptions, etc.
- 78. Deposits
- 79. Deposits
- 80. Application of Acts, etc.

Now that you have read through the sections of the Papua New Guinea Insurance Act 1995, it should give you a fair idea of how the instructions for different activities are provided under each section for the insurance businesses to follow in their operations.

**Activity 8.2:**

1. Explain the Insurance Act.

2. What is the name of the Papua New Guinea Insurance Act?

3. Explain the arrangement of the Papua New Guinea Insurance Act.

4. What does provision refer to?

Types of Regulations on Insurance Businesses

There are certain regulations or rules that apply to the policies that are offered by the insurance businesses. Let us discuss them.

1. Indemnity

This means businesses or individuals should be compensated for any losses suffered. It also means that they should receive an amount of money exactly equal to the loss suffered and no more. For example, a business has a vehicle that is six years old. If it is destroyed by fire, the owner will receive money equivalent to the loss of the six year old vehicle but not receive more money from the insurance company to buy a brand new car.

2. Contribution

This principle prevents the businesses or individuals from insuring against the same loss with more than one insurance company and then claiming full compensation from each company for the same loss. In this way, the companies pay compensation proportionally.

3. Subrogation

This principle prevents businesses or individuals claiming ownership of an asset and also receiving insurance compensation for it. For example, if you receive

compensation for a car that has been stolen, you have no right to claim ownership once the car is recovered subsequently.

4. Insurable interest

This means businesses and individual wishing to insure themselves must be in a possible loss which they are insuring against. For example, you can insure your own car but not your neighbour's car.

5. Utmost good faith

This means that both parties in the insurance contract must act with honesty towards one another during the negotiations before an insurance contract is agreed, and in the handling of claims afterwards. Providing false information or hiding the truth for personal gain are violations of this principle.

How regulations affect insurance businesses

Insurance businesses are affected positively by insurance regulations in the following way:

- It protects insurance businesses from over paying losses being claimed for
- It protects insurance businesses from dishonest practices
- It enables insurance businesses to work out and accept genuine claims only

Advantages and Disadvantages of Regulations on Insurance Businesses

Advantages:

- Regulations enable insurance businesses to operate fairly
- Regulation enable insurance businesses to screen claims carefully

Disadvantage:

- Regulations may delays investigations on risks encountered
- Regulations may discourage clients



Activity 8.3:

1. List the types of regulations that apply to the policies that are offered by the insurance businesses.

2. List one (1) way how businesses are affected positively by insurance regulations.

3. List one (1) advantage and disadvantage of regulations on insurance businesses
-
-

Summary:



You have come to the end of Lesson 8. In this lesson you learnt that:

- Insurance businesses are like any other organisations who sell insurance policies to individuals and businesses to make profit.
- The operations of insurance businesses are guided by regulations such as indemnity, contribution, subrogation, insurable interest and utmost good faith.
- The insurance businesses are affected positively by regulations in terms of the protection from over paying losses being claimed for and from dishonest practices. It also enables insurance businesses to work out and accept only genuine claims.
- There are advantages and disadvantages of regulations on insurance businesses.

NOW DO PRACTICE EXERCISE 8 ON THE NEXT PAGE
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Practice Exercise 8

1. Explain what insurance businesses are

 2. Identify the types of regulations on insurance businesses

 3. Explain how insurance regulations affect insurance businesses

 4. List the advantages and disadvantages of regulations on insurance businesses

-

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4

ANSWERS TO

TOPIC 2

PRACTICE EXERCISES 4-8

ANSWERS TO PRACTICE EXERCISE 4-8

Practice Exercise 4

1. Explain what the licensing regulation and its importance

Licensing regulations are administrative procedures that guide the enforcing of laws by the National Government and Local Authorities. Licensing regulations are important because they give the guidelines to those who have been permitted to perform responsibly.

2. Identify three (3) different licensing regulations

There are different licensing regulations. Examples are;

- *Business Name Act (1963)*
- *Liquor Licencing Act 1963*
- *Trading Licence Act 1969*
- *Road Traffic Act 2014*

3. Why is it important that you obtain a License to trade?

It gives you the legal permission to carry out business under a registered business name.

6. What is the importance of registering a Business Name?

A Business name registration is a legal requirement. It gives recognition to the business as it operates. Banks and other financial institutions may prefer to provide loans to registered businesses rather than unregistered ones. A registered business name also gives an identity to the business.

4. What will happen if you operate without a licence?

You will be taken to court, charged and even end up in jail.

Practice Exercise 5

1. Define these terms;

- (a) Partnership Ordinance

Partnership Ordinance is the law governing a partnership

- (b) Define A Partnership Deeds

A Partnership deed is a written agreement between partners. It is also called a partnership agreement.

2. Why is it important to have the Partnership Ordinance and the Partnership Deeds?

The partnership ordinance and the partnership deeds are important to solve the disputes or conflicts between the partnerships

3. Explain the Incorporated Land Group Act and its importance

The Incorporated Land Group Act is a law that covers business groups who are made up of the members of the same customary land and traditions. It is important because it helps simple people at the village level to participate in business.

Practice Exercise 6

1. Identify the four (4) ways through which restrictions regulate businesses.

- *Declaring Businesses Illegal*
- *Imposing Licensing Requirements*
- *Reserving certain businesses for Papua New Guineans*
- *Restricting certain businesses to designated areas*

2. List three (3) types of restrictions on businesses which were covered or studied in this lesson.

(Any of these listed below.)

- | | |
|------------------------|--------------------------------|
| • <i>Town Planning</i> | • <i>Licensing Regulations</i> |
| • <i>Zoning</i> | • <i>Health regulations</i> |
| • <i>Trading Hours</i> | • <i>Price Control</i> |

3. Identify three (3) ways in which restrictions can have positive impact on businesses.

(Any of these listed below.)

- *There is order*
 - *There is standards of quality in products*
 - *There is hygiene standards*
 - *There is honesty and fairness*
 - *There is grouping of businesses*
-

Practice Exercise 7

1. What is taxation?

Taxation is a system of imposing taxes on income, earnings, or purchases for government revenue.

2. What is the importance of taxation?

Taxation is used either to encourage or discourage certain industries and products

3. List four (4) different types of taxes.

Any of these listed below.

- Goods and Services Tax
- Customs duties
- Excise duties
- Income Tax
- Personal Income tax
- Company Tax
- Stamp duty
- Land lease tax
- Training levy

4. What is the function of *Internal Revenue Commission* (IRC)?

The functions of IRC are;

- *Internal Revenue Commission (IRC) acts as the sole government tax collector.*
- *Currently, IRC tries to make it easier for the tax paying community to comply by offering improved services and education products, including encouraging greater reliance on the website: www.irc.gov.pg*
- *Collect taxes to help build Papua New Guinea*
- *Develops balanced awareness and enforce strategies to address key risks for different market segments.*
- *Ensure that the right amount of tax is collected*
- *To continue to contribute to the tax system in ways that will reflect values such as fairness, respect, professionalism, honesty and openness to the community.*

Practice Exercise 8

1. Explain what insurance businesses

Insurance businesses are companies that sell insurance cover or policies to individuals and businesses

2. Identify the types of regulations on insurance businesses

- Indemnity
- Subrogation
- Utmost good faith
- Contribution
- Insurable interest

3. Explain how regulations affect insurance businesses

Insurance businesses are affected positively by the regulations in the following way:

- It protects insurance businesses from over paying losses being claimed for
- It protects insurance businesses from dishonest practices
- It enables insurance businesses to work out and accept genuine claims only

4. List the advantages and disadvantages of regulations on insurance businesses

Advantages:

- Enable insurance businesses to operate fairly
- Enable insurance businesses to screen claims carefully

Disadvantage:

- Delay investigations on risks encountered
- Discourage clients

END OF ANSWERS TO PRACTICE EXERCISES 4-8

TOPIC 3

LAWS AND EMPLOYMENT

In this topic, you will learn about:

- **Laws in employment**
- **Employment conditions**
- **Minimum wages legislation**
- **Labour and industrial relations office**

TOPIC 3 INTRODUCTION



Introduction

Welcome to Topic 3, Laws and Employment. In this topic you will learn about the laws in employment. It will also teach you about the different employment conditions, minimum wage legislation and the roles of the Labour and Industrial Relations Office.

Topic 3 has four (4) lessons: They are:

Lesson 9: Introduction to Laws and Employment

This lesson will teach you about employment laws and their importance and explains the rights and responsibilities of employers and employees. It also teaches you about the different industrial issues and the processes in addressing them.

Lesson 10: Employment Conditions

This lesson defines and explains the conditions of employment in Papua New Guinea. It also explains how rewards of work and other dues for employees are calculated.

Lesson 11: Minimum Wages Legislation

This lesson explains minimum wages and the importance of having it. It also discusses the different categories of the minimum wages legislation as amended, 2008.

Lesson 12: Labour and Industrial Relations Office

This lesson explains the importance of having the Labour and Industrial Relations office. The lesson also teaches the roles and responsibilities of the Industrial Relations Office. Lastly, the lesson enumerates the procedures on addressing industrial conflicts.

Lesson 9: Introduction to Laws and Employment



Introduction

Welcome to Lesson 9 The Introduction to Employment Laws. In the previous lesson, you learnt about regulations for insurance businesses, its types and how the regulations affect insurance business. You also learnt about the advantages and disadvantages of regulations on insurance businesses. In this Lesson, you will learn about employment laws and their importance. You will also learn about rights and responsibilities of employers and employees. Furthermore, you will discuss industrial issues and the processes in addressing their issues.



Your Aims:

- Explain the employment laws and state its importance
 - Explain the rights and responsibilities of employers and employees
 - Explain industrial issues and the processes in addressing them
-

Employment Laws and their Importance

Employment laws are passed by the National Parliament to protect employees and provide the minimum terms and conditions of employment. Employment laws include:

- | | |
|-------------------------------|---|
| • Minimum wages | • The right to form or join unions |
| • Leave entitlement | • Occupational health and safety |
| • Training | • Protection of nationals from foreign workers' exploiting them |
| • Promotion | • Gender equality in the workplace |
| • Social security | • Freedom from sexual harassment |
| • Freedom from discrimination | |

Some of these conditions of employment will be further discussed in Lesson 10, 11 and 12.



Activity 9.1:

1. Why is employment law put in place?

2. What does 'discrimination' mean to you?

3. What does it mean to practice gender equality in the workplace?

Let us discuss discrimination as an example to illustrate how the law protect employees.

Discrimination is about treating people differently through prejudice. For example, discriminating on the bases of age, gender, pregnancy, disability or illnesses such as HIV & AIDS. Age discrimination means treating someone differently from the rest because they are old or young.

Gender discrimination means discriminating against a female employee on account of her gender. If employers fail to pay a female employee the same wages as a male employee doing the same work, they are guilty of an offence. The Employment Act 1978 protects employees from being unfairly treated. This also includes employees living with HIV & AIDS. They must be given the same treatment as a normal people.

Rights and Responsibilities of Employers and Employees

Employers and employees have rights and responsibilities. We will use the table to show and these rights and responsibilities.

	Rights	Responsibilities
Employer	<ul style="list-style-type: none"> - To hire and fire - To reprimand - To reward - To appraise 	<ul style="list-style-type: none"> - To pay - To train or provide appropriate training opportunities - To promote - To provide security and safety
Employee	<ul style="list-style-type: none"> - To express their views/ideas - To be rewarded for the job done - To safe working environment - To entitlements 	<ul style="list-style-type: none"> - To perform delegated duties and produce results - To obey orders - To maintain professional standards - To be on time for work - To keep trade secrets



Activity 9.2:

1. What does it mean, 'to have the right' to do something?

2. What are 'responsibilities'?

3. As a student, what are your rights and responsibilities? Give an example

(a) Right: _____

(b) Responsibility: _____

Industrial Issues and how to solve them

When employees' rights are not respected or met, it usually results in industrial conflicts. Industrial conflicts cause loss to production and loss of profit for the business organisation. Therefore, it is very important to address employee's rights before they get out of hand and cause even big loss to the businesses.

The different types of industrial actions include;

- **Strike:** This is a withdrawal of labour from production by employees.
- **Work ban:** This is when workers' refuse to perform some task that is usually not specified in their legal working conditions or award. For example, they may refuse to work overtime.
- **Work to rule:** This is similar to a work ban. Workers' follow strictly terms of their employment contract or award and do not do extra work.
- **Picket:** Workers or a union attempt to prevent other workers or suppliers from entering a workplace.
- **Boycott:** Where pressure is placed on an employer whose workers are refusing to associate with the products of the targeted company.
- **Sitting in:** workers are present at the work place but they are just sitting at their work stations, not doing any work for the business organisation.
- **Sabotage:** Where production is lost through such deliberate actions as destroying equipment and machinery, and setting fire to the factory or building.
- **Lock out:** Where employers deliberately prevent workers from employment, such as through the suspension of production or the exclusion of workers from the premises of production



Activity 9.3:

1. What do you think are the major reasons for industrial issues?

2. What are some of the consequences of industrial issues?

3. How would you as a small business person, who employs three (3) workers, approach your employees if they are not satisfied with you on how you carry out your responsibilities?

