

GRADE 9

BUSINESS STUDIES

UNIT 1

SATISFYING NEEDS AND WANTS (1)



COURSE BOOK 1

Name : _____
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GRADE 9

BUSINESS STUDIES

UNIT 1

SATISFYING NEEDS AND WANTS (1)

COURSE BOOK 1

TOPIC 1: PRODUCTION

TOPIC 2: TRADE

TOPIC 3: DOMESTIC AND FOREIGN TRADE

TOPIC 4: ISSUES AFFECTING PRODUCTION

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DEMAS TONGOGO

PRINCIPAL

Complied by: Lucy Joseph

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TABLE OF CONTENTS

Course Introduction	5
Study Guide	10
Topic 1: Production	13
Topic Introduction	14
<input type="checkbox"/> Lesson 1: What is production?.....	15
<input type="checkbox"/> Lesson 2: Stages of production.....	21
<input type="checkbox"/> Lesson 3: Factors of production.....	29
<input type="checkbox"/> Lesson 4: Specialisation and division of labour.....	35
Answers to Practice Exercises 1- 4	43
Topic2: Trade	47
Topic Introduction	48
<input type="checkbox"/> Lesson 5: Traditional trade in Papua New Guinea.....	49
<input type="checkbox"/> Lesson 6: Modern trade in Papua New Guinea.....	57
<input type="checkbox"/> Lesson 7: Trade and prices.....	65
<input type="checkbox"/> Lesson 8: Finance Industry and Communication.....	73
<input type="checkbox"/> Lesson 9: Transportation and Insurance.....	79
Answers to Practice Exercises 5-9	87
Topic 3: Domestic and Foreign Trade	93
Topic Introduction	94
<input type="checkbox"/> Lesson 10: Domestic Trade.....	95
<input type="checkbox"/> Lesson 11: Foreign Trade.....	101
<input type="checkbox"/> Lesson 12: PNGS Export and Import.....	109
<input type="checkbox"/> Lesson 13: Foreign currency.....	117
Answers to Practice Exercises 10-13	123
Topic 4: Issues affecting Production	127
Topic Introduction	128
<input type="checkbox"/> Lesson 14: Industrial Issues.....	131
<input type="checkbox"/> Lesson 15: Unethical Practices.....	141
<input type="checkbox"/> Lesson 16: Social Issues.....	149
<input type="checkbox"/> Lesson 17: Health Issues.....	155
<input type="checkbox"/> Lesson 18: Disasters.....	167
Answers to Practice Exercise 14-18	173
Answers to Lesson Activities	177
References	

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 and written in terms that allow them to be demonstrated, assessed or measured.

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, Government policies and reports. It is developed in line with the National Education Plan (2005 -2014) and addresses an increase in the number of school leavers which has been coupled with a lack of access to secondary and higher educational institutions.

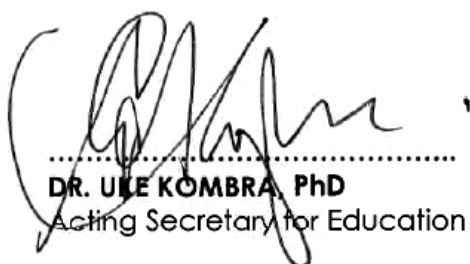
Flexible, Open and Distance Education curriculum is guided by the Department of Education's Mission which is fivefold:

- 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 Guineans harness all appropriate and affordable technologies to pursue this program.

I commend all those teachers, curriculum writers and instructional designers who have contributed so much in developing this course.



.....
DR. ULE KOMBRA, PhD
Acting Secretary for Education

COURSE INTRODUCTION



Dear Student,

Welcome to Grade 9 Business Studies – Unit 1 Satisfying Needs and Wants (1). This course continues from your Grade 7 and 8 Making A Living Course. The course will teach you to develop an understanding of people, organisations that produce goods and services to satisfy the needs and wants of consumers. You will also learn practical knowledge, skills, attitudes and values and how production takes place and goods and services are distributed in the traditional areas and today in this complex and modern economic environment. Furthermore, you will learn of how the government is involved in business activities both directly and indirectly. These lessons will enable you to acquire skills that will help make wise decisions and design an action plan for positive consumer behaviour. The Grade 9 Business Studies Course contains six (6) Unit Books, and six (6) assessment books.

1. Unit Books

There are four (4) topics in this unit book. They are as follows:

- Topic 1: Production
- Topic 2: Trade
- Topic 3: Foreign Trade
- Topic 4: Issues affecting trade

Unit 1: Satisfying Needs and Wants (1) In this unit you will have an opportunity to:

- Develop vital knowledge, understanding and skills in relation to all aspects of business activities.
- Develop essential communication, planning and evaluation skills and be empowered with them and use appropriately in the private, public, church, and NGO sectors. They also prepare you to take an active role in the business and organizational setting.
- Make you more aware of your role as a consumer, worker, citizen and eventually a business owner.

Unit 2: Satisfying Needs and Wants (2). In this unit you will have an opportunity to:

- Develop an understanding of why goods and services are produced and how they get to the consumers who use them.
- Develop an understanding of the contribution of production and trade in the local area, community, nationally and internationally.
- Learn how trade – domestic and internationally plus how related services are organized in this economic environment and eventually assists and increases economic growth.

Unit 2: Satisfying Needs and Wants (2) has four topics (21) lessons. They are as follows:

- Topic 1: Business Units
- Topic 2: Government and Business
- Topic 3: Financial Institutions
- Topic 4: Taxation

Unit 3: Being a Wise and Responsible Consumer

In this unit you will have an opportunity to:

- Develop an understanding that in-order to have a viable workforce one must have a healthy population for full productivity in any industry. A lot of things add up to a healthy population like, improved health services, eating balanced meals, ways of combating outbreaks and generally better or improved healthy practices and services too.
- Address ways that affect production and find and put sustainable methods.
- Develop health awareness campaigns to educate and update people's knowledge on better and improved ways of living. Individuals must take full responsibility of their own lives as well as their families, communities and the nation as a whole. The spirit of helping one another must be practiced by everyone then we can have a viable, healthy Papua New Guinea.

Unit 3: Being a Wise and Responsible Consumer has four Topics (17 lessons).

They are as follows:

- Topic 1: The Wise and Responsible Consumer
- Topic 2: Consumer's Need for a Budget
- Topic 3: Saving Money
- Topic 4: Borrowing Money

Unit 4: Business Communication

In this unit you will have an opportunity to:

- Use effective communication skills and mediums to communicate within the business environment.
- Identify appropriate documents to buy and sell goods and services.
- Identify technologies that enhance progress of work in businesses.

Unit 4: Business Communication has four topics (18 lessons). They are as follows:

- Topic 1: What is Business Communication?
- Topic 2: Business Documents and Letters
- Topic 3: Business Meetings and Records
- Topic 4: Communication Technologies

Unit 5: My Small Business Progress (1)

In this unit you will have an opportunity to:

- Discuss ways to plan a business and to become an entrepreneur.
- Identify the right institution that helps assist business financially.
- Identify the procedures to cost and price the goods and keeping important Financial records of the business.

Unit 5: My Small Business Project (1) has four topics. They are as follows:

- Topic 1: Being an Entrepreneur
- Topic 2: The Business Plan
- Topic 3: Financing a Small Business
- Topic 4: Costing and Pricing

Unit 6: My Small Business Progress (2)

In this unit you will have an opportunity to:

- Discuss how to manage small businesses.
- Identify the measures to control stock of business.
- Identify procedures to keep business records and evaluate these business records.