How to Solve Industrial Issues

Industrial issues can be solved through management control and the function of trade unions.

- **Management Control:** It is about the management of the organisation having a direct control over the work and the workers. The management gives directions

of work and ensures that the supervisor on the ground monitors closely the task and the workers. Those who fail to meet the requirements, or those who return late from breaks or lunch would be reprimanded or corrected. A fair payment should then be given to all who meet the targets of work. A good management control minimises conflicts.

- Trade union: It is an organisation set up by wage earners to serve and advance its members' interests in terms of seeking fair wages, benefits, and working hours and conditions for its members. A trade union negotiates on behalf of the workers with the management to address the members' grievances on different issues whether it is wages or salary, benefits and working conditions.

Summary:



You have come to the end of Lesson 9. In this lesson you learnt that:

- Employment laws are passed by the parliament to protect employees in providing minimum terms and conditions of employment.
- Employment Laws include:
 - Minimum wages
 - Leave Entitlement
 - Training
 - Promotion
 - Social security
 - Freedom from discrimination
 - The right to form unions
 - Occupational health and safety
 - Protection of nationals from foreign workers exploitation
 - Gender equality in the workplace
 - Freedom from sexual harassment
- The Employment Act 1978 protects employees from being unfairly treated.
- Discrimination is about treating people differently.
- Employers' have the right to: hire, fire and reprimand
- Employers' have the responsibilities to: pay, train, conduct in-service, promote and provide security and safety
- Employees' have the right to express their views be rewarded for the job done, to provide their service in a safe working environment and entitlements.
- Employees' have the responsibilities to: perform, obey orders and maintain professional standards.
- When employees right are not respected or abused, industrial conflicts arise
- Industrial issues can be solved through *management control* and/or *trade unions*.
- A good management control minimises conflicts.
- A trade union negotiates on behalf of the workers to the management to address the members' grievances on any matter whether it is wages or salary, benefits or working conditions.

NOW DO PRACTICE EXERCISE 9 ON THE NEXT PAGE



Practice Exercise 9

-
1. What is the importance of having employment laws?

2. List four (4) types of employment laws.

3. List two (2) rights and two (2) responsibilities of employers and employees

4. List two (2) types of industrial issues

5. How are industrial issues addressed?

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4

Lesson 10: Employment Conditions



Introduction

Welcome to Lesson 10: Employment Conditions. In the previous lesson, you learnt about employment laws and their importance. You also learnt about the rights and the responsibilities of employers and employees. Furthermore, you discussed industrial issues and the processes in addressing them.

In this Lesson, you will learn about the different conditions of employment and how to calculate appropriately the reward of work and other entitlements for the employees.



Your Aims:

- Define the conditions of employment
- Identify the different conditions of employment in place in Papua New Guinea
- Calculate appropriately the reward of work and other dues for the employees

Conditions of Employment

Conditions of employment can be described as the things or matters that are necessary to exist in an organisation for employees. Conditions of employment are by law the rights of the employees. These things must be offered by the commercial organisations or the government departments for their employees. There are labour laws in place to protect the employees in regard to the employment conditions.

In this lesson we will look at the following conditions of employment.

- Wages and Salaries
- Overtime payments
- Leave entitlements
- Dismissal of workers

Wage

A person is paid a wage for the work he or she does. He or she is paid so much for each hour that he works. The money given for each hour worked is called the hourly rate. Some workers are expected to work 42 hours every week. Their wages for the week can be calculated by multiplying 42 x the hourly rate.

How to work out the wage?

Example: Emanuel's hourly rate is K3.50. He is expected to work 42 hours per week. He earns K147 for one week. He is paid after every two weeks, so he receives K294 every fortnight. The amount of pay depends on the number of hours he works for in one week.

Salary

A person who receives a salary will often get his pay every fortnight, just like a wage earner. A salary earner's pay, however, does not depend on the number of hours

worked during the fortnight. It is an agreed amount of payment the employer receives each fortnight.

A salary is a fixed amount of money which an employee will earn for the year. To find out the pay for each fortnight, the total salary for the year is divided by the number of fortnights in a year.

How to work out the salary?

Example:

Kesion's salary is K28 600 each year. There are approximately 26 fortnights in a year. His fortnight pay will be K28 600 divide by 26, equals K1100.

Take note that usually people who receive salaries do not get overtime pay. Even if they work extra hours during the fortnight, no overtime is paid to them.



Activity 10.1:

1. What is an hourly rate?

2. Pauline's hourly rate is K4. She is expected to work 42 hours every week. How much will she earn in a fortnight?

3. Roy's salary for a year is K14 300. How much will he receive every fortnight?

Overtime

Workers in the private sector are legally required to work 42 hours per week. They are paid a normal wage rate for 42 hours a week. However, there are instances where workers are required to work more than the legal required hours in a week. In such cases they are paid an additional payment called *overtime pay*. A higher wage rate is paid for overtime hours worked.

Overtime rates specified in the Act are as follows:

- Saturday: 1 and half X the hourly rate
- Sunday & Public Holidays: Double the hourly rate
- Any other days after normal working hours is paid on: one and a half times the hourly rate.

How to work out the overtime?

Example: The normal hourly wage rate for Mr Brown is K2.50. He works for the following number of hours per week:

Normal working hours	42 hours
On Sundays	8 hours
After normal working hours on weekdays	10 hours

His weekly wages are calculated as follows:

Normal working hours (42 x 2.50)	105.00
-----------------------------------	--------

Overtime:

Sunday [8 x (2.50 x 2)]	40.00
Weekdays [10 x (2.50 x 1.5)]	37.50
Total Pay	182.50



Activity 10.2:

Refer to the information below to answer the given questions.

Normal working hours = 42 hours

On Sundays = 8 hours

After normal working hours on weekday = 10 hours

1. Allan's hourly rate is K3.25. How much will he earn on his normal working hours in a fortnight?

 2. Allan was asked to work on Sunday. How much will be his overtime pay for working on Sunday?

 3. How much in total will Allan receive in his fortnight pay?

-

Employee's Benefits include:

Leave Entitlements

Leave simply means time off from duty. During the leave period the employee is paid his or her normal wages.

Annual leave

Annual leave is sometimes referred to as recreational leave or holiday leave. The minimum prescribed entitlement is 14 consecutive days off after each year of service. Annual leave accrues at the end of each period of 12 months continuous service. Annual leave credits may be accrued to a maximum of four years with the consent of the employer.

Sick leave

An employee who has served for a period of at least six months is entitled to be paid sick leave of six days a year. A signed medical certificate should be produced by the employee in the event of taking sick leave. Sick leave is not generally payable if the employee has served less than six months. Sick leave may be accumulated to a maximum of 18 days. This does not include sick leave credits for a current year.

Long Service leave

Long service leave is granted to recognise long service and employee loyalty. All employees who have worked 15 years continuously for an employer are entitled to 24 weeks long service leave on full pay. Long service leave accrues at two weeks for every fifteen months of service. Employees who have worked with the same organisation for three years or more are entitled to a pro-rata payment of long service leave upon termination of the employment. That is the employee will only get a portion of the long service leave pay.

How to work out long service leave pay?

Time: $\frac{\text{number of years with same employer}}{15} \times 6 \text{ months}$

Payment: $\frac{\text{number of years with same employer}}{15} \times \frac{1}{2} \times \text{current yearly wage}$.

Example: Moses earns K17 000 per year. He takes his long service employment leave after 10 years. The amount of long service leave he will be entitled to receive up to that time would be:

$10/15 \times 6 \text{ months} = 4 \text{ months of holiday}$

If he received money instead of leave, the amount to be received will be:

$10/15 \times \frac{1}{2} \times 17\,000 = \text{K}5100$

Maternity leave

Maternity leave is granted to pregnant female employees who have been employed by an employer for the following minimum periods:

- 108 days within the period of 12 months; or
- 90 days within the period of six months

The period of leave will be the period necessary for hospitalisation prior to confinement and six weeks following confinement is the time of the woman giving birth. The employee is also entitled to an additional period of up to four weeks leave if she is unable to carry out her employment duties due to sickness following her confinement. Confinement refers to the rest needed by the female employee before and after giving birth.

**Activity 10.3:**

Refer to the information below to answer the given questions.

Emelda resigns from her job, having been with the same employer for five (5) years. She earns K6000 per year.

1. How much long service leave has she accumulated?

2. If Emelda receives money instead of leave, how much would she receive?

3. In maternity leave, the term confinement is used. What does it mean?

Dismissal of Workers

If workers are dismissed, they should be given early notice before the dismissal date. A worker who has been employed by the same firm for at least three months should be given one week's notice if told to leave. Casual workers may be given just one day's notice.

An employer may give a worker a week's pay instead of notice, and ask the worker to leave immediately. An employee may also be dismissed without any notice or payment, if the worker:

- Has been dishonest in his or her work
- Refuses to obey orders
- Is absent from work
- Is not carrying out his or her duties

Summary:



You have come to the end of Lesson 10. In this lesson you learnt that:

- The conditions of employment can be described as things or matters that are necessary to exist in an organisation for employees before hiring and employing staffs.
- There are labour laws in place to protect the employees in regard to employment conditions.
- Conditions of employment include;
 - Wages and Salaries
 - Overtime pays
 - Leave entitlements
- A person is paid a wage for the work he or she does. He is paid at a rate of so much for each hour that he works.
- The money given for each hour worked is called the hourly rate.
- A salary is a fixed amount of money which an employee will earn for the year.
- An additional payment for additional work on top of the normal wage is called an overtime pay.
- A higher wage rate is applied for overtime hours done.
- Leave simply means time off from duty.
- Leave entitlements include; *sick leave, annual leave, long service leave and maternity leave. These are payments an employee is entitled to during leave.*

NOW DO PRACTICE EXERCISE 10 ON THE NEXT PAGE



Practice Exercise 10

-
1. Explain the conditions of employment

2. List three (3) types of conditions of employment

3. (a) Peter earns K350 per fortnight. He works 42 hours per fortnight. Calculate how much he earns per hour.

- (b) Peter worked 10 hours overtime during the week. How much is his overtime pay?

- (c) How much in total will Peter receive in a fortnight?

4. Workers should be given notice before being dismissed. Employers sometimes give pay instead of the notice, and the worker leaves immediately. Explain why some employers do this.

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 4

Lesson 11: Minimum Wages Legislation



Introduction

Welcome to Lesson 11: Minimum Wages Legislation. In the previous lesson, you learnt about the different conditions of employment and how to calculate appropriately the reward for work and other dues for the employees.

In this Lesson, you will learn about minimum wages legislation, its importance and the different categories of minimum wages legislation.



Your Aims:

- Define the minimum wages and state its importance
 - Discuss the different categories of the minimum wages legislation as amended in 2008
-

Minimum Wages

Minimum is another word which means the lowest, or smallest. Therefore, minimum wages means the lowest or smallest amount that the employers can pay their employees in wages.

The Minimum Wage Board is a government body that determines the lowest wage rate for employees. Once, a Minimum Wage Board determination is gazetted, it becomes a legal wage rate payable to employees. To gazette means to publish or make public a government decision. In this case, it is the government's decision on the legal wage rate for the employers' to pay to their employees. The current minimum wage rate is K3.20 per hour. Employers can use their freedom in decision making to pay any amount above this rate. This rate came into force with the implementation of the 2014 Minimum Wages Board determination.

The Minimum Wage Board was established under the provisions in the Industrial Relations Act 1962. The board is made up of a chairman and not less than four other members. If the board includes a representative or representatives of employers and employees, there must be an equal number of employees' and employers' representatives.

The importance of having minimum wages is so that employers do not pay employees unfairly or less for their effort or production in any given week. Also it is important to set a minimum wage so it provides enough income for workers to maintain a basic standard of living.



Activity 11.1:

1. What does 'gazetted' mean?
-
-

2. What are the two (2) reasons for determining a minimum wage?

3. How can the employers apply minimum wage?

Different Categories of the Minimum Wages Legislation

The creation of Minimum Wage Laws comes from several sources. These sources include;

- The Employment Act 1978
- The Employment Regulation 1980
- The Industrial Relations Act 1962
- The Industrial Relations Regulation 1972
- The Pacific Islands Report 2011
- The US Department of State Country Report 2013

There are different categories of the Minimum Wages Laws. We will briefly discuss the following categories:

- The Minimum wages for employment on contracts:
Employment on contract covers people who work based on contracts. The contract indicates the salary to be paid in one year and other allowances.
- The Minimum wages on hourly paid workers:
Hourly paid workers are paid on the basis of the number of hours worked per fortnight multiplied by the minimum hourly wage rate set by the minimum wage board.
- The Minimum wages for nationals and the dual wage system
On the advice of the government, the Minimum Wage Board determines a national minimum weekly wage for all employees. This is done on a time to time base. This is practised where we have a dual (2) wage system. One for the national and the other for the expatriates.
- The Minimum wages for the national youth
The national minimum youth wage is the single national minimum weekly wage for unskilled employees and employees under 21 years of age. All employers are legally bound to pay minimum wages to their employees as specified in the determination. Wages above the minimum are to be determined on the basis of productivity through bargain between the employers and employee unions.