Unit 6: My Small Business Project (2) has four topics. They are as follows:

- o Topic 1: Managing a Small Business
- o Topic 2: Stock Control
- o Topic 3: Keeping Records
- o Topic 4: Reporting on a Small Business

2. Assessment Books

There are two types of assessments. They are as follows:

- **Assignment Books:** The assignment books contain end of Topic Tests and the Unit Examination.
- **External Examination:** The External Examination contains all tasks and activities that cover skills and knowledge from all the units.

Examination: The examination will be at the end of the year. It will covers skills and knowledge from the six units. You will sit for your examination only if you have completed all assessments for the six units. The Tests, Projects and Examination are marked by your distant teacher. The marks you score will count towards your final mark and grade.

Course Duration: It should take about 8 to 9 weeks to complete one unit.

UNIT	DURATION
UNIT 1: Satisfying Needs and Wants (1)	Approximately 2 weeks
UNIT 2: Satisfying Needs and Wants (2)	Approximately 2 weeks
UNIT 3: Being a Wise and Responsible Consumer	Approximately 2 weeks
UNIT 4: Business Communication	Approximately 2 weeks
UNIT 5: My Small Business Project (1)	Approximately 2 weeks
UNIT 6: My Small Business Project (2)	Approximately 2 weeks

UNIT 1: INTRODUCTION



Welcome to the first topic in your Grade 9 Business Studies – Satisfying Needs and Wants (1). In this unit, you are introduced to the concept of the economic and business environment in Papua New Guinea. It will enable you to study and develop an understanding of why and how people and organisations produce goods and services for consumers. The main focus will be on production and trade including foreign trade, government, business and issues that affect production and trade. You assess the factors used in production to evaluate current practices of production and how they can be avoided or managed as production continues. Another aspect to this unit is what determines the price. You will learn about the significant contribution that those factors make towards enhancing and encouraging development in your local area. It will enable you to take part responsibly in the changing commercial environment and become more aware of your role as a consumer, worker, citizen and finally as a business owner.

Grade 9 Business Studies – Satisfying Needs and Wants (1) incorporates four topics:

- Topic 1: Production,
- Topic 2: Trade,
- Topic 3: Domestic and Foreign Trade,
- Topic 4: Issues affecting Trade.

Topic 1: Production,

In this topic, you will learn about production, the current practices of production, factors that enables production to take place, the relationship of production and trade, classification of production activities and the different stages of production. Furthermore, you will learn how to design sustainable resource management projects to generate income for the country.

Topic 2: Trade

In this topic, you will learn about trade, why it takes place and who benefits. You should be able to name the local examples in your local areas, resources in the environment in the aspects of economic, cultural and ecological values of domestic trade and the service provision that enables trade to take place. Furthermore, you will learn how money enables trade to progress smoothly with the use of modern technology is currently being used in the country and how to apply environmentally friendly ways of managing the resources.

Topic 3: Domestic and Foreign Trade

In this topic, you will learn the skills and knowledge of trade, how it takes place locally as well as internationally. You will be able to clearly describe and explain domestic trade using local examples and apply them for international trade activities. You will also be able to promote small local industries, highlight the importance of the use of foreign currencies, who our exporters and importers and, what import substitutions the country can make to replace them. You must bear in mind that we still need goods and services from other countries because they cannot be produced in the country.





Topic 4: Issues Affecting Trade

In this topic, you will learn about issues that affect production. Today with improved health services the population is increasing at an alarming rate for a small country like Papua New Guinea. So with the increased number of people new life styles are adapted. This is bringing in life style diseases upon the citizens. A lack of employment, poverty, law and order problems and a general break down in the community and also some outcomes we face today in Papua New Guinea. It should not only be the concern of the government. Individual citizens must help reduce this by taking responsibility of their own ways of doing things. Natural disasters do happen without warning and as such people must be prepared to help themselves in such difficult situations.

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 end of Topic 1 in the Unit Book to correct your answers. The answers for your Practice Exercises are at the end of the Topic while 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 lesson and revise well and try to understand why you gave an incorrect answer.
- Step 4:** After you have completed steps 1-3, tick the box for Lesson 1 on the Contents' page (page 3) like this,
- Topic 1: Production
- ☒ Lesson 1: What is production?
- Step 5:** Go to Lesson 2 and repeat the same process until you complete all the Lessons in Topic 1
- Step 6:** After completing your Lessons and Practice Exercises in each Topic, then complete each Topic Test in the Assessment Book 4.
- Step 7:** After you have studied the whole Unit, do the Unit Examination in the Assessment Book 4.
- Step 8:** Check through your Assessment Book 4 when you are satisfied then send it to your provincial centre for marking. The provincial center will advise you on how to apply for your external examinations.

Icons

 <p>Introduction</p>	 <p>Target of the Lesson</p>	 <p>Lesson Activity Practice Exercise</p>	 <p>Summary</p>
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Assessment

You will do four Topic Tests and a Unit Examination.

Your assessment book will be marked by your distance teacher. The marks you score will count towards your final mark and grade.

If your score is less than 50% in any assignment, you must repeat that assignment. If you continue to score less than 50% in your assignment three consecutive 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 on a weekly basis. The Study Schedule will help you to complete your Course Book and its Assessment.

WEEKS	TOPIC/ LESSON NUMBER	ASSESSMENT	COMMENTS
1-2	Topic 1 Lessons 1- 4	Topic 1 Test/15	
3- 4	Topic 2 Lessons 5-9	Topic 2 Test/15	
5-6	Topic 3 Lessons 10-13	Topic 3 Test/15	
7-8	Topic 4 Lessons 14-18	Topic 4 Test/15 Unit Examination/40	
10	Submit your Assignment 1 to your Provincial Centre for marking.		

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

All the Best

TOPIC 1

PRODUCTION

TOPIC 1: PRODUCTION



Welcome to Topic 1- Production. This topic teaches you how production takes place is, then moving the products and services to where you can have access to them and at the same time assist the economic growth in your local areas. You will also learn skills that will enable you to manage resources in several ways at your level.

This topic contains four lessons.

Lesson 1: What is production?

In this lesson you will define production and state its purpose. You will also identify business activities within you own local area and also Papua New Guinea and eventually recognise the relationship between production and trade.

Lesson 2: Stages of Production

In this lesson you will be able to identify the three stages of production and identify local examples of each stage.

Lesson 3: Factors of Production

In this lesson you will identify the factors of production and their usefulness in the making and provision of goods and services. You will also see where our strengths and weaknesses are in the areas of production of goods and provision of services.

Lesson 4: Specialisation and Division of Labour

In this lesson you will cover areas such as you can understand specialisation, division of labour and mass production. Furthermore, from these, the relationship between specialisation, division of labour and mass production and finally the advantages and disadvantages of specialization, division of labour and mass production.

Lesson 1: What is Production?



Introduction:

Welcome to the very first lesson in Grade 9 Business Studies. In the subject, Making A Living (MAL), in grade 7 and 8 you already learnt about the basics of production. You also learnt about people's needs and wants and how people try to satisfy these needs and wants. In this lesson, you will learn more about production. Your ;



Your Aims:

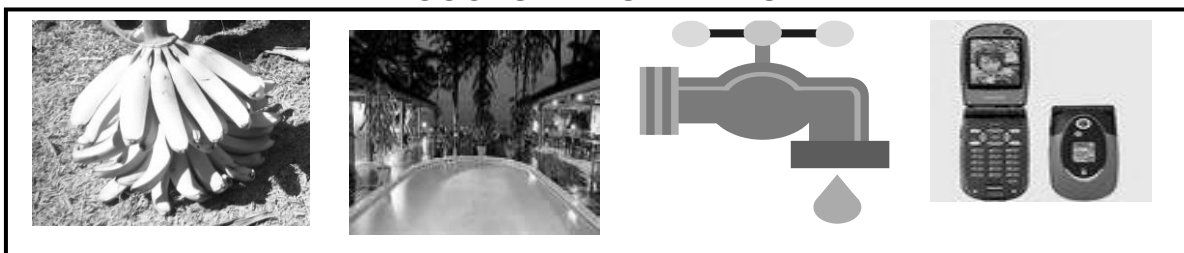
- Define production and state its importance
- Identify business activities in production within the provinces and Papua New Guinea as a whole
- Identify the production activities and those involved in production
- Discuss the relationship between production and trade

What is Production?