Activity 11.2

1. What is a contract?

2. What does the term, *national* refer to?

3. How can an employee earn higher than the minimum wage?

Excluded Categories

There are several groups of employers who are excluded from the categories of minimum wages. These include;

- Public servants
- Teachers
- Apprentices

Apprentices, Public Servants and teachers are excluded from the minimum wage determination powers of the Minimum Wages Board. The apprentices and the public servants minimum wages are set under the Public Service Conciliation and Arbitration Act 1969. Wage determination for public servants is based on a salary agreement between the Department of Personnel Management and the PNG Public Employees Association. Teachers' minimum wages is set by the Teaching Service Conciliation and Arbitration Act 1971.

Specific Minimum Wages Rates

Let us now look at the different specific minimum wage rate. These include;

- Specific minimum wage by occupation: A determination of the Minimum Wage Board may be different between occupations.
- Specific minimum wage by sector: A determination of the Minimum Wage Board may be different between industries.
- Specific minimum wage by region: A determination of the Minimum Wage Board may be different in different parts of the country.
- Minimum wage levels for specific categories of workers:
 - Trainees: Apprentices are excluded from the minimum wage determination powers of the Minimum Wages Boards.
 - Piece –rate workers: The minimum rates of remuneration for piece –rate work shall not be less than those provided for by registered awards relevant to that work.

**Activity 11.3:**

Read the passage and answer the given questions.

7.5 % Pay Raise for Workers

By Simon Eroro

The 75, 000 public servants in the country will get the first 7.5 per cent base salary increase over a three –year period. It will start on pay fortnight 10 on May 18 next month.

The Government approved pay fixation agreement was signed between Secretary for the Department of Personnel Management (DPM) John Kali and the President of Public Employees Association (PEA) Micheal Malabag, and witnessed by the department heads and the executives of the PEA.

In a joint statement, the two chiefs said yesterday the increase is the result of the two parties' ongoing negotiations and that the government has acknowledged that the inflation over the recent years was eating into the buying power of ordinary workers.

Source: Adapted from the Post Courier, 2012

1. What is the article talking about?

2. Who signed the government approved pay fixation agreement?

3. What are the reasons for the pay increase?

Summary:

You have come to the end of Lesson 11. In this lesson you learnt that:

- Minimum wages means the lowest or smallest amount that employers can pay their employees in wages.
- The Minimum Wages Board decides on the lowest amount that employers can pay their employees in wages.
- The Minimum Wage Board was established under the provisions in the Industrial Relations Act 1962.
- The importance of having minimum wages is so that employers do not pay employees unfairly or less for their work effort or production given for a week or fortnight.
- It is also important to set a minimum wage so it provides enough income for workers to maintain a basic standard of living.
- There are different categories of Minimum Wage Laws. These include; minimum wage for employment on contracts, minimum wage on hourly paid workers, minimum wage for nationals and minimum wage for national youth
- The apprentices and the public servants minimum wages are set under the Public Service Conciliation and Arbitration Act 1969.
- Teachers' minimum wages is set by the Teaching Service Conciliation and Arbitration Act 1971.
- There are different specific minimum wage rate. These include; specific minimum wage by occupation, specific minimum wage by sector, specific minimum wage by region, and minimum wage levels for specific categories of workers.

NOW DO PRACTICE EXERCISE 11 ON THE NEXT PAGE

**Practice Exercise 11**

-
1. Explain the minimum wage

2. State the importance of having minimum wages

3. Identify the different categories of minimum wages

4. Identify the different Acts which the minimum wage board draws from for its determinations to set the different categories of minimum wages.

CHECK YOUR ANSWERS AT THE END OF TOPIC 4

Lesson 12: Labour and Industrial Relations Office



Introduction

Welcome to Lesson 12: The Labour and Industrial Relations Office. In the previous lesson, you learnt about minimum wages, its importance and the different categories of the minimum wages legislation. In this lesson, you will learn about the importance of the Labour and Industrial Relations office, its roles, responsibilities and the procedures of addressing industrial conflicts



Your Aims:

- Identify the importance of the Labour and Industrial Relations
 - Explain the roles and responsibilities of the Industrial Relations Office
 - Enumerate the procedures of addressing industrial conflicts
-

The Labour and Industrial Relations Office

It is important to have the Labour and Industrial Relations Department because through this department, the labour laws are enforced and maintained for the good of the employers and employee. For example, the department ensures that the employers and employees comply with the Papua New Guinea labour laws. Another example is; that the department ensures that employers have less difficulty in recruiting qualified, skilled and experienced non-citizen workers whose skills cannot be found locally. Furthermore, the department ensures that the international business community representatives do not create unnecessary impediments to doing business in our country.

How does the Department of Labour and Industrial Relations achieve its mission of enforcing and maintaining labour laws?

In order to achieve its mission, the department implements labour laws through boards and councils. They include;

- The Minimum Wages Board
- The National Training Council
- The Office of Workers' Compensation
- The National Apprenticeship and Trade Testing Board

Take note that through these four (4) mentioned boards and councils, the Department of Labour and Industrial Relations implements the following laws. They are;

- The Employment Act 1978
- The Trade Licensing Act 1969
- The Employment of Non-Citizens Act 2007
- The Apprenticeship and Trade Testing Act 1999
- The Independence Fellowship Trust Act 1984
- The Industrial Safety, Health and Welfare Act 1961
- The Public Services Conciliation and Arbitration Act 1969
- The Industrial Relations Act 1990
- The Workers' Compensation Act 1990

- The Industrial Organisations Act 1962
- The Employment Placement Service Act 1966
- The National Training Council Act 1991
- The Occupational Health, Safety and Welfare Act Amended 2006
- The Teaching Service Conciliation and Arbitration Act 1971



Activity 12.1

4. Which Act determines a graduate teacher's base salary?

 5. Why are expatriates recruited for certain jobs?

-

Roles and Responsibilities of the Industrial Relations Office

The Department of Labour and Industrial Relations Office is responsible for ensuring that employers and employees comply with the Papua New Guinea labour laws. Its functions include:

- Protecting employees' and employers' rights and privileges
- Promoting orderly industrial relations and enforcing labour laws
- Settling industrial disputes through mediation, conciliation and arbitration
- Registering and controlling industrial organisations
- Licensing and registering factories and workshops
- Conducting inspections for employment conditions, occupational health and safety in factories and workshops
- Monitoring and ensuring compliance with labour standards

Mediation, Conciliation and Arbitration

In point number three (3) above, you learnt that the Department of Labour and Industrial Relations settles industrial disputes through mediation, conciliation and arbitration. Therefore, let us define these words so you will know what they mean.

- Mediation: It means to work with both parties who are in a dispute in an attempt to help them reach an agreement.
- Conciliation: It means to work with the opposing parties with the aim of bringing them to an agreement.

Arbitration: It refers to the process of resolving disputes between people or groups by referring them to a third party, which may be agreed by them or provided by the law. The third party makes the judgment to bring a solution to the dispute.

**Activity 12.2:**

1. What is conciliation?

2. What is arbitration?

3. Which Act will be used to solve any problem to do with occupational health and safety in factories and workshops

Procedures on Addressing Industrial Issues

When there is an industrial issue, it is important to follow or take certain steps to try to address the problem before it leads to a distractive or worst stage. The procedures to follow or take to address an industrial issue are categorised in three (3) main stages. They are;

1. Employer and employee communication and bargaining.

In this stage the leaders who speak on behalf of the employees should communicate with the employer about their issue. The leaders would bargain for better options between what they want and the employer's conditions. The leaders of the team should follow up with the employer in regard to what they have discussed earlier.

2. Industrial process

If the follow ups with the employer are exhausted, then alert the trade union in writing. The trade union takes the matter and at this stage it becomes an industrial matter.

3. Using the internal system of the trade union to solve the grievances

The trade union addresses the industrial issue through its internal systems which will include mediation, bargaining, conciliation and arbitration for the grievances.

In using these stages, an agreement between the employees and the employers regarding the issues are reached or met.

**Activity 12.3:**

1. Define industrial issues

2. Explain what a trade union is.

Summary:

You have come to the end of Lesson 12. In this lesson you learnt that:

- It is important to have the Labour and Industrial Relations Department because through this department, the labour laws are enforced and maintained for the good of the employers and employees.
- The Department of Labour and the Industrial Relations office implements labour laws through boards and councils in order to achieve its missions.
- The Department of Labour and Industrial Relations' functions include:
 - Protecting the employees' and employers' rights and privileges
 - Promoting orderly industrial relations and enforcing labour laws
 - Monitoring and ensuring compliance with labour standards
 - Settling industrial disputes through mediation, conciliation and arbitration
 - Registering and controlling industrial organisations
 - Licensing and registering factories and workshops
 - Conducting inspections related to employment conditions, occupational health and safety in factories and workshops
- Industrial issues can be addressed through the three (3) stages. They are;
 - The Employer and employee communication and bargaining
 - The industrial process
 - Mediation, bargaining, conciliation and arbitration

NOW DO PRACTICE EXERCISE 12 ON THE NEXT PAGE



Practice Exercise 12

1. Explain the importance of having the Department of Labour and Industrial Relations Office

2. State the functions of the Industrial Relations Office.

3. How are industrial issues addressed?

CHECK YOUR ANSWERS AT THE END OF TOPIC 4

ANSWERS TO

TOPIC 3

PRACTICE EXERCISES 9-12

ANSWERS TO PRACTICE EXERCISE 9-12

Practice Exercise 9

1. What is the importance of having employment laws?

The importance of having employment laws is to protect employees and provide the minimum terms and conditions of employment for employees.

2. List four (4) types of employment laws.

Any of these listed below

- *Minimum wages*
- *Leave entitlement*
- *Training*
- *Promotion*
- *Social security*
- *Freedom from discrimination*
- *The right to form unions*
- *Occupational health and safety*
- *Protection of nationals from foreign workers*
- *Gender equality in the workplace*
- *Freedom from sexual harassment*

2. List two (2) rights and two (2) responsibilities of employers and employees

Any of these listed below

- *Employers' have the right to: hire, fire and reprimand*
- *Employers' have the responsibilities to pay, train, conduct in-service, promote and provide security and safety*
- *Employees' have the right to: express their views, be rewarded for the work done, serve in a safe working environment and receive entitlements.*
- *Employees' have the responsibilities to perform, obey orders and maintain professional standards.*

4. List two (2) types of industrial issues

Types of industrial issues include strike, work ban, work to rule, picket, boycott, sitting in, sabotage, and lock out

6. How can industrial issues be addressed?

Through the management control and or the trade unions

Practice Exercise 10

1. Explain conditions of employment

Conditions of employment can be described as things or matters that are necessary to exist in an organisation for employees before hiring and employing of staff. Conditions of employment are by law the rights of employees. These things must be offered by the commercial organisations or the government departments for their employees.

2. List types of conditions of employment

Conditions of employment includes;

- *Wages and Salaries*
- *Overtime payments*
- *Leave entitlements*
- *Dismissal of workers*

There are also others which were not discussed such as compassionate leave,

3. (a) Peter earns K350 per fortnight. He works 42 hours per fortnight.
Calculate how much he earns per hour.

$$K350 \div 2 = K175.00 \div 42 \text{ hours} = K4.10 \text{ or}$$
$$K350 / 2 = K175 / 2 = K4.10$$

(b) Peter worked 10 hours overtime during the week.
How much is his overtime pay?

$$10 \times K4.10 \times 1.5 = K61.50 \text{ in a fortnight}$$

(c) How much in total will Peter receive?

$$K350 + K61.50 = K411.50$$

4. Workers should be given notice before being dismissed. Employers sometimes give pay instead of notice, and the worker leaves immediately. Explain why some employers do this.

(possible answers)

- *Because of the seriousness of the offence created*
- *To set a clear example to others, on how a penalty can be issued if people fall out of line as required of them at the work place.*

Practice Exercise 11

1. Explain minimum wage

Minimum wage refers to the lowest or smallest amount that employers can pay their employees in wages.