Production is the process of making, creating, growing, or manufacturing of goods as well as providing of services by human efforts. Production takes place to satisfy human needs and wants. Basic human needs can be described as nutritious food, clean water, appropriate clothing and decent shelter. We must satisfy these needs in order to continue our existence.

Wants however, are things which we would like to have, but we can do without them if we want to. For example, ice-cream is a type of food that many people want to have but they can go without it. We can skip wants and can still survive but, it is difficult to survive without needs. Our wants and needs may be in the form of goods but they may also be in the form of services. Some services provide basic needs, such as the health services. However, many services only provide our wants, such as the different kinds of entertainment.

GOODS AND SERVICES



Activity 1.1: Read and complete the table

1. Write down in the lines below five (5) examples each of goods and services.

Goods	Services
(a)	(a)
(b)	(b)
(c)	(c)
(d)	(d)
(e)	(e)

2. List below four (4) examples of needs and wants.

Needs	Wants
(a)	(a)
(b)	(b)
(c)	(c)
(d)	(d)

Who Produces Goods and Services?

When we work, we help to produce goods and services which satisfy both needs and wants. There are many different types of work which are carried out in order to provide goods and services for our needs and wants. Vegetable farming, providing security, building a house, catching fish, mining for gold, street cleaning, food catering, and car making are all examples of work. All types of work can be divided into three types of production activities and these will be discussed in detail in the next lesson. But first let us identify the different types of workers that do different work.



Activity 1.2: Read and answer the following question.

Listed below in the first column are examples of some workers. Complete column 2 and 3 by writing down what they produce and whether they produce goods or services. The first one has been done for you as an example.

Workers	What They Produce	Goods Or Services
Eg: Vegetable farmer	vegetables	goods
Plumber		
Book writer		
Market seller		
Teacher		
House builder		

In Papua New Guinea, most of the people live in the rural areas. They produce goods and services for their own or their family's consumption. However, this trend is changing very rapidly. Many people in the rural communities are greatly influenced by the cash society. Most of what they produce today is sold for money. Individuals and families living in the urban areas, boarding institutions, and those living at large mining companies are very much dependent on the rural farmers for their food supply. For example, kaukau, potatoes and other vegetables grown by rural farmers in the highlands are sold in urban markets and supper markets in Port Moresby and other urban centres.

They also produce other goods and services to meet community needs. For example, church members help their pastors, priests or ministers in food and kind as part of their church obligation.

In modern Papua New Guinea, many people who work to produce goods and services are employees of a government department, a private business or

government business, a non-government organisation or a faith based (church) organisation. Organisations like churches, social groups and NGOs produce goods and services mostly for humanitarian reasons.

There are those that do not work for any-one but for themselves. They are known as self-employed people. Some of these people run formal businesses while others are involved in the informal sector.



Activity 1.3: Read and answer the following questions.

1. Name five (5) types of employers.

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

2. Match the employers on the left with their appropriate employees on the right by drawing lines.

Employers

- (i) Government
- (ii) Private Business
- (iii) Government Business
- (iv) Self employed (formal)
- (v) Self employed (Informal)

Employees

- (a) A mining engineer with Pogera Gold Limited
- (b) Wana Wake a meri-blouse seller
- (c) Dr. Clement Mola as the Health Secretary
- (d) Managing Director of Air Niugini Ltd
- (e) Dr. Mola of Dr. Mola's Private Clinic, Ltd.

Remember, goods and services are produced by workers to satisfy needs and wants of people. The producers are either self employed or are employed by others such as governments, businesses or NGOs.

Let us now discuss what happens to the goods and services that are produced by the employees.

Relationship between Production and Trade

Goods and services produced are used by consumers. We know that the employees work for their employers and they are paid for their labour. The employers are not always the direct consumers of the goods and services produced by their employees but they are the owners of the resources for production. Of course the employees' skills are one type of resources while others include money, tools, buildings, materials, machinery which are all forms of resources used to produce goods and services. The production of goods is mostly left to the private businesses while basic service such as health and education remain a government responsibility.

Businesses sell all the goods and services they produce for money to consumers through distributors both within and abroad. The government services are either free for the people's use or are heavily subsidised. This means consumers pay only portion of the total cost of a service, such as health and education. Only few services are provided free by the government to the people, for example police, defence and correctional services.

The following situational stories will make the above idea clearer.

Example 1:

South Pacific Brewery Limited is a private company that manufactures SP beer. It owns all production resources and employs human labour for wages. It sells all its beer to consumers through distributors throughout Papua New Guinea. It exports to other countries in the Pacific, including New Zealand and Australia because it produces surplus. The consumers pay for the full cost of beer.

Example 2:

Some one very sick who is in a public hospital will only pay a portion of the total cost of the clinical service. The nurses' and doctors' wages are paid for by the government. The equipment used are all paid for and maintained by the hospital, the cleaning and other services provided by the support staff are paid for by the hospital administration with the money provided by the government through the national government budget.

Example 3:

You are an urban dweller. Your general safety is guaranteed by the presence of the police at strategic locations checking out criminal elements. You do not pay a toea to receive that service.

**Activity 1.4: Read and answer the following questions.**

Write true or false for each of the following statements to show you understand the relationship between production and trade. Then make the false statements true.

1. All the goods and services produced in Papua New Guinea are sold. _____
 2. Basic government services are subsidised. _____
 3. With private businesses, the owners of the resources retain the right to claim the proceeds of production. _____
-

Summary:



You have come to the end of Lesson 1. In this Lesson, you learnt;

- Production is work done to make, create, grow or manufacture things (goods) and to provide services.
 - The purpose of producing goods and services is to satisfy people's needs and wants. You identified human basic needs as food, clean water, basic clothing and shelter.
 - The production activities such as growing, making, fishing, manufacturing, creating, providing, and treating.
 - Those involved in production as government, businesses and Non - Government Organisations.
 - The businesses produce goods and services mostly for sale.
 - The Government mostly provides services and it does it either free or at subsidised costs.
 - Organisations like churches, social groups, and Non-Government Organisations produce goods and services mostly for humanitarian reasons.
-

NOW DO PRACTICE EXERCISE 1 ON THE NEXT PAGE
--



Practice Exercise 1

1. Define production

2. Why is entertainment classed as a want?

3. List three (3) benefits of production today?

4. Complete the table below with goods and services produced by the different producers.

Production Activity	Producer	Goods	Services

**NOW CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1
ON PAGES 44 - 46**

Lesson 2: Stages of Production



Introduction:

Welcome to Lesson 2 on Stages of Production. In your previous lesson, you learnt about Production as a process of making, creating, growing and manufacturing of goods and provision of services by human efforts. Production takes place to satisfy human needs and wants. In this lesson, you will learn about the three stages involved in the production. There are three stages, primary, secondary and tertiary. Each stage is explained in detail below. You will also identify some of the business activities carried out in each of the stages.