2. State the importance of having minimum wages

*The importance of having minimum wages is so that employers do not pay employees unfairly or less for their work or production.
It is also important to set a minimum wage so it provides enough income for workers to maintain a basic standard of living.*

4. Identify the different categories of minimum wages

The different categories of minimum wages are; minimum wage for employment on contracts, minimum wage for hourly paid workers, minimum wage for nationals and minimum wage for national youth

4. Identify the different sources where Minimum Wage Board draws for its determinations to set the different categories of minimum wages.

The different sources from which the Minimum Wage Board draws from for its determinations for the different categories are; Employment Act 1978, Employment Regulation 1980, Industrial Relations Act 1962, Industrial Relations Regulation 1972, Pacific Islands Report 2011 and US Department of State Country Report 2013

Practice Exercise 12

1. Explain the importance of the Labour and Industrial Relations office

It is important to have the Labour and Industrial Relations Department because through this department, the labour laws are enforced and maintained for the good of the employers and employees and citizens and non-citizens.

2. State the functions of the Industrial Relations Office.

Their functions are:

- *Protecting the employees' and employers' rights and privileges*
- *Promoting orderly industrial relations and enforcing labour laws*
- *Settling industrial disputes through mediation, conciliation and arbitration*
- *Registering and controlling the industrial organisations*
- *Licensing and registering factories and workshops*
- *Conducting inspections related to employment conditions, occupational health and safety in factories and workshops*
- *Monitoring and ensuring compliance with labour standards*

3. How are industrial issues addressed?

Industrial issues are addressed through the three (3) stages. They are;

- Employer and employee communication and bargaining.
- Industrial process
- Using the internal system of the trade union to solve the grievances.
The internal system of a trade union includes mediation, bargaining, conciliation and arbitration for the grievances.

END OF ANSWERS TO PRACTICE EXERCISES 9-12
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TOPIC 4

LEGAL AGREEMENTS IN BUSINESS

In this topic, you will learn about:

- **Purchase Contracts**
- **Franchise Agreements**
- **Lease and Hire Purchase Agreement**
- **Legal Requirements of Companies**
- **The Investment Promotion Authority**

TOPIC 4 INTRODUCTION



Introduction

Welcome to Topic 4, Legal Agreements in Business. In this topic you will learn about purchase contracts and franchise agreements, lease and hire purchase agreement, legal requirements of companies and the Investment Promotion Authority.

Topic 4 has four (4) lessons: They are:

Lesson 13: Purchase Contracts and Franchise Agreement

This lesson teaches you about formal contracts and the importance of having them. The Lesson also defines and explains purchase contract, its purpose, its different parts and its benefits to the buyer and seller. The lesson further explains franchise agreement, its purpose and its benefits. Lastly, the lesson explains contract clauses and discusses their implications.

Lesson 14: Lease and Hire Purchase Agreement

This lesson teaches you lease agreement and its purpose. It also explains the legal aspects of rentals, selling and permitted and sharing lease. Furthermore, the lesson discusses purchase agreements, its purpose, its different parties and their roles.

Lesson 15: Legal Requirements of Companies

This lesson teaches you legal requirements of companies, articles of association and memorandum of association. The lesson also explains the purposes of these legal documents, the parties involved and their roles.

Lesson 16: The Investment Promotion Authority

This lesson discusses the purpose of the Investment Promotion Authority (IPA) and its functions.

Lesson 13: Purchase Contracts and Franchise Agreements



Introduction

Welcome to Lesson 13: Purchase Contracts and Franchise Agreements. In the last lesson, you learnt about the importance of having the Department of Labour and Industrial Relations Office, its roles, responsibilities and the procedures of addressing industrial issues.

In this lesson, you will learn about purchase contracts, its purpose, its parts and the benefits it has to buyers and sellers. You will also learn about franchise agreement, its purpose and its benefits. Finally, you will discuss contract clauses and their implications for the partners



Your Aims:

- Define formal contracts and state their importance
 - Define purchase contract and state its purpose
 - Identify the parts of a purchase contract and its benefits to buyers and sellers
 - Define franchise agreement and state its purpose
 - Identify the benefits of franchise agreement
 - Define the contract clauses and discuss their implications
-

Formal Contracts and their Importance

Formal contracts are the same as legal agreements. Legal agreements are made between two or more parties to perform specific duties or obligation. Failure to perform this is called a breach of agreement. When one of the parties fails to perform its part, it will surely affect the other party. The affected party can take legal action against the other party for breaching the agreement.

In a legal agreement or contract, there are three components. They are; an offer, an acceptance, and a consideration. One party to the contract makes an offer for the arrangement and the other party accepts. Consideration is the exchange value. Most of the time the consideration is money, for example, a vehicle owner places a sign on the windscreen of the car stating "Urgent Sale – K20 000." This is an offer. If you meet the owner and negotiate a little about buying the car for K19 000, then, you are also making an offer of what you have. If he or she agrees then, he or she is accepting your offer. You are also accepting the car at a value of K19 000. The consideration then becomes K19 000.

It is important to have formal contracts so that both parties are satisfied. One is happy with the offer of the performance or the product and the other is happy with the exchange value or the consideration.

Examples of formal contracts or legal agreements are:

- | | |
|----------------------------|-------------------------|
| - Partnership agreements | - Service agreements |
| - Sales agreements | - Lease agreements |
| - Hire purchase agreements | - Employment agreements |

Types of Contracts

There are two (2) main types of contracts. One contract can be **implied** and the other can be **expressed**. Let us discuss each of them.

- **Expressed contracts:**
These are contracts in which the contract terms are explicitly „expressed“ or stated clearly. They may be stated in writing or orally, or partly in writing and partly oral. For example, in a contract to buy a television set on hire purchase, you will agree to make regular payments at a certain interest rate until you have paid the full amount. These terms are laid out in writing.
- **Implied contracts:**
These are contracts in which the terms are not explicitly stated but are „implied“ and understood by the parties. For example, when you order a pizza from the menu at a hotel, you are entering into an implied contract. The hotel is offering a product in return for a consideration. If the price of the pizza you ordered is K50, you are accepting the offer and agreeing to pay this amount. In this situation, offer, acceptance and consideration are all implied.



Activity 13.1:

1. What is a legal contract or agreement?

2. Explain what the „breach of agreement“ is?

3. What is likely to happen if a party in the contract is not happy with the performance of the other party?

Purchase Contract and its Purpose

A purchase contract or agreement is an agreement to purchase a particular product or property at an agreed price. A purchase contract may be drafted by either the buyer or the seller. Purchase contracts vary according to the type of business and the product being sold.

When buying a house, the buyer and the seller sign a contract to conclude a transaction within a particular period. This is a legal agreement. A purchase contract is required when the buyer does not have money to pay immediately. When a person has money to pay immediately, he or she is required to sign a deed of sales instead of a purchase contract.

When a purchase contract is signed, the buyer and seller cannot change their minds to buy another property or sell the property to another buyer.

Parts of a Purchase Contract on a Property

A typical purchase agreement may include:

- The location and description of the property
- The boundaries as per title registered with the registrar
- The survey plan reference
- The buyer's name and the seller's name and their address
- The agreeing clause
- The buying price
- The payment conditions
- The signature
- The witnesses

Details in the different parts of the contract are important. It benefits the buyer and the seller to: know each other, be transparent, be trusted, and present proper documentations. Furthermore, through honest the information, the buyer and the seller can relate to each other for further information on the establishment of other businesses in the future.



Activity 13.2:

1. What is a purchase contract?

2. When is a purchase contract required?

3. What is the legal document that should be signed if a person has money available, immediately to pay?

Franchise Agreement and its Purpose

A franchise agreement is an agreement between a franchiser and a franchisee. The franchiser is the owner of the franchise whereas the franchisee is the one who receives the franchise rights. By signing an agreement, both parties are agreeing to perform specific duties when carrying out the franchise business.

Parts of the Franchise Agreement

A typical franchise agreement may cover the following;

- A recital or a detailed presentation of facts
- A clause stating the specific right given to the franchisee
- Names and addresses of the franchiser and franchisee
- Franchise fee
- Royalty fee
- Advertising and distributing of advertising costs

- Conditions relating to the site selection
- Construction approval
- Inspection
- Training
- Supplies
- Uniforms
- Accounting system
- Conditions relating to terminal and renewal
- Procedure for dispute resolution.

Contract Clauses

A contract clause is a distinct section of a contract relating to a particular aspect or area and is separately numbered.

Let us study the clauses of a contract of purchase as shown below.

CONTRACT OF PURCHASE

This contract of purchase, made as of _____, 20__ between _____ Seller(s) and _____ Purchaser(s).	
1.	Property: Seller agrees to sell and purchaser agrees to buy the real estate and all improvements thereon and describe as the Legal Description: _____ ,In the city or country of _____ in the stage of _____ More commonly known as _____ This includes, but is not limited to _____ _____ _____
2.	Purchase Price: Purchase price is _____ Kina (K _____) payable as follows: _____ _____ .
3.	Deposit: Purchaser has made a deposit of _____ Kina (K _____) by _____ (method) with _____ (name of agent). This deposit will be held by _____ (name of agent) until the date of settlement and then applied to _____ (closing costs, down payment, etc.) The deposit will be placed in an insured account of the agent until such time that the transaction has been consummated or terminated. If this transaction is not consummated, then the agent shall disburse the deposit funds in accordance with the terms of this contract and the laws of the state in which it was executed.
4.	Settlement and Possession: Settlement shall be made at the office of _____ on or before _____, 20__, or as soon thereafter as the title can be examined and all necessary documents prepared. Possession of the property shall be given at settlement, unless otherwise agreed to in writing by Purchaser(s) and Seller(s)

Figure 13.1 Sample of Purchase Contract

Source: <http://furni.nsupdate.info/simple-purchase-contract-contract.html>.

The contract sample that appears on the previous page has clauses. Remember, it is just a part of a whole contract document displayed with the first four (4) clauses in it. The other pages of the contract are not present because it will take up a lot of space in this lesson. The clauses in this part of the contract are numbered 1,2,3,4 and continuous on. Each of the clauses contains specific information.

Let us look at the clauses of the purchase contract.

1. Clause 1: It is labelled „**property**“. In this clause, the legal description of the property is given.
2. Clause 2: It is labelled „**purchase price**‘. In this clause, the price of the property is given.
3. Clause 3: It is labelled „**deposit**“. In this clause, the information of the purchaser's deposit is written.
4. Clause 4: It is labelled „**settlement and possession**‘. In this clause, the location and the date of the settlement and possession are written. The requirement to examine prepared legal documents is also mentioned. It is further state that the possession of the property shall be given at settlement, if it was agreed to in writing by the Purchaser and the Seller.



Activity 13.3:

1. What is a clause in regard to legal documents?

2. How are clauses arranged in a legal document?

Summary:

You have come to the end of Lesson 13. In this lesson you learnt that:

- Formal contracts are the same as legal agreements.
- Legal agreements are made between two (2) or more parties to perform certain specific duties and obligations.
- In a legal agreement or contract, there are three (3) components. They are; offer, acceptance, and consideration.
- There are two (2) types of contracts. One is „implied“ and the other is „expressed“.
- A purchase contract or agreement is an agreement to purchase a particular product or property at an agreed price.
- A typical purchase agreement of a property may include: the location and description of the property, the boundaries as per title registered with the registrar, the survey plan reference, the buyer's name and the seller's name and their address, the agreeing clause, the agreed price, the payment conditions, the signature and the witnesses
- A franchise agreement is an agreement between a franchiser and a franchisee. The franchiser is the owner of the franchise whereas the franchisee is the one who receives the franchise rights.
- A clause is a distinct section of a contract, separately numbered.

NOW DO PRACTICE EXERCISE 13 ON THE NEXT PAGE



Practice Exercise 13

1. Explain the formal contract and state its importance.

2. Define the purchase contract and state its importance.

3. Define the franchise agreement and state its purpose

3. Define the contract clauses

CHECK YOUR ANSWERS AT THE END OF TOPIC 4

Lesson 14: Lease and Hire Purchase Agreements



Introduction

Welcome to Lesson 14: Lease and Hire Purchase Agreements. In the previous lesson you learnt about purchase contract, its purpose, its parts and the benefits it has for the buyer and seller. You also learnt about the franchise agreement, its purpose and benefits. Finally, you also learnt about contract clauses and their implications.

In this lesson, you will learn about lease and hire purchase agreements and their purpose. You will also learn about the legal aspects of leasing and the roles of parties involved in hire purchase agreement.



Your Aims

- Define the lease agreement and state its purpose
 - Explain the legal aspects on rentals, selling and permitting and sharing lease
 - Define the hire purchase agreement and state its purpose
 - Identify the parties to a hire purchase agreement and their roles
-

Lease Agreement and its Purpose

A lease agreement is a contract document signed by the *lessor* and the *lessee*. The lessor is the owner of the property and the lessee is the person who intends to use the property. The types of properties leased include land, building, factory, and equipment.