Your Aims:

- Identify the three stages of production
- Identify business activities in each stage of production.

Primary Production

This is the first stage in any productive activity. It involves extracting or taking natural resources from the earth. It is also known as the **extractive stage**. It provides work for people such as miners, farmers, fishermen and forestry workers. These products are usually in a raw state. For example, it may be wood which has to be made into timber, it may be fish which must be cleaned and gutted before it can be eaten. The pictures below are examples of primary production of farming and mining activities.



Tractor used in farming activity



A gold miner mining for gold

About 85 percent (%) of Papua New Guineans are subsistence farmers. They live in rural communities and rely heavily on farming activities for their survival to satisfy their basic needs and wants. They are involved in the productive activity of working the land.

Secondary Production

Secondary Production includes manufacturing and construction industries. These industries process raw materials into many different kinds of goods which we use. Manufacturing includes activities such as making bread, brewing beer and refining oil. Construction includes building roads, houses, and laying pipelines.

In practice, many raw materials will have to go through a number of stages of manufacturing before a product is completely ready for use. An example of this is in car production. Car parts are made in many different factories, and are then sent to one factory to be assembled into a finished and complete car. It is important for you to take note that primary and secondary productions together are referred to as

industry. The pictures below are examples of a secondary production in the construction of roads and buildings.



Construction of a road



Construction of a building



Activity 2.1: Read and answer the following questions.

- (a) In which type of production do logging activities fall under?
-
- (b) Taking natural resources out of the earth is called:
-
- (c) Under which type of production does manufacturing of shoes fall?
-
- (d) A Toyota Hilux is a finished product, which stage of production does it come under?
-
- (e) Which type of production are most Papua New Guineans engaged in?
-

Tertiary Production

This third type of production has two main parts. These parts are; commercial services and direct services. They provide the services you and I need which help primary and secondary production to work efficiently.

Commercial Services

Firstly, let us define the term “commerce”. Commerce involves the distribution and sale of goods and services. It is commerce which gets the goods to where they are needed at the time when they are needed. This is done through storing, transporting, advertising, providing finance, selling and many other activities.

The jobs under commerce are called commercial jobs. Commercial jobs include,



Transport – a commercial activity

for example, drivers, dock workers, bank clerks, insurance clerks and shop-keepers.

The pictures on page 22 show some examples of different transport systems which are commercial jobs providing the service of distributing goods and services.

Direct Services

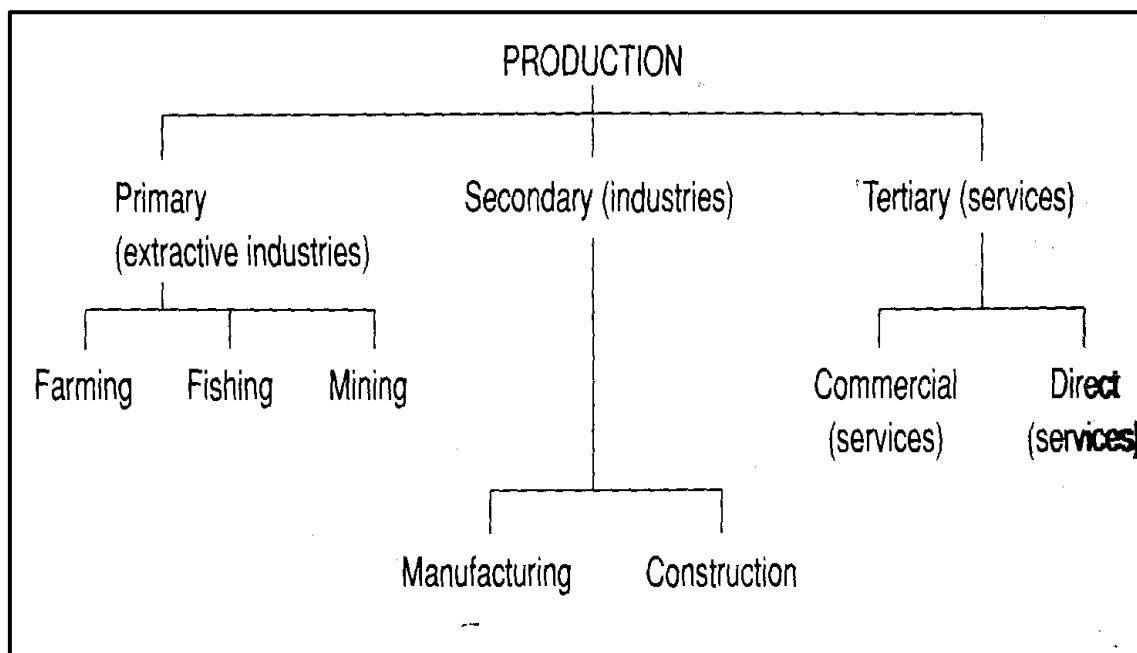
Services provided by people such as, doctors, policemen, footballers, teachers and singers are referred to as direct services. These people are part of the tertiary production. They don't produce goods. They supply us with services which help to satisfy our needs or wants.

The picture below is an example of health workers providing medical health services to the patients.



Medical health workers providing direct services

The diagram below shows the different stages of production which we have already looked at in our lesson discussion.



Stages of Production

**Activity 2.2: Read and answer the following questions.**

1. List the three (3) main stages of production

(a) _____

(b) _____

(c) _____

2. Name at least two (2) examples each of the three (3) stages of production

(a) i. _____

ii. _____

(b) i. _____

ii. _____

(c) i. _____

ii. _____

3. Which of the three (3) stages of production are referred to as industries?

Business Activities in the Three Stages of Production

In each of the three stages of production so many activities take place. Local and foreign businesses are very busy in each stage of production. Each business depending on their speciality doing the work of extracting, manufacturing or providing services. Below in detail are some of the businesses in their areas of activities.

1. Primary Production

Papua New Guinea is a land full of natural resources like gold, copper, oil, gas, nickel, silver, molybdenum, fish, timber, cocoa, coffee, palm oil, coconut, fresh food and vegetables. It is full of other plants and animals too. These natural resources are extracted from the land and sea to satisfy the needs and wants of human beings. The Primary Production is mainly in the mining, agriculture, forestry and fisheries sectors.

The table below shows some of the business activities in the primary production.

Mining	Agriculture	Forestry	Fisheries
Ok Tedi Mining Ltd	RamuAgri-Industries	PNG Forest Products	RD Tuna PNG Ltd
Lihir Gold Mining Ltd	New Britain Palm Oil Ltd	Rimbunan Hijau (PNG) Ltd	International Food Corporation
Tolukuma Gold Mining Ltd	Niugini Table Birds Ltd	Turama Forest Industry Ltd	Frabelle Fishing Company
Hidden Valley Gold Mining Ltd	KurumulTea Plantations	Open Bay Timber Ltd	South Pacific Sea Food
Ramu Nickel Mining	ZenagChicken Producers Ltd	Vanimo Forest Products	Ailan Seafood Ltd
ExxonMobil-LNG (Oil & Gas)	Bewani Oil Palm Estate	Cloudy Bay Timber Products PNG Ltd	South Sea Tuna Loining PNG Ltd

2. Secondary Production

The second stage of production includes manufacturing and construction, where raw materials from primary production are changed into finished products.

The table below shows some of the business activities under secondary production

Manufacturing	Construction
Laga Industries	Lae Builders & Contractors Ltd
Garamut Bakery	Global Construction
Luk Poy Wai Tailoring Ltd	L & A ILB (PNG) Ltd
Dulux (PNG) Ltd	Niugini Builders Ltd
Lae Biscuit Company	Dekenai Construction
RD Tuna Cannery	Niugini Steel Corporation Ltd
PNG Forest Products	Hornibrooks Construction

3. Tertiary Production

The third stage of production is where services are provided. These services include commercial and direct services which people use to satisfy their needs and wants.

The table below shows some of the business activities in the tertiary production.

Commercial Services	Direct Services
Bank of South Pacific	All Hospitals
Air Niugini	University of PNG
Lutheran Shipping	PNG Royal Constabulary
East West Transport	PNG Correctional Services
National News Paper	PNG Fire Services
Brian Bell	St Johns Ambulance Services

The table below shows some of the occupations in each of the three sectors. The tick shows the sector in which they belong to.

Occupation	Primary	Secondary	Tertiary Services	
			Commercial	Direct
(1) Bank Manager			√	
(2) Fisherman	√			
(3) Storekeeper			√	
(4) Lawyer			√	√
(5) Farmer	√			
(6) Teacher				√
(7) Factory worker		√		
(8) Bricklayer		√		
(9) Sailor			√	
(10) Gold Miner	√			
(11) Baker		√		
(12) Accountant				√



Activity 2.3: Write true or false for each of the following statements. Then make the false statements true.

- (a) PNG Forest Products is an example of Primary Industry _____
- (b) RD Tuna Cannery is both an example of Primary and Secondary Production _____
- (c) Bank of South Pacific provides banking services _____
- (d) St Johns Ambulance Services is an example of commercial services _____
- (e) Niugini Builders Ltd specialises in road constructions _____
- (f) Secondary Production mainly involves in direct services _____
- (g) Tertiary Production is the third and final stage in production _____
- (a) _____
- (b) _____
- (c) _____
- (d) _____
- (e) _____
- (f) _____
- (g) _____

Summary:



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

- Primary Production is the first stage of production involving the extraction of raw materials from the earth
- Secondary Production is the second stage of production which includes manufacturing and construction industries.
- Manufacturing includes activities such as making bread, brewing beer, and refining oil.
- Construction includes building roads, houses and laying pipelines.
- Tertiary Production is the final stage of production where services are provided
- Business activities in the primary production include mining, agriculture, forestry and fisheries sectors.
- Business activities in the secondary production includes the manufacturing and construction sectors
- Business activities in the tertiary production includes commercial and direct services
- Commercial services are provided by the jobs engaged under commerce
- Direct services come from the services provided by such people like doctors, policemen, footballers, teachers, and nurses.

NOW DO PRACTICE EXERCISE 2 ON THE NEXT PAGE
--



Practice Exercise 2

(1). Name any two (2) business companies or firms involved in each of the following:

(a) Primary production

(i) _____

(ii) _____

(b) Secondary production

(i) _____

(ii) _____

(c) Tertiary production

(i) _____

(ii) _____

(2). Indicate the sector, each of the listed occupations belong to. You should indicate by putting a tick under one of the following; **primary, secondary, commercial or direct.**

Occupation	Primary	Secondary	Tertiary Services	
			Commercial	Direct
Bank Manager				
Fisherman				
Shop assistant				
Lawyer				
Farmer				
Footballer				
Factory worker				
Bricklayer				
Sailor				

(3). Match the words in column A with the statements in column B which best explains the definitions by drawing lines.

- | | |
|----------------------------------|--|
| 1. Primary Production | A. An example of a commercial service |
| 2. Lawyer | B. An example of a primary service |
| 3. Banking | C. Business activities involved in providing services |
| 4. Secondary Production | D. Business activities involved in building and construction |
| 5. Niugini Steel Corporation Ltd | E. Turning natural resources into goods |
| 6. Tertiary Production | F. Taking natural resources out of the earth |
| 7. Port Moresby General Hospital | G. A direct occupation |
| | H. Providing of services |

Lesson 3: Factors of Production



Introduction

Welcome to lesson three (3) on Factors of Production. In your previous lesson, you learnt about the Stages of Production. The three stages are primary, secondary and tertiary. Some business activities in each of the stages were also discussed. You also learnt that each of the production stage take place to satisfy human needs and wants.



Your Aims:

- Identifies the factors of production that contribute towards the production of goods and services
 - How people satisfy their needs and wants.
 - Explain the factors of production and then you
 - Explain the importance of each of the factors.
-

Factors of Production

Production of goods and services take place in every country in the world. Our ancestors produced goods and services using available resources mostly to satisfy their needs and wants. The surplus was exchanged for what they did not have. We produce goods and services today for the same purpose, to satisfy our needs and wants and also to exchange.

Generally, there are four categories of resources, **land**, **labour**, **capital** and **enterprise** or entrepreneurship. These are referred to as the factors of production.

1. Land

Land resources are the natural resources that are used to produce something. Production of goods in a factory using land resources is called primary industry. The land resources are extracted from the earth. Land resources include:

- the land itself with the sea such as fish, shells, water and the open sky.
- the resources that lie underneath the land such as minerals, oil and gas.
- the things that grow on the land such as cash crops.

The flow of income that is earned from the use of land is called **rent**.

2. Labour

Labour refers to human input into the production process. In Papua New Guinea people work on the land, in factories and in offices.

The payment made to labour is called **salaries** and **wages** plus other benefits.

3. Capital

Capital refers to man-made resources that are used in production. It includes machines, equipment, roads, factories, schools and office blocks which human beings use in order to produce other goods and services. Capital in business also refers to money and wealth. The earnings from capital used in production are called **interests**.

4. Entrepreneurships

Entrepreneurships refer to the ability of people who are willing to take the risk in organizing other factors of production in a business venture. The person who takes the risk in organizing other factors of production in a business venture is called an **entrepreneur**. Entrepreneurs earn **profit** – which is an incentive for taking the risk.

Profit is extra money they get as payment for taking the risk of organising the above resources in a business, to produce goods and services.



Activity 3.1: Read and answer the following questions

1. Name the flow of income that is obtained from the following resources.

- (a) Land _____
- (b) Labour _____
- (c) Capital _____
- (d) Entrepreneurship _____

2. List and explain briefly the four (4) main types of resources

- (a) _____
- (b) _____
- (c) _____
- (d) _____

Importance of the Factors of Production

1. Land

Includes all its resources provided by nature. Examples include minerals, rivers, fish and trees.

Some resources are non-renewable. If they are used now, they will not be available in the future. Examples are oil, gas and mineral deposits. Other resources are renewable. It is possible to use renewable resources now and again in the future if they are properly managed. Examples are fish, forest and agriculture.



Crop production using the land

Today, there is an increase in the awareness on conservation and pollution. Much of this awareness is on the use of non-renewable resources and the destruction caused by over using them. Land is useful to the majority of our people because they depend entirely on it for their livelihood. People use land for farming, producing food crops, commercial crops and animal husbandry. Land is readily available to most people in the Melanesian society, especially Papua New Guinea for production.

2. Labour

All human resources that could be used in the production of goods and services is referred to as labour. The total number of persons available for work is referred to collectively as the labour force, or the working population. The actual work force in Papua New Guinea, as it is in other Melanesian societies, is difficult to count. There may be statistics available for



those people who are educated and employed in the formal sector. But the active labour force in the informal sector is difficult to establish. The informal sector makes up nearly 80% of the national population. The National Statistical Office of Papua New Guinea includes all persons who are 10 years or older in the labour force. However, there are restrictions affecting the employment of persons under 16 years in some form of work.

Labour is further classified into; skilled and unskilled, professional and semi-professional, specialists and generalists categories. They also come with a variety of qualifications and experience. The pool of qualified, skilled and experienced labour force depends on the maturity of nations. It also depends on the amount of investment by governments in human resource development. Developing countries in Melanesia have a small pool of qualified and experienced labour force for local needs.