Under a lease agreement the lessor agrees to allow the lessee to use the property for an agreed period for an agreed payment and payable at regular intervals. The lessee holds no legal title to the property. He or she is the sole user during the lease period. During the lease period, the lessee is required to pay the lease rentals to the lessor.

The main purpose of a lease agreement is to protect the lessor and the lessee. The lessor does not change his or her mind on the use of the property and its payments during the leasing period, which may cause problems for the lessor or the lessee.

Parts of a Lease Agreement

A typical lease agreement may include the following:

- Nature of the property and a description of it
- Names and addresses of the lessor and the lessee
- Lease period
- Lease rentals
- Effective date
- Date of payment
- Penalties for late payments or non-payments
- Conditions relating to transferability between parties
- Conditions relating to the maintenance and the insurance,
- Signatures, witness and the date of agreement

**Activity 14.1:**

1. What is a lease agreement?

2. Define lessor and lessee.

3. List two (2) parts of a lease agreement.

Legal Aspects of Rentals

A rent is a regular payment by a tenant to an owner or landlord for the right to occupy or use a property.

A rental agreement is a legal document signed by a person intending to rent a property. There are different types of rental agreements. These include;

- Standard Rental Lease Agreement

It is a legal document designed for a Landlord seeking to rent his or her property out for a period of time, usually 12 months to a tenant in exchange for monthly rent. Both parties must stick to the terms and conditions of the agreement without the choice of cancelling the agreement

- Month to Month Rental Agreement

It is a legal document that allows a landlord to rent his property with no time limits. Either party may change the terms of the lease agreement such as the rent increases or decreases or cancel within 30 days with the written notices to each other.

- Sub-lease Agreement

It is a legal document that allows a tenant that is renting a property from a landlord to re-rent that property to someone else sub lease may involve the tenant leasing part of the leased property to a third party. This is common in urban areas and school housing in some other countries.

Legal Aspect of Selling and Permitting

The landlord gives a tenancy agreement outlining the activities that are not permitted and items that are not to be sold.

For example, a tenancy agreement may contain the restrictions of selling with such clauses as:

- Not to use the premises for commercial purposes
- Not to sell furniture that belongs to the property
- Not to consume and sell liquor or drugs on the premises
- A maximum number of visitors to stay up to a certain number of days

Legal Aspects of Sharing Lease

Sharing lease is common with tenants sharing rooms in one building. A simple, agreement can be signed together with the landlord. The agreement guides the tenants to live and function correctly and acceptably in that building. For example, the agreement will restrict certain activities such as, not to take alcohol into the premises.

The big companies also share lease when they share a building. The lease payment is shared with other companies who are also using the same building. Each company pays for their floor that they occupy. All the companies using the same building are expected to comply with the conditions and requirements of the tenancy agreement.



Activity 14.2:

1. What is another term for lease payments?

2. What is the advantage of sharing a lease?

Hire Purchase Agreement and its Purpose

A hire purchase agreement is an agreement between a lender and a borrower or purchaser. This agreement can be a substitute to a business loan whereby the party hiring the equipment pays the financier the rent. The financier will continue to own the goods until the hirer makes the final payment.

A hire purchase is generally, the same as an instalment agreement or contract. It is found in nearly all the industries such as car dealers, furniture suppliers like Courts, home appliances suppliers and computer suppliers like Daltron. The purpose of the hire purchase agreement is to acquire automobiles, furniture, computers and large items that generally cannot be paid in a lump sum.

The type of information you may see on a hire purchase agreement includes;

- A description of the goods
- The rate of hire and interest charges
- The total price to purchase the goods
- The details of the deposit and
- The information on both parties rights

Parties to a Hire Purchase Agreement

Generally, there are two parties involved. One is the buyer or purchaser and the other is the lender. However, there can be a third party involved when a purchaser wants to buy cars or vehicles. Let us study this example to understand the involvement of the Third Party.

Example:

Joe wants to buy a car from a car dealer. The car dealer may arrange the purchase through the Finance Corporation Company. The Finance Corporation Company buys the car off from the car dealer and Joe pays the Finance Corporation Company on instalments until the last payment is done. In this case, the car dealer is not a party to the agreements. It is the Finance Corporation Company. It has become the owner of the vehicle, now receiving the instalment payments from Joe. Here, Joe is the buyer and the Finance Corporation Company becomes the lender of the car. After Joe pays off the last instalment then, he becomes the owner.

In this example, you have the following;

- Joe, who is the purchaser
- The finance corporation company, who is the third party and it became the lender of the car

Take note that the item (car) can be repossessed or taken back if the payments are not made as agreed.

Advantages and Disadvantages of Hire Purchase

Let us now look at some of the advantages and disadvantages of hire purchase.

Advantages:

- Convenience in payment: People with limited income are able to make payments in instalments.
- Increased volume of sales: More customers are attracted to the easy instalment payment system and therefore, it leads to an increased volume of sales.
- Increased profits: When there is a large volume of sales, it leads to increased profits for the seller.
- Encourages savings: It encourages careful use of money and developing the habit of saving so that some portion of their income is saved for the payment of the instalments.
- Helpful for small traders: It enables small manufacturers and traders to buy machinery and other equipment.
- Earning of interest: The interest is calculated in advance and added in total to be paid by the buyer. In this way, the seller gets the instalment which includes the original price and the interest.
- Lesser risk: From the seller's point of view, this system is greatly beneficial. The seller knows that if the buyer fails to pay one instalment, he or she can get the article back.

Disadvantages

- Higher price: The buyer pays higher price for the article purchased because the price includes the cost plus the interest.

- Artificial demand: The buyer is tempted to purchase the product, even if he or she does not need or afford to buy the product.
- Heavy risk: Even though the seller has the right to take back the articles from the defaulting customers, there is the risk that the product will be a second hand and will be sold at a lower price.
- Difficulties in recovery of instalments: It has been observed that the sellers do not get the instalments from the purchasers on time. They may choose wrong buyers that may put them in trouble. They would have wasted time and incurred extra expenditure for the recovery of the instalments. This sometimes leads to serious conflicts between the buyers and the sellers.
- Break up of families: Recent research in the western countries have revealed that thousands of happy homes and families have been broken by hire purchase buying because the hire purchase system had put a lot of financial burden on the families.

**Activity 14.3:**

1. What happens if the purchaser fails to pay the instalments?

2. What is the purpose of a hire purchase agreement?

3. Give an advantage and a disadvantage of hire purchase

Summary:

You have come to the end of Lesson 14. In this lesson you learnt that:

- A lease agreement is a contract document signed by the *lessor* and the *lessee*.
- The lessor is the owner of the property and the lessee is the person who intends to use the property.
- Under a lease agreement the lessor agrees to allow the lessee to use the property for an agreed period for an agreed payment, payable at regular intervals.
- Rent is a regular payment made by a tenant to an owner or landlord for the right to occupy or use the leased property.
- Rental Agreements are legal documents that require completing by a person(s) intending to rent a property.
- There are legal aspects or requirements in sharing a lease, and that includes what to sell and what to permit.
- A hire purchase agreement is an agreement between a lender and a borrower or purchaser.

CHECK YOUR ANSWERS AT THE END OF TOPIC 4

**Practice Exercise 14**

-
1. Explain a lease agreement.

2. What is the purpose of a lease agreement?

3. What is a hire purchase agreement?

4. What is the purpose of a hire purchase agreement?

5. Identify the parties to a hire purchase agreement.

CHECK YOUR ANSWERS AT THE END OF TOPIC 4

Lesson 15: Legal Requirements of Companies



Introduction

Welcome to Lesson 15: Legal Requirements of Companies. In the previous lesson, you learnt about the lease and hire purchase agreements and their purpose. You also learnt about the legal aspects of leasing and the roles of parties involved in a hire purchase agreement.

In this lesson, you will learn about the different legal requirements of companies, their purposes and the parties involved and their roles



Your Aims:

- Explain the legal requirements of companies
 - Define the Articles of Association and the Memorandum of Association and state their purposes
 - Identify the parties involved and their respective roles
-

What is a Company?

A company is a business organisation registered under the Companies Act 1997 as a company. It is also defined as an incorporated body and a legal entity with perpetual succession and a common seal. The word perpetual succession is referring to the continuous series of activities and people. Therefore, a company has a series of business activities and people involved in its business dealings. The common seal of a company refers to its stamp. A company must have a stamp to mark business documents to show that the company's business dealings are genuine or done in truth.

There are so many examples of companies all around you. Some common ones are like Global Construction Ltd, IPI Group of Companies and Steamships Group of Companies.

Legal Requirements of Companies

Investing our time and money in a business that we like provides a great opportunity to make profit. However, there are several requirements we need to follow to operate.

The following are some of the legal requirements that must be met to set up a company.

- The type of company to register: Whether it is a partnership, corporation or a limited company.
- The registered office address: The company must have a registered business address within the country.
- The directors: The Company must have directors. They run the day to day operations of the company. The minimum number of directors is two and maximum number 50 for private companies. There are no maximum for public companies.

- The Business Name: Registering the company's name with Investment Promotion Authority (IPA).
- The Identity Card and Number from Internal Revenue Commission
- File a company registration application with the Authorities
- The Filing of a Memorandum of Association with at least three (3) names of shareholders
- A statutory meeting must be held quarterly within a year.

If we do not follow these steps, we will not be able to operate a business. These steps are the legal requirements. They must be followed and companies must comply with these to operate in the business environment.

How to know about the legal requirements?

You can ask a private lawyer, tax consultant, or go online using websites to get the help required on legal business issues. They can assist you with information regarding the business registration, the advice on special licenses or the registration for a particular industry or product, finance and tax planning.



Activity 15.1:

1. What is a company?

2. Under which law should a company be registered?

3. List two (2) legal requirements that must be met to set up a company.

Important Company Documents

When setting up a company, two (2) company documents must be prepared. These documents lay down what the company can do, how it can operate and who can act on behalf of the company. These company documents are;

- The Memorandum of Association
- The Articles of Association

Memorandum of Association and its Purpose

The Memorandum of Association is a document which contains a description of the activities of a business, the amount of capital it plans to raise by selling shares and other important information. It must be drawn up by any business before it can operate as a company. This document regulates the way in which the company deals with the outside world.

The Memorandum of Association contains the following information:

- The name of the company
The last word of the name must be „limited“. The word has to appear on all the documents of the company, such as the the purchase orders and correspondence to other firms. This enables people dealing with the firm to see that liability is limited.
 - The address of the registered office
 - The amount of capital
This will be the amount of authorised capital that the company has obtained, or plans to obtain. It will also state the division of this capital into shares.
 - A statement to say that the liability is limited
 - A mission statement outlining the purpose of setting up the company.
-



Activity 15.2:

These are general questions you will need to refer to your Grade 9 Course Book to answer them.

1. What does „liability“ mean?

2. What does it mean to say “liability is limited”?

3. Define „shares“

Articles of Association and its Purpose

The Article of Association is a document which sets out the procedures for the company’s meetings and the responsibilities of directors. We can say it contains the „internal rules“ of the company. It is very much like the constitution of an organisation.

The Article of Association sets out such matters as:

- The way in which shares of the company can be issued and transferred
- Procedures to be followed at meetings
- Powers of the Board of Directors
- Guidelines of operation

(See the copy of the Memorandum of Association and the Articles of Association on the next two pages.)

Parties Involved in the Memorandum of Association and the Articles of Association

The parties involved in these two (2) documents are;

- The Directors – Run the day to day management of the company
 - The Shareholders- Part owners of the company who contribute capital through buying shares
 - The Board of directors- A group of directors who make decisions for the company
 - The Subscribers- Persons that subscribe to the Memorandum and Articles of Association.
-



Activity 15.3:

Study the two articles and then, answer these questions.

1. What restrictions apply to the members of a proprietary company in the buying and selling of the shares in their company?

2. Briefly explain the difference in the information contained in the Memorandum of Association and the Articles of Association.

PUBLIC COMPANY

PAPUA NEW GUINEA COMPANIES ACT

COMPANY LIMITED BY SHARES

MEMORANDUM OF ASSOCIATION

.....PTY LTD

1. The name of the company is

.....
Pty
 Ltd

2. The objects for which the company is established are:-

- i. To establish, carry on, undertake, take part or engage in any transaction, business act, matter or things of any kind whatsoever (whether hereinafter specifically mentioned or referred to or not) and without any restriction as to the nature or description thereof which may seem to the company capable of employing and developing its assets or calculate directly or indirectly to ensure the value of or render profitable the business activities, property or rights to the company.
- ii. To acquire by purchase, exchange or otherwise either for estate in fee simple or for any less estate, whether in possession or in reversion and whether vested or contingent, any real estate, land, tenements and /or not to any charges or encumbrance, and to hold, sell, let, alienate, mortgage, charge or otherwise deal with all or any of such lands, tenements or premises.