3. Capital

Capital refers to the man-made things to be used in further production. Factories, tools, motor vehicles, computers and photocopiers are all examples of capital. Humans usually produce capital and its production requires effort. If the right capital is used or applied then more goods and services can be produced. When resources are used in education to improve the productivity of labour, this is also regarded as increasing the amount of the nation's capital. Such capital is so important that a special term-human capital is used to describe it. Human capitals are the skills that labour gains through education and training.



Tractor - an asset used in production

In ordinary terms people refer to money as capital. But in business, capital refers to the real assets (factories, machines, buildings etc.) and the skills that exist to support further production. It does not refer to sums of money, although it is often convenient to value capital assets in money terms. An asset is something that a person or business owns.

4. Enterprise

Enterprise involves human beings that are creative enough to act on a business idea. These actions involve some level of risk or uncertainty. Individuals who are involved in this process are called entrepreneurs.

Entrepreneurs are involved in taking risks and making management decisions. They utilise other resources such as land, labour and capital to generate more activities and products.



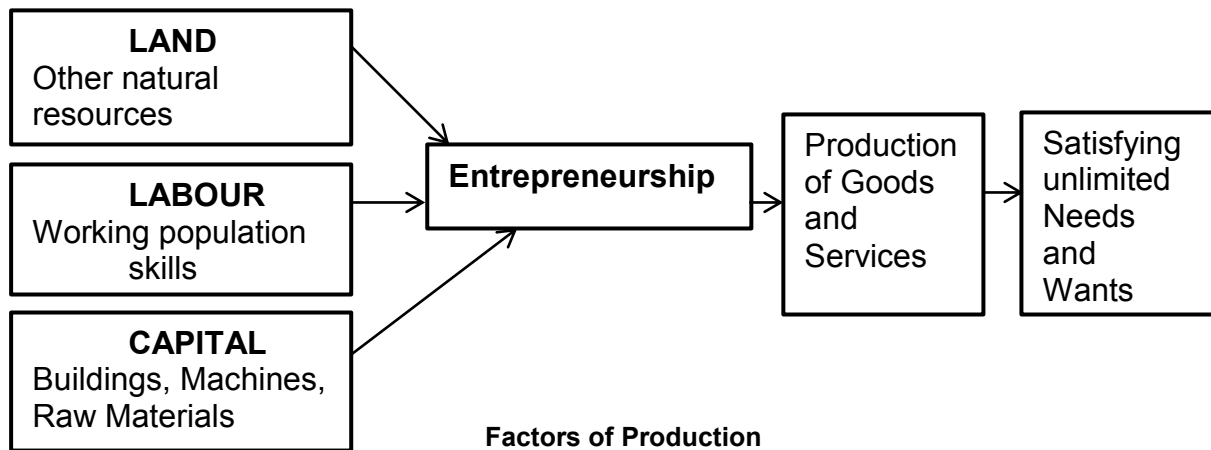
Entrepreneur – Heady International

These activities lead to further growth and development in every society or economy. When a new business activity is being considered, there are risks involved. These risks involve the unknown future. Will a new product appeal to the consumers? Will it be successfully sold? Will the costs of production turn out to be as estimated? These are some of the questions that are frequently asked by entrepreneurs. The answers to these questions can only be known after a market research or the business is set up.

Many people come up with wonderful business ideas but only entrepreneurs put them into practice. That is the difference between entrepreneurs and ordinary people. Entrepreneurs consider the risks of a new business idea and make judgements about whether or not to go ahead with that idea.

It is entrepreneurs who perform the enterprise function. Entrepreneurs are not simply managers. They have more to do than supervise routine work.

The diagram below shows the factors of production.



Activity 3.2: Read and answer the following questions

1. List four (4) examples of natural resources that are found on the land

- (a) _____
- (b) _____
- (c) _____
- (d) _____

2. List four (4) examples of capital that are used in production

- (a) _____
- (b) _____
- (c) _____
- (d) _____

3. List four (4) examples of non-renewable resources

- (a) _____
- (b) _____
- (c) _____
- (d) _____

4. Land is useful to the majority of our people. List three (3) examples that make land useful.

- (a) _____
- (b) _____
- (c) _____
-

Summary:



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

- Land, labour, capital and entrepreneurship are the four factors of production.
 - Land includes everything commonly called natural resources.
 - All human resources that could be used in the production of goods and services are referred to as labour.
 - Capital refers to the man-made things to be used in further production.
 - Enterprise involves human beings that are creative enough to act on a business idea.
-

NOW DO PRACTICE EXERCISE 3 ON THE NEXT PAGE



Practice Exercise 3

1. What is an entrepreneur?

2. What does capital refer to?

3. Give three (3) examples of resources that are renewable.

(a) _____

(b) _____

(c) _____

4. Give three (3) examples of resources that are non-renewable.

(a) _____

(b) _____

(c) _____

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1 ON PAGES 44 - 46.

Lesson 4: Specialisation and Division of Labour



Introduction

Welcome to lesson four (4) that covers Specialisation and Division of Labour. In your previous lesson, you learnt about the Factors of Production. You identified the factors of production such as land, labour, capital and enterprises. Their importance in contributing to the production of goods and services that satisfy human needs and wants were discussed. In this lesson, you will first look at the heading which contains the key words.



Your Aims:

- Discuss and explain the relationship between specialisation, division of labour and mass production.
 - List and explain the advantages and disadvantages of specialisation, division of labour and mass production
 - Discuss supply and control of money in Papua New Guinea
 - Define the terms specialisation, division of labour and mass production
-

What is Specialisation?

In traditional production, families and communities produced just enough to satisfy their own needs. This is known as self-sufficiency or subsistence living. In modern economies, people specialise in a particular kind of work to satisfy other's needs. Specialisation has come about by dividing work into many different activities and processes. A process is a way of doing or making things. Examples of activities include teaching, carpentry, mechanics, engineers, and pilots are the type of activities or examples of workers.

Specialisation is the use of many workers doing simple tasks or concentrating on a particular product or task. People specialise within broad occupations. For example, in the field of teaching we have Science, Social Science and Commerce teachers. An economy based on specialisation is much more efficient than self-sufficiency. This is because those who specialise do the same thing over and over again until they become good at it. Through specialisation, more goods are produced in a faster way and efficiently. Specialisation enables large-scale production or mass production.

What is division of labour?

Division of labour is a particular type of specialisation where the production of a good is broken up into many separate tasks each is performed by one person or by a small group of people. This usually occurs in an assembly line of a manufacturing plant. For example, in a car manufacturing factory one specialist would assemble the body of the vehicle; while another specialist puts in the screen. Other jobs like spray painting, fitting in the screen, tyres are all carried out by specialist workers. The final specialist worker drives it off the assembly line.

What is Mass Production?

It refers to many people carrying out simple tasks helped by machinery to make goods in large quantities. The process of using machines to produce goods is called **mechanization**. This contributes a lot to mass production.

The relationship between specialisation, division of labour and mass production.

Specialisation

In Papua New Guinea, traditional production continues to exist, especially in rural areas. Rural communities and families continue to satisfy their own needs and wants by building houses, making bilums and growing food. Families and communities become self-reliant. They rely on their own skills and knowledge to survive. This pattern of life is also found in our neighbouring Melanesian countries.

Specialisation existed in traditional societies across Melanesia. One group of people would make special carvings, clay pots or rituals different and unique to another group or tribe. Even within a village one would make a canoe, a kundu drum, a garamut that others in the same village could not do. This was specialisation. They did it for self-sufficiency and survival for their family and tribe.