And those powers which are set out in schedule two of the companies Act are adopted unless they are specifically excluded or varied by the Memorandum.

3. The liability of the members is limited.
4. The nominal capital of the company is K.....divided into.....shares of K..... each, and the company has the power to increase or reduce capital and divide the shares in the capital for the time being into several classes and to attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions and to vary any such special rights, privileges or conditions

Lodged by..... Address Telephone.....	Lodged in the office of the Registrar of Companies on: Registrar of Companies
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PLEASE COMPLETE BOTH SIDES OF THIS FORM

PROPRIETARY COMPANY
PAPUA NEW GUINEA COMPANIES ACT
COMPANY LIMITED BY SHARES
ARTICLES OF ASSOCIATION

.....PTY LTD

1. The Regulations contained in Table A in Schedule Three of the Companies Act shall apply to the company unless any are specifically excluded or varied by these articles.
2. Regulation 22 of Table A shall not apply and the following is adopted:-

The directors may refuse to transfer a share in their absolute discretion and without assigning any reason thereto.
3. Regulation 63 of Table A shall not apply and the following is adopted:-

The number of directors shall not be less than two or more thanand the first directors shall be
4. Regulation 71 of Table A shall not apply and the following is adopted:-

Directors are not required to hold any shares in the company.
5. The company is a proprietary company and accordingly shall:-
 - i. Restrict the right to transfer its shares
 - ii. Limit to no more than fifty (50) the number of its members (counting joint holders of shares as one person and not counting any person in the employment of the company or of its subsidiary or any person who while previously in the employment of the company or of its subsidiary was and thereafter has continued to be a member of the company)
 - iii. Prohibit any invitation to the public to deposit money with the company for fixed periods or payable at call, whether bearing or not bearing interest.

Lodged by..... Address Telephone.....	Lodged in the office of the Registrar of Companies on: Registrar of Companies
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PLEASE COMPLETE BOTH SIDES OF THIS FORM

Summary:



You have come to the end of Lesson 15. In this lesson, you learnt that:

- Legal requirements are necessary laws which companies must comply with as they operate in the business environment.
- There are several legal requirements to comply with such as; the type of business, registering the business name, and registering the office address.
- When setting up a company, two (2) company documents must be prepared. These are; the Memorandum of Association and the Articles of Association.
- The Memorandum of Association and the Articles of Association together lay down what the company can do, how it can operate and who can act on the company's behalf.
- The Memorandum of Association is a document which contains a description of the activities of a business, the amount of capital it plans to raise by selling shares. This document regulates the company dealings with the outside world.
- An article of Association is a document which sets out the procedures for company meetings, the responsibilities of directors. This document regulates the company's internal operations.
- Parties involved in these two (2) documents are; the directors, the board of directors, the shareholders, the subscribers of the company.

NOW DO PRACTICE EXERCISE 15 ON THE NEXT PAGE



Practice Exercise 15

1. Explain legal requirements.

2. Give two (2) examples of the legal requirements of companies

3. What is the purpose of an Article of Association?

4. What is the purpose of a Memorandum of Association?

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 4

Lesson 16: Investment Promotion Authority



Introduction

Welcome to Lesson 16: Investment Promotion Authority. In the previous lesson, you learnt about the different legal requirements of companies, their purposes, the parties involved and their roles. In this lesson, you will learn about the purpose of Investment Promotion Authority and its functions under different divisions.



Your Aims:

- Discuss the purpose of the Investment Promotion Authority (IPA)
 - Identify the functions of IPA under its different divisions
-

Investment Promotion Authority and its Purpose

The Investment Promotion Authority (IPA) is a statutory body established by the Investment Promotion Act 1992 to promote and facilitate investments in Papua New Guinea. Any investor seeking information about the rules and regulations governing the business activities in the country should seek assistance from IPA.

Functions of Investment Promotion Authority (IPA)

- **The Investor and the Promotion Service**
The Investor and the Promotion Services of IPA division provides information about the investment opportunities in Papua New Guinea. Both the domestic and foreign investors may obtain information about the rules and regulations of the business in the country.

IPA has a database of both foreign and domestic investors. This database assists IPA's role as a match marker between the domestic investors and the foreign investors. Joint ventures are encouraged by the government involving domestic and foreign firms. Foreign partners will provide sufficient finance and expertise to a project.
- **The Certification and Research Services Section**
The Certification and Research Services of IPA division is mainly responsible for certifying foreign investors. All foreign businesses operating in Papua New Guinea must be certified by the IPA. Certifying a company means giving recognition and approval to foreign firms to operate in Papua New Guinea.
- **Reserved Activities Section**
IPA has a list of activities restricted to Papua New Guinean citizens. These business activities are usually small- scale business activities which only Papua New Guineans can operate.
- **The Business Registration Section**
The Business Registration division is responsible for administering the country's main business laws such as the Companies Act, the Business Name Act,

and the Business Group Act. Every business in Papua New Guinea must be registered under this section.

- Maintenance of the Intellectual Property Office of PNG and the Securities Commission Office of PNG.

**Activity 16.1:**

1. Name the main Business Acts.

2. Why is it important to reserve certain business activities for Papua New Guineans only?

Summary:

You have come to the end of Lesson 16. In this lesson you learnt that:

- The Investment Promotion Authority is a statutory body established by the Investment Promotion Act 1992
- The purpose of IPA is to promote and facilitate the investments in Papua New Guinea.
- The Investor and Promotion Services division provides information about investment opportunities in Papua New Guinea.
- The Certification and Research Services division is mainly responsible for certifying foreign investors.
- IPA has a list of activities restricted to Papua New Guinean citizens only.
- The Business Registration division is responsible for registering all businesses operating in PNG
- IPA looks after the Intellectual Property Office in PNG.
- IPA maintains the securities commission of PNG's Office.

NOW DO PRACTICE EXERCISE 16 ON THE NEXT PAGE



Practice Exercise 16

-
1. Explain what the Investment Promotion Authority is and state its purpose

2. What are the functions of IPA?

CHECK YOUR ANSWERS AT THE END OF TOPIC 4

ANSWERS TO

TOPIC 4

PRACTICE EXERCISES 13-16

ANSWER TO PRACTICE EXERCISE 13-16

Practice Exercise 13

1. Explain formal contract and state its importance.

A formal contract is the same as a legal agreement. A legal agreement is an arrangement between two parties to perform specific duties.

It is important to have formal contracts so that both parties are satisfied.

2. Define purchase contract and state its importance.

A purchase contract or agreement is an agreement to purchase a particular product or property at an agreed price. A purchase contract may be drafted by either the buyer or the seller.

A purchase contract is very important because it protects the seller and the buyer.

3. Define the franchise agreement and state its purpose

A franchise agreement is an agreement between a franchiser and a franchisee. The franchiser is the owner of the franchise whereas the franchisee is the one who receives the franchise rights. By signing an agreement, both parties are agreeing to perform certain duties and obligations.

Its purpose is for the franchiser to permit a franchisee to sell or market the product or service.

4. Define a contract clauses

A contract clause is a distinct section of a contract relating to a particular aspect or area and is separately numbered.

Practice Exercise 14

1. Explain a lease agreement.

A lease agreement is a legal document signed by the lessor and the lessee.

2. What is the purpose of a lease agreement?

The main purpose of a lease agreement is to protect both the lessor and the lessee.

3. What is a hire purchase agreement?

A hire purchase is an agreement between a lender and a borrower, or purchaser. A hire purchase is generally, the same as an instalment agreement or contract.

4. What is the purpose of a hire purchase agreement?

The purpose of the hire purchase is to acquire automobiles, furniture, computers and large items that generally cannot be paid in a lump sum.

5. Identify parties to a hire purchase agreement.

There are two (2) parties involved. One is the buyer or purchaser and the other is the lender who lends the funds to purchase the items.

Practice Exercise 15

1. Explain the legal requirements.

They are steps to follow that relate to laws and companies must comply with these steps as they operate in the business environment.

2. Give two (2) examples of legal requirements of the companies

Any of these listed below

- Type of company to register: Whether it is a partnership, corporation or a limited company.
- Registered office address: The company must have a registered business address within the country.
- Directors: The Company must have directors. They run the day to day operations of the company. The minimum number of directors is two and maximum number fifty (50) for private companies. There are no maximum for public companies.
- Business Name: Registering the company's name with Investment Promotion Authority (IPA).
- The Identity Card and Number from the Internal Revenue Commission
- File a company registration application with the Authorities
- Filing of a Memorandum of Association with at least three names of the shareholders
- A statutory meeting must be held quarterly within a year.

3. What is the purpose of an Article of Association?

This document sets out the procedures for company meetings, the responsibilities of directors. It regulates the company's internal operations.

4. What is the purpose of a Memorandum of Association?

This document regulates the way in which the company deals with the outside world

Practice Exercise 16

1. Explain what the Investment Promotion Authority is and state its purpose

The Investment Promotion Authority is a statutory body established by the Investment Promotion Act 1992 to promote and facilitate investments in Papua New Guinea.

2. What are the functions of IPA?

The roles and functions of the IPA are;

- provides information about the investment opportunities in Papua New Guinea.
- certifies foreign investors.
- restricts certain business activities for Papua New Guineans only
- administers the country's main business laws such as Companies Act, Business Name Act,
- maintains the office of the Intellectual Property and the Securities Commission of Papua New Guinea.

END OF ANSWERS TO PRACTICE EXERCISE 13-16
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ANSWERS TO LESSON ACTIVITIES

Answers to Lesson 1 – 16 Activities

Answers to Lesson 1 Activities

Activity 1.1:

1. In a paragraph, explain in your own words why it is important that business must know about the laws and regulations? Use your own paper or an exercise book to answer the question.

It is important that business must know about the laws and regulations so that they can set up legally, avoid paying large amounts of compensation to hurt or injured parties and to correctly settle disputes.

2. What should you do if you are not sure about the legal areas of running a business?

Talk to a person who knows more about the laws of running the type of business you are intending or planning to operate

Activity 1.2: Match these terms to the given description by drawing arrows.

Terms	Description
1. Zoning	Land that has been removed, from customary ownership and is controlled by the government.
2. Isolation industrial	Reserved for such things as roads, sewerage works, cemeteries, rubbish tips and airport
3. Public institutional	Reserved for industries that need to be isolated.
4. Public utilities	Reserved for such things as schools, prisons, hospitals, police stations, and place of worship.
5. Alienated Land	Classifying urban land into different areas according to the activities allowed there

Activity 1.3: Complete this table. The first one is done for you.

Name of Business	Nature of Business	Trading Hours
Example Stop n Shop	Supermarket, selling consumable goods	- Open 7 days a week - 8.30am – 6.00pm
1. Papindo	Supermarket, selling consumable goods	- Open 7 days a week - 8.30am – 6.00pm
2. PNG power	Company – selling electricity services	- Open 24 hours through digicel network (esipay) - Office open Monday to Friday 8.00am to 5.00pm

		- and Saturday 8.00am to 12.midday.
3. Digicel	Company, selling communication services	<ul style="list-style-type: none"> - Open 24 hours through digicel network - office open Monday to Friday 8.00am to 5.00pm - and Saturday 8.00am to 12.midday.
4. School canteen	Retailing, selling consumable goods	<ul style="list-style-type: none"> - Opens Lunch time – 1.40 pm to 2.00pm - Opens afternoon 4.30pm to 6.00pm
5. A village trade store	Retailing, selling consumable goods	- Depending on the owner.

Answers to Lesson 2 Activities

Activity 2.1:

1. Which two (2) boards that regulate the building construction in the National Capital District?

- (a) *The Physical Planning Board*
 (b) *The Building Board*

2. What is the purpose of these boards?

- *To ensure that all buildings in the city meet the commission's requirements*
- *To ensure that the buildings are safe and that adequate amenities are provided.*

3. What are some of the challenges faced by these boards?

- *Unchecked building are going up in NCD*
- *Development applications are not going through proper screening and approvals*
- *Responsibility not performed effectively*

4. What must be done before a proposal is submitted to the Building Board for consideration?

They must obtain or show proof of the Physical Planning Board approval

Activity 2.2:

Departments	Authorities	Organisations
- Department of Lands and Physical Planning	<ul style="list-style-type: none"> - Fire authority - Water and Sewage Authority 	<ul style="list-style-type: none"> - PNG Power - Eda Ranu - Telikom

- Department of Health	of		
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Answers to Lesson 3 Activities

Activity 3.1:

1. Explain the term, sale.

A sale is when the property or the good is transferred from the seller to the buyer.

2. Explain the term “agreement to sell”.

An agreement to sell is when the transfer of property or the good is to take place at a future time or subject to a condition to be fulfilled.