In the modern world, people specialise in one or two activities. This is happening increasingly in the urban areas. People earn their living by doing a particular kind of work. They either work for others or for themselves. In both situations they receive an income for the work they do. They use the income to pay for their needs and wants, which are produced by specialist in other types of work. Because different people specialise in different occupations or jobs there is a need for exchange to take place. People, therefore, become inter-dependent, or they depend on each other for the things they don't or can't produce.



Meri-blouse sewing specialist

Specialisation is important to all economies. It helps economies to produce goods and services efficiently. When people concentrate on one job they are able to work faster and more efficiently. This is because they concentrate on doing the same thing repeatedly. Over time they become very good at it. Specialisation also enables more goods to be produced.

Division of labour

Specialisation in a production process also leads to division of labour where specialist workers are assigned to do a certain task. The division of labour raises output per person, thereby reducing costs per unit because lower skilled workers are easily trained and quickly become competent through constant repetition of a task, 'practice makes perfect' or "**learning by doing**". Low unit costs allow firms to remain competitive in the markets in which they operate.



Chefs at work in a restaurant

Specialisation =	Use of many workers doing simple tasks or concentrate on a particular product.
Division of labour =	A type of specialisation where the production of a good is broken up into many separate tasks each performed by one person or by a small group of people.
Mass Production =	Many people carrying out simple tasks helped by machinery to make good in large quantities.

Mass Production

Specialist machines are being built to perform specific jobs that humans once did in the production process. The increased use of machines in production is referred to as **automation**. Automation results in mass production in many countries. It is also replacing human specialists in assembly lines.

An example of a work that involves a lot of specialist machines is car manufacturing. Toyota Motor Corporation, the Japanese maker of Toyota vehicles uses a lot of machines called robots to build cars. These machines are lined up in a special area called the assembly line. Each robot performs a specific task in order to produce a complete car. Because these machines do not get tired or hungry like humans do they are capable of producing a lot of cars in a short time. This situation is called mass production.

Mass production has helped consumers by making the products and services cheaper. Mass-produced goods and services are generally cheaper. Cheaper prices are affordable for many people in the society. On the other hand, goods produced by individual workers or craftsmen tend to be expensive. So mass production has enabled the majority of people to enjoy higher standards of living.



Activity 4.1: Read and answer these questions

1. Differentiate between specialisation and mechanisation
(a) Specialisation

(b) Mechanisation

2. Differentiate between mass production and automation
(a) Mass production

(b) Automation

3. List four (4) specialisation tasks carried out in traditional production to satisfy their own needs and wants.

(a) _____ (b) _____
(c) _____ (d) _____

There are advantages and disadvantages in specialisation of various production activities. The following are the main ones.

Advantages of specialisation

The main advantages of specialisation are:

- workers become experts in the various parts by repeating the same job of the production process. This leads to an increase in efficiency and more output
- production is faster and more products are produced by the experts (practice makes perfect)
- specialists develop tools and machines that help workers do highly specialised tasks
- When you produce more, you can sell more and earn more higher wages for specialised work

Disadvantages of specialisation

The main disadvantages of specialisation are:

- workers can become bored doing the same job which leads to a decrease in efficiency
- if one worker is absent and no one else can do the job, production might be stopped
- creates unemployment because specialists cannot find new jobs
- interruption of production easily occurs due to dependence on the specialist who may refuse to work
- standardized products leading to less choice
- reduces motivation in the job as well as the good

There are also advantages and disadvantages for the division of labour too. The following are the main ones.

Advantages division of labour

The main advantages of division of labour are:

- the right man in the right place
- the worker becomes an expert
- heavy work taken over by machinery
- less training required
- invention of new ideas
- cheaper outputs
- economical in the use of tools
- saves time

Disadvantages division of labour

The main disadvantages of division of labour are:

- lack of motivation, quality of labour decrease
- workers have limited knowledge
- boredom as they do the same job
- greater cost of training workers
- risk of unemployment
- problem of distribution
- loss of skill
- one machine breaks down then the entire factory stops

Advantages and Disadvantages of Mass Production

With specialisation comes division of labour then mass production. Every one of them is involved in the production of goods and services. Mass production has good and bad side in production too. The following are some:

Advantages

The main advantages of mass production are:

- it is usually automated to the highest extent possible
- low labour cost
- faster rate of production
- capital and energy are increased while total expenditure per unit of product is decreased
- products made cheaply and quickly
- exact tool and parts are always at hand

Disadvantages

The main disadvantages of mass production are:

- the machinery that is needed in production line is so expensive
- limited resources
- standardised products leading to less choice
- unemployment as machinery takes over
- high level of maintaining workers

**Activity 4.2: True and False questions**

Write true or false for each of the following statements to show you understand the relationship between specialisation, division of labour and mass production. Then make the false statements true.

(a) Mass-produced goods and services are generally cheaper.

(b) An economy based on specialisation is much more efficient than self-sufficiency.

(c) Division of labour is part of learning by doing.

(d) Machinery is not needed in mass production.

Business activities in Papua New Guinea involve specialisation and division of labour.

The table below shows some of the business activities in Papua New Guinea that involve specialisation and division of labour.

	Name of Organisation	Business Activity
1	Ramu agri-industries	Sugar and beef production
2	Luk Poy Wai Tailoring Ltd	Clothing industry
3	Tropicana Pty Ltd	Clothing industry
4	Hugo cannery Ltd	Ox & Palm (meat) production
5	Niugini Table Birds	Chicken and egg production
6	Zenag Chicken Producers	Chicken and egg production
7	RD Tuna Cannery	All Diana Tuna and Dolly brand of tinned fish
8	Lae Biscuit Company	Snax biscuit production
9	PNG Forest Products	Plywood and wood chip production
10	Rimbunan Hijau (PNG) Ltd	Logging operations and retailing



Activity 4.3. Read and answer these questions

1. List four (4) advantages of specialisation

- (a) _____
- (b) _____
- (c) _____
- (d) _____

2. List three (3) disadvantages of mass production

- (a) _____
- (b) _____
- (c) _____

3. Which business organisation is specialised in sugar and beef production in Papua New Guinea?

4. Which two brands of tinned fish does RD Tuna Cannery specialised in producing?

- (a) _____
- (b) _____

Summary:



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

- Land, labour, capital and entrepreneurship are the four factors of production.
- Land includes everything commonly called natural resources.
- All human resources that could be used in the production of goods and services are referred to as labour.
- Capital refers to the man-made things to be used in further production.
- Enterprise involves human beings who are creative enough to act on a business idea.
- Specialisation is the use of many workers doing simple tasks or concentrates on a particular product.
- Division of labour is a type of specialisation where the production of a good is divided into many separate tasks each performed by one person or by a small group of people.
- Mass production is about many people carrying out simple tasks helped by machinery to make goods in large quantities.
- An economy based on specialisation is much more efficient than self-sufficiency.
- The process of using machines to produce goods is called mechanisation.
- In mass production, the increased use of machines is called automation.
- Mass production has helped the consumers by making the goods and services cheaper.

NOW DO PRACTICE EXERCISE 3 ON THE NEXT PAGE
--

**Practice Exercise 4**

1. Define the following words:

(a) specialisation

(b) division of labour

(c) mass production

2. Give an example of work that involves a lot of specialist machines

3. What is the name of the special machine that helps to make cars?

4. List four (4) advantages of the division of labour

(a) _____

(b) _____

(c) _____

(d) _____

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 1 ON PAGES 44 - 46.