3. What type of buyers and sellers does the Goods Act cover for?

Genuine buyers and sellers

Activity 3.2:

1. What is the most important health standard?

Hygiene

2. Why do you think there is a law on the baby feed supplies?

So that there is a proper check made by a doctor on the baby, and knowing the reason as to why the baby should be fed by a bottle before recommending the bottle for that baby. In this way, no one just buys a baby bottle without proper advice from a doctor to feed his or her baby.

Also, careless use of the bottles can cause diarrhoea and the baby can die if not treated, therefore, advice on how to use the bottles hygienically must be given by the doctor first.

3. If a woman baked some bread and sold them in the public market, would she be committing an offence? Yes/ No. Explain your answer

Yes, because she is not following the set standards of the fix weight for the loaves of bread. Also she may have no label for the bread.

Activity 3.3:

1. (a) Which body is responsible for overseeing standardisation activities in Papua New Guinea?

The National Institute of Standards and Industrial Technology (NISIT)

(b) List two (2) of its roles.

Any of these two (2) listed below

Its roles are to:

- Develop and publish standards
- Disseminate information about standards
- Calibrate, verify and test measuring equipment and artefacts
- Accredite laboratories
- Certify management systems
- Conduct training programs on standardisation and quality assurance.

Answers to Lesson 4 Activities

Activity 4.1:

1. Why is Madang Province trying to have its own Liquor Licensing Act?

The Madang Province will have its own Liquor Licensing Act because the National Liquor Licensing Act is too general.

2. Who put together the Madang Provincial Liquor Act?

The Provincial Administration under the Attorney General and Justice Minister Sir Arnold Amet,

3. What is the purpose of the Provincial Liquor Act?

To be used as a guide in the province

Activity 4.2:

1. What is a trade licence?

It is a licence required by law before a person can carry out a trading business.

2. What type of licence would the following receive?

(a) Yumi Yet Beer Distritbutor: *Answer: Liquor Licence*

(b) Wantok Taxi service: *Answer: PMV Licence*

3. List at least six (6) different information that is required on the Licence To Trade form

Any of these listed below:

(a) *Licence fee amount*

(b) *Signature of Licence Manager*

(c) *Date*

(d) *Name of Business*

(e) *Trading hours*

(f) *Receipt Number*

(f) *Period of Licence*

(g) *Location of business*

Activity 4.3:

1. How long can a registration of a business name last? *Three (3) years*
2. Which body should register business names? *The Registrar of Companies*
3. List two (2) conditions that should be satisfied when deciding or choosing a business name.

Any of these listed below

- *It should define the type of business or identify the proprietor*
 - *It should not contain words that are misleading or offensive*
 - *It should not include abbreviations such as "Pty", "Ltd" or "Inc." or words such as "holding" or "group"*
 - *It should not be a name that is already registered.*
-

Answers to Lesson 5 Activities**Activity 5.1:**

1. How many individuals can form a partnership? *Two (2) or more,*
2. How is a conflict or a dispute solved when there is no partnership deed in place?
A partnership law is used. This law is called the Partnership Ordinance
3. Explain the „bind firm“

The principle that anything one partner does on behalf of a business binds the whole business. If a partner signs the agreement the whole partnership is liable if it fails to pay

Activity 5.2:

1. An Incorporated Land Group has perpetual succession. What does it mean?
It means an Incorporated Land Group continues even if its original members change
2. How should an Incorporated Land Groups" name end?
It should end with words like, Business (inc.) or Business Group (Inc.)
3. An Incorporated Land Group is a common type of business in many countries. Is this statement true or false? Explain your answer.

False. An Incorporated Land Group is only specific for Papua New Guinea because Papua New Guinean own customary land. They have customs and traditions they share in common.

Activity 5.3:

1. (a) What is a Benefit Sharing Agreement?

The Benefit Sharing Agreement is a government policy that allows land owners to share business activities with foreign companies on their customary land. It involves the sharing of direct and indirect benefits fairly for the people as well as the whole country.

(b) Give examples of direct and indirect benefits that are shared by a foreign company operating on a local land.

- *Direct benefits include royalties, equity entitlements and a development levy*
 - *Indirect benefits include employment, training, business development as well as infrastructure development such as roads, bridges, schools, clinics, and other community initiatives.*
-

Answers to Lesson 6 Activities**Activity 6.1:**

1. Explain illegal

It means doing something against the laws or the rules, or doing something not permitted

2. Give an example of an illegal business

Below are sample answers

- *Selling pirate copies of CDs and DVDs is illegal because the law of copyright prohibits it.*
- *Selling cigarettes to underaged children is illegal because the law in the Health Act, prohibits such sales*
- *Selling pornographic materials is illegal because the law prohibits them.*
- *Selling Betelnuts (Buai) on the streets of Port Moresby is illegal.*

3. Why do you think certain economic activities are preserved for Papua New Guineans?

It is so that Papua New Guineans are given the opportunity to participate in the economic development of the country.

Activity 6.2:

1. Why is it important to impose license regulations?

To better regulate, coordinate and control certain businesses, like the businesses that sell liquor.

2. What would happen if there were no restrictions in regard to trading hours?

Businesses would open later hours and there would be problems such as;

- *Increase in armed hold up shops, shoppers, and car thefts*
- *Workers would be over worked,*
- *Protect workers" rights*

3. Imagine you own a piece of land in Port Moresby. Would you go ahead and build your house with your trade store located in front of it? Yes/No. Explain.

No, I would have to get permission from the Town Planning Board before building my home with my trade store in front of it.

Activity 6.3:

1. Can you think of any way in which businesses may be affected negatively by restrictions put on them?

Below are sample answers

- *Time:*

Time maybe wasted while waiting when the process of paper work and office formalities to get the legal permit to build a building takes long time. The process of physically building the store may be hindered for a while.

- *Profit:*

Allocation of specific areas for informal business may turn customers away because they feel unsafe to do business there. This may result in low profits or slow returns for the business.

4. List down five (5) names of the price controlled goods

Any of these listed below:

- | | |
|---|-----------------------|
| • <i>Aerated waters</i> | • <i>Margarine</i> |
| • <i>Battery for radios and torches</i> | • <i>Meat</i> |
| • <i>Beer</i> | • <i>Milk</i> |
| • <i>Breakfast cereals</i> | • <i>Poultry</i> |
| • <i>Butter</i> | • <i>Rice</i> |
| • <i>Cigarettes</i> | • <i>Soap</i> |
| • <i>Coffee</i> | • <i>Sugar</i> |
| • <i>Fish</i> | • <i>Tea</i> |
| • <i>Flour</i> | • <i>Infants food</i> |
| • <i>Footwear</i> | • <i>Potatoes</i> |

Note: You can get more information from the ICCC

Answers to Lesson 7 Activities

Activity 7.1

1. Why is tax levied on people and businesses by the government?

The government needs money to do such things as;

- *Providing essential services like schools, roads and bridges*
- *Undertaking development projects*
- *Protecting the country from foreign invasion*
- *Maintaining law and order*
- *Distributing national income in a fair and equitable manner*

2. State whether the following actions by the government will encourage or discourage local business:

- (a) Increase customs duty on imported vegetables

Encourage local businesses; increase tax on imported items will enable less import and so local businesses will produce more locally

- (b) Reduce customs duty on imported chicken

Discourage local businesses; decrease tax will enable more imported chickens and so local businesses will be discouraged

- (c) Increase customs duty on imported beer

Encourage local businesses; increase tax on imported beer will enable less import of beer and so local businesses will produce more locally

- (d) Reduce customs duty on imported furniture

Discourage local businesses; decrease tax will enable more imported furniture and so local businesses will be discouraged from producing furniture.

3. State whether the following actions by the government will encourage or discourage consumption:

- (a) Increase customs duty on raw materials used in the beer industry

Discourage consumption

- (b) Increase customs duty on raw materials used in the cigarette industry

Discourage consumption

- (c) Decrease customs duty on meat

Encourage consumption

- (d) Decrease excise duty on vehicles

Encourage consumption

Activity 7.2:

Define these terms:

(a) GST

GST is an indirect tax. It is levied on goods and services sold by businesses for consumers to pay.

(b) Tax invoice

The document issued by a business registered for GST with IRC stating the sales value, total amount charged and GST collected.

(c) Excise duty

Excise duty is a tax on certain goods produced within a country, such as tobacco and alcohol

(d) Income tax

Income tax is tax levied on individuals' income and companies' income.

(e) Personal income tax

A tax levied on an individual's income

(f) Company tax

A tax levied on a company's taxable profit

Activity 7.3:

1. The word „remit“ is used in the GST information, what does it mean?

Send any GST money collected to IRC

2. What is tax return?

It is a document that tax payers lodge to the Internal Revenue Commission (IRC).

3. What is dividend withholding tax?

A tax deducted by a company on behalf of a shareholder at the time when dividends are made.

Answers to Lesson 8 Activities

Activity 8.1:

1. What is an insurance business?

An insurance business is a company that sells insurance to individuals and businesses. It is like any other organisation. It provides an important service but at the same time it wants to make a profit.

2. Name the two (2) compulsory insurance policies that all businesses should take out.

The Third Party Motor Vehicle Insurance and Workers' Compensation Insurance

3. Apart from the two (2) compulsory insurance policies, identify six (6) other different types of insurance policies.

Any of these listed below.

- Life insurance
- Health insurance
- Travel insurance
- Property insurance
- Motor vehicle insurance
- Workers' compensation insurance
- Liability insurance
- Marine insurance
- Aviation insurance

Activity 8.2:

1. Define the Insurance Act.

The Insurance Act is the law that is practised around insurance.

2. What is the name of the Papua New Guinea Insurance Act?

Insurance Act 1995

3. Explain the arrangement of the Papua New Guinea Insurance Act.

The Insurance Act 1995 is arranged in sections. Each of these sections contains clear and detailed instructions of the main activities in the operation of the insurance business.

4. What does provision refer to?

The term provision is referring to the prepared steps of actions to be taken to meet a possible or expected need.

Activity 8.3:

1. List the types of regulations that apply to the policies that are offered by the insurance businesses.

Indemnity, contribution, subrogation, insurable interest and utmost good faith

2. List one (1) way how businesses are affected positively by insurance regulations.
- It protects insurance businesses from over paying losses being claimed for
 - It protects insurance businesses from dishonest practices
 - It enables insurance businesses to work out and accept genuine claims only

3. List one (1) advantage and disadvantage of regulations on insurance businesses

Any of these

Advantages:

- Regulations enable the insurance businesses to operate fairly
- Regulations enable the insurance businesses to screen claims carefully

Disadvantages:

- Regulations may delay investigations on the risks encountered
- Regulations may discourage clients

Answers to Lesson 9 Activities

Activity 9.1:

1. Why is the employment law put in place?

To protect the employees and provide the minimum terms and conditions of employment for the employees

2. What does „discrimination“ mean to you?

Discrimination is about treating people differently through prejudice/Treating people unfairly by one person or group usually because of prejudice about race, ethnicity, age, religion, or gender

It means to be free from being treated unfairly because of age, gender, pregnancy, disability or HIV/AIDS status.

3. What does it mean to practise gender equality in the workplace?

Gender Equality means to treat male and female fairly in all aspects at the workplace regardless of gender. There has to be equal participation.

Activity 9.2:

1. What does it mean, „to have the right“ to do something?

It means, there is a legal law in place that gives you the permission and supports your action to do something. The action you take is correct by law and it is to your advantage.

2. What are „responsibilities“?

They are the tasks that you are required to do.

3. As a student, what are your rights and responsibilities? Give an example.

Sample answer

- (a) *To be educated, to live in a safe home, to be cared for and fed are the students' rights*
- (b) *To go to school, to do homework, obey school rules are the students responsibilities*

Activity 9.3:

1. What do you think are the major reasons for the industrial issues?

Workers are not satisfied with the entitlements, the remuneration packages and the working conditions.

2. What are some of the consequences of industrial issues?

- *Loss of production-out put that could have been produced had there not been the conflict*
- *lost income – wages and profits that are lost because of reduced working time, production and sales*
- *unemployment – workers could have stood down for the duration of the strike*
- *legal costs- the cost of representation before industrial tribunals to resolve the conflict, or the costs of representation before the courts deciding on the damages arising out of the industrial conflicts*
- *future financial cost- industrial conflicts may damage the reputation of the business or the costs of representation before the courts who will decide on the damages arising out of the industrial conflict.*

3. How would you as a small business person, who employs three (3) workers approach your employees if they are not satisfied with you in how you carry out your responsibilities?

Take time to listen to their complaints and try to find a solution as soon as you become aware of the issue.

Answers to Lesson 10 Activities

Activity 10.1:

1. What is an hourly rate?

The amount of money paid for each hour worked

2. Pauline's hourly rate is K4. She is expected to work 42 hours every week. How much will she earn in a fortnight?

K4.00 x 42 = K168. x 2 weeks = K336.

3. Roy's salary for a year is K14 300. How much will he receive every fortnight?

$$K14\ 300 \div 26 = K550$$

Activity 10.2:

Use the information below to answer these questions.