ANSWERS TO PRACTICE EXERCISES

ANSWERS TO PRACTICE EXERCISES 1- 4

Practice Exercises 1

1. Define production

It is the work done to make or create goods and provide services to satisfy people's needs and wants.

2. Why is entertainment classed as a *want*?

It is classed as a want because we can survive without entertainment.

3. List three (3) benefits of production today?

- (i) first and foremost, satisfies needs and wants of people and it is the basis of life and existence of the whole mankind
- (ii) determines survival direction of individuals and groups
- (iii) develops/improves/extends/ transfers/ human knowledge and skills
- (iv) creates opportunities for businesses

4. Complete the table below with goods and services produced by the respective producers. The production activity is given in the first column.

PRODUCTION ACTIVITY	PRODUCER	GOODS	SERVICES
Selling	Market seller		Offering goods for sale
Tailoring	Tailor /seamstress	School uniform	
Transportation	Pilot		Flight
Fishing	Fisherman	fish	
Catering	Chef	A plate of food	
Sports	NRL		Entertainment

Practice Exercise 2

1. Name any two business activities involved in each of the following:

(a) **Primary production**

- i. Ok Tedi Mining Ltd
- ii. Ramu Agri-Industries

(b) **Secondary production**

- i. Laga Industries
- ii. Global Constructions

(c) **Tertiary production**

- i. Air Niugini
- ii. PNG Royal Constabulary

2. Indicate which sector each of the listed occupations belong to. You should do this by putting a tick under one of: primary, secondary, commercial or direct.

Occupation	Primary	Secondary	Tertiary Services	
			Commercial	Direct
Bank Manager			√	
Fisherman	√			
Shop assistant			√	
Lawyer				√
Farmer	√			
Footballer				√
Factory worker		√		
Bricklayer		√		
Sailor			√	

3. Match the words in **column A** with the statements in **column B** which best explains the definitions by drawing lines.

- | | | |
|----------------------------------|---|--|
| 1. Primary Production | → | A. An example of a commercial service |
| 2. Lawyer | → | B. An example of a primary service |
| 3. Banking | → | C. Business activities involved in providing services |
| 4. Secondary Production | → | D. Business activities involved in building and construction |
| 5. Niugini Steel Corporation Ltd | → | E. Turning natural resources into finished goods |
| 6. Tertiary Production | → | F. Taking natural resources out of the earth |
| 7. Port Moresby General Hospital | → | G. A direct occupation |
| | → | H. Providing of services |

Practice Exercise 3

- Who is an entrepreneur?
The person who takes the risk in organizing other factors of production in a business venture.
- What does Capital refer to?
It refers to the man-made resources to be used in further production.

3. Give three examples of resources that are renewable.

- (a) Trees
- (b) Fish
- (c) Food and Cash crops

4. Give three (3) examples of resources that are non-renewable.

- (a) Oil (b) Gas (c) Minerals such as gold, copper, nickel etc.

Practice Exercise 4

1. Define the following words:

- (a) Specialisation is the use of many workers doing simple tasks or concentrates on a particular product.
- (b) Division of labour is a type of specialisation where the production of a good is broken up into many separate tasks each performed by one person or by a small group of people.
- (c) Mass Production involves many people carrying out simple tasks helped by machinery to make goods in large quantities.

2. An example of a work that involves a lot of specialist machines is car manufacturing

3. What is the name of this specialist machine that helps to make cars?
Robot

4. List four advantages of the division of labour

- (a) The right man in the right place
- (b) The worker becomes an expert
- (c) Heavy work takes over by machinery
- (d) Cheaper outputs
- (e) Any of the other four (4) advantages

TOPIC 2

TRADE

TOPIC 2: TRADE.



Welcome to Topic 2- Trade. In this topic you will define trade from its simple form of barter in the local areas and communities to the more complex modern trade that involves sending money across international boundaries. You should be able to identify factors contributing to trade. Furthermore, explain the procedures used to control the supply of money in the country for our own benefit and identify the differences in the traditional and modern consumer society. Finally, identify the essential service providers that enable trade to take place and also give assurance for them to operate as services as well as business entities. This topic contains five lessons.

Lesson 5: Traditional Trade in Papua New Guinea

Traditional Trade in Papua New Guinea refers to the trade that takes place amongst the local people in their own communities which may extend to other villages because they may realise that they are not able to produce everything they need. The medium of exchange is another factor that will be studied and how and what happens when this type of local trade extends out to other neighbouring areas and eventually throughout the province and the country.

Lesson 6: Modern trade in Papua New Guinea

Modern trade in Papua New Guinea involves the change in trade using modern money. This makes trades a lot easier for the producers and the consumers as they are able to trade a variety of goods and services. The use of modern money makes trading of goods and service easier and simple.

Lesson 7: Trade and Prices

Trade and Prices involve the defining of both terms and the relationship they have. When goods and services are produced or provided there are some factors that can be used to determine their prices. It will take on areas such as the factors that affect supply and demand. You should also be able to read information presented in graphs.

Lesson 8: Finance Industry and Communication

Finance Industry and Communication are two industries that are essential in trade. They greatly complement and assist trade with the other services and make buying and selling much easier. Finance industry provides money to people who need it. Communication is to do with how the goods and services are marketed to the consumers. As you study further, you will learn how goods and services are made available even from far off places using an e-mail on a computer or a tap on your mobile phone.

Lesson 9: Transportation and Insurance

Transportation and Insurance are two service industries that are very essential in trade. Transport takes the goods where they are needed by the consumers as well as consumers need transport to and buy goods or access a service. Insurance covers the full operation of businesses. It assures them of any loss that may occur while conducting business will be compensated if they are covered by an insurance policy.

Lesson 5: Traditional Trade in Papua New Guinea



Introduction:

Welcome to lesson 5. In this lesson, you are going to look at traditional trade - the barter system and its importance. You will also learn about the use of traditional money in the past and at present.



Your Aims:

- Define traditional trade and barter system
- Discuss the use of traditional money
- Identify traditional money in use today

Trade is buying of goods and services. In the traditional societies goods were bought and exchanged with other goods. For example, a coastal man might exchange his surplus fish for taro or tapioca with an inland person. This is called the barter system.

	Advantages of the barter system	Disadvantages of the barter system
1	Surplus can be exchanged	Hard to find someone willing to exchange
2	Get a variety of goods by exchanging	Prices may be hard to decide
3	Be able to get what you can't produce	Some goods may be hard to divide or break up to sell
4	Specialize in producing one thing	There may be too many or much of one type of good

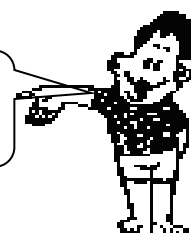
Traditional Trade and Barter System

Trading plays an important part in our daily lives. In order for people to satisfy their needs and wants they must trade with each other. Trading did exist in the past and still continues today.



Can you tell me what **traditional trade** means?

Sure. Barter system refers to exchanging of goods and services .



People in the past traded goods for goods, goods for services, or services for services without the use of money. In the traditional trade when one group of people do not have one of an item, they would exchange what extra they had for another. Therefore, they see to it that the value they are exchanging **equates to** or is the same as the other. For instance, if you exchanged a fish for kaukau then it would be acceptable to give about 7 to 10 pieces of kaukau for a medium size fish. This trading style led to an **economy** called the **barter system**.

There was **limited** or not enough **specialisation in the past**. Specialisation refers to doing something over and over and becoming good at it. For example, you can become a specialist in making a billum or a canoe. **Specialist** refers to a person who specialises or does the same thing over and over again and becomes good at doing it. For example, you can become a specialist in making a billum or a canoe.

With the barter system there is no use of money. Due to **specialisation** people who had produced