Normal working hour = 42 hours

On Sundays = 8 hours

After normal working hours on weekday = 10 hours

1. Allan's hourly rate is K3.25. How much will he earn on his normal working hours in a fortnight?

$$K3.25 \times 42 = K136.50 \times 2 = K273.00$$

2. Allan was asked to work on Sunday. How much will be his overtime pay for working on Sundays ?

$$\text{Sunday is twice the hourly rate: } K3.25 \times 2 = K6.50$$

$$K6.50 \times 8 \text{ hours} = K52.00$$

3. How much in total will Allan receive in his fortnight pay?

$$K273.00 + K52.00 + (10 \times 3.25 \times 1.5) \\ K273.00 + K52.00 + K48.75 = K373.75$$

Activity 10.3:

Emelda resigns from her job, having been with the same employer for five (5) years. She earns K6000 per year.

1. How much long service leave has she accumulated?

$$5/15 \times 6 = 2 \text{ months}$$

2. If Emelda receives money instead of leave, calculate how much she would receive?

$$5/15 \times \frac{1}{2} \times 6000 = K1000$$

3. In maternity leave, the term confinement is used. What does it mean?

Period of time given to a woman to give birth

Answers to Lesson 11 Activities**Activity 11.1:**

1. What does „gazetted“ mean?

It means the decision or the appointed is published and made public in the government gazette.

2. What are the two (2) reasons for determining a minimum wage?

So it provides enough income for workers to maintain a basic standard of living. It also makes sure companies do not exploit workers.

3. Employers can use their discretion and pay any amount above the minimum wage rate. What does „discretion“ mean?

In this context, employers can pay any wages above the minimum.

Activity 11.2:

1. What is a contract?

A contract is a formal or legal binding agreement. It can be an agreement for the sale of property or one for setting out terms of employment.

2. What does the term national refer to?

The term „national“ relates to, belonging to, representing, or affecting a nation. In this case, national means people belonging to a nation.

3. How can an unskilled employee earn more than the minimum wage?

He or she can earn more than the minimum wage on the basis of productivity, overtime, and bargaining through the union

Activity 11.3:

1. What is the article about?

A 7.5% pay rise for public servants

2. Who signed the government approved pay fixation agreement?

The Department of Personnel Management Secretary, John Kali and the President of the Public Employees Association (PEA), Micheal Malabag

3. What are the reasons for the pay increase?

The reason for the pay increase is because of the increase in the rate of inflation over the recent years

Answers to Lesson 12 Activities**Activity 12.1:**

1. Which law determines a new graduate teacher's base salary?

The Teaching Service Conciliation and Arbitration Act 1971

2. Why are expatriates recruited for certain jobs?

Expatriates are recruited for certain jobs *because qualified, skilled and experienced workers are not found locally for those jobs.*

Activity 12.2:

1. What is conciliation?

A conciliation is a method of settling industrial disputes involving disputing parties meeting to resolve their differences.

2. What is an arbitration?

A method of settling industrial disputes where the disputing parties are bound by the decision of an independent arbitrator. An arbitrator is someone choose to settle the dispute.

3. Which Act will be used to solve any problem to do with occupational health and safety in factories and workshops

Occupational Health, Safety and Welfare Act 1961

Activity 12.3:

1. Define industrial issues

Industrial issues are conflicts relating to terms and conditions of employment.

2. Explain what a trade union is

A trade union is an organisation of wage earners set up to serve and advance its members' interests in terms of wages, benefits, and working terms and conditions.

Answers to Lesson 13 Activities

Activity 13.1:

1. What is a legal contract or agreement?

A legal contract or agreement is made between two (2) or more parties to perform specific duties or obligation.

2. Explain the „breach of agreement“?

The Breach of agreement“ means *Failure to perform the specific duties and obligations indicated in the contract.*

3. What is likely to happen if a party in the contract is not happy with the performance of the other party?

The affected party can take legal action against the other party for breaching the agreement.

Activity 13.2:

1. What is a purchase contract?

A purchase contract or agreement is an agreement to purchase a particular product or property at an agreed price.

2. When is a purchase contract required?

A purchase contract is required when the buyer does not have money to pay immediately.

3. What legal document should be signed if a person has money available, and decides immediately to pay?

When a person has money to pay immediately, he or she is required to sign a deed of sales.

Activity 13.3:

1. What is a clause in regard to legal documents?

It is a distinct section of a document

2. How are clauses arranged in a legal document?

They are numbered separately on a legal document

Answers to Lesson 14 Activities**Activity 14.1:**

1. What is a lease agreement?

It is a contract document signed by the *lessor* and the *lessee*.

2. Define lessor and lessee

The lessor is the person who owns the property and the lessee is the person who intends to use the property.

3. List two (2) parts of a lease agreement.

Any of these listed below

- Nature of the property and a description of it
- Names and addresses of the lessor and the lessee
- Lease period
- Lease rentals
- Effective date
- Date of payment
- Penalties for late payments or non-payments
- Conditions relating to transferability between the parties
- Conditions relating to the maintenance and the insurance,
- Signatures, witnesses and the dates of agreement

Activity 14.2:

1. What is another term for lease payments? *Rental payments*
2. List one (1) advantage of leasing properties.

The cost is shared

3. Name the organisations that provide leasing finance and that would require all the legal documentation?

Banks and finance companies

Activity 14.3:

1. What happens if the purchaser fails to pay the instalments?

The Lender repossesses the goods.

2. What is the purpose of a hire purchase agreement?

The purpose of the hire purchase agreement is to acquire automobiles, furniture, computers and large items that generally cannot be paid in a lump sum.

3. Give an advantage and a disadvantage of hire purchase.

Refer to lesson 14, page 118 and 119 for the list of advantages and disadvantages. Any one of them is accepted.

Answers to Lesson 15 Activities

Activity 15.1:

1. What is a company?

It is a business organisation registered under the Companies Act 1997 as a company. It is also defined as an incorporated body and a legal entity with perpetual succession and a common seal.

2. Under which law should a company be registered?

The Companies Act 1997

3. List two (2) legal requirements that must be met to set up a company.

Refer to page 121 and 122 which contains the list of legal requirements. Any of them is accepted.

Activity 15.2:

1. What does „liability“ mean?

Money owed by a firm to a creditor. Liability means debt.

2. What does it mean to say “liability is limited”?

A provision ensuring that the owners or shareholders of a company are not personally responsible for the debts of the company. Their liability is limited to the number of shares they own.

3. Define „shares“

Part-ownership of a public company which entitles the holder of the shares to a proportion of the company's profits

Activity 15.3:

1. What restrictions apply to the members of a proprietary company through buying and selling shares in their company?

- *Restriction of the right of shareholders to transfer its shares*
- *The number of members is limited to no more than fifty (50).*
- *Directors are not to hold any shares in the company*

2. Briefly explain the difference in the information contained in the Memorandum of Association and the Articles of Association.

The Memorandum of Association (MoA) contains information about how to deal with things or matters outside the company while the Articles of Association (AoA) contains information about how to deal with the things and the matters within the company. That is, MoA deals with setting up requirements while AoA deals with how the company operates.

Answer to Lesson 16 Activities

Activity 16.1

1. Name the main business Acts.

Companies Act, Business Name Act, and Business Group Act.

2. Why is it important to reserve certain business activities for Papua New Guineans only?

To keep foreign investors and to give Papua New Guineans the opportunity to engage in small scale businesses

END OF ANSWERS TO LESSON ACTIVITIES 1-16

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STUDENTS AND MARKER'S COMMENTS

STUDENT'S COMMENTS:

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FODE PROVINCIAL CENTRES CONTACTS

PC NO.	FODE PROVINCIAL CENTRE	ADDRESS	PHONE/FAX	CUG PHONES	CONTACT PERSON		CUG PHONE
1	DARU	P. O. Box 68, Daru	6459033	72228146	The Coordinator	Senior Clerk	72229047
2	KEREMA	P. O. Box 86, Kerema	6481303	72228124	The Coordinator	Senior Clerk	72229049
3	CENTRAL	C/- FODE HQ	3419228	72228110	The Coordinator	Senior Clerk	72229050
4	ALOTAU	P. O. Box 822, Alotau	6411343 / 6419195	72228130	The Coordinator	Senior Clerk	72229051
5	POPONDETTA	P. O. Box 71, Popondetta	6297160 / 6297678	72228138	The Coordinator	Senior Clerk	72229052
6	MENDI	P. O. Box 237, Mendi	5491264 / 72895095	72228142	The Coordinator	Senior Clerk	72229053
7	GOROKA	P. O. Box 990, Goroka	5322085 / 5322321	72228116	The Coordinator	Senior Clerk	72229054
8	KUNDIAWA	P. O. Box 95, Kundiawa	5351612	72228144	The Coordinator	Senior Clerk	72229056
9	MT HAGEN	P. O. Box 418, Mt. Hagen	5421194 / 5423332	72228148	The Coordinator	Senior Clerk	72229057
10	VANIMO	P. O. Box 38, Vanimo	4571175 / 4571438	72228140	The Coordinator	Senior Clerk	72229060
11	WEWAK	P. O. Box 583, Wewak	4562231/ 4561114	72228122	The Coordinator	Senior Clerk	72229062
12	MADANG	P. O. Box 2071, Madang	4222418	72228126	The Coordinator	Senior Clerk	72229063
13	LAKE	P. O. Box 4969, Lae	4725508 / 4721162	72228132	The Coordinator	Senior Clerk	72229064
14	KIMBE	P. O. Box 328, Kimbe	9835110	72228150	The Coordinator	Senior Clerk	72229065
15	RABAU	P. O. Box 83, Kokopo	9400314	72228118	The Coordinator	Senior Clerk	72229067
16	KAVIENG	P. O. Box 284, Kavieng	9842183	72228136	The Coordinator	Senior Clerk	72229069
17	BUKA	P. O. Box 154, Buka	9739838	72228108	The Coordinator	Senior Clerk	72229073
18	MANUS	P. O. Box 41, Lorengau	9709251	72228128	The Coordinator	Senior Clerk	72229080
19	NCD	C/- FODE HQ	3230299 Ext 26	72228134	The Coordinator	Senior Clerk	72229081
20	WABAG	P. O. Box 259, Wabag	5471114	72228120	The Coordinator	Senior Clerk	72229082
21	HELA	P. O. Box 63, Tari	73197115	72228141	The Coordinator	Senior Clerk	72229083
22	JIWAKA	c/- FODE Hagen		72228143	The Coordinator	Senior Clerk	72229085

SUBJECT AND GRADE TO STUDY

GRADE LEVELS	SUBJECTS/COURSES
Grades 7 and 8	1. English
	2. Mathematics
	3. Personal Development
	4. Social Science
	5. Science
	6. Making a Living
Grades 9 and 10	1. English
	2. Mathematics
	3. Personal Development
	4. Science
	5. Social Science
	6. Business Studies
	7. Design and Technology- Computing
Grades 11 and 12	1. English – Applied English/Language & Literature
	2. Mathematics - Mathematics A / Mathematics B
	3. Science – Biology/Chemistry/Physics
	4. Social Science – History/Geography/Economics
	5. Personal Development
	6. Business Studies
	7. Information & Communication Technology

REMEMBER:

- For Grades 7 and 8, you are required to do all six (6) courses.
- For Grades 9 and 10, you must study English, Mathematics, Science, Personal Development, Social Science and Commerce. Design and Technology-Computing is optional.
- For Grades 11 and 12, you are required to complete seven (7) out of thirteen (13) courses to be certified.

Your Provincial Coordinator or Supervisor will give you more information regarding each subject.

GRADES 11 & 12 COURSE PROGRAMMES

No	Science	Humanities	Business
1	Applied English	Language & Literature	Language & Literature/Applied English
2	Mathematics A/B	Mathematics A/B	Mathematics A/B
3	Personal Development	Personal Development	Personal Development
4	Biology	Biology/Physics/Chemistry	Biology/Physics/Chemistry
5	Chemistry/ Physics	Geography	Economics/Geography/History
6	Geography/History/Economics	History / Economics	Business Studies
7	ICT	ICT	ICT

Notes: You must seek advice from your Provincial Coordinator regarding the recommended courses in each stream. Options should be discussed carefully before choosing the stream when enrolling into Grade 11. FODE will certify for the successful completion of seven subjects in Grade 12.

CERTIFICATE IN MATRICULATION STUDIES		
No	Compulsory Courses	Optional Courses
1	English 1	Science Stream: Biology, Chemistry, Physics
2	English 2	Social Science Stream: Geography, Intro to Economics and Asia and the Modern World
3	Mathematics 1	
4	Mathematics 2	
5	History of Science & Technology	

REMEMBER:

You must successfully complete 8 courses: 5 compulsory and 3 optional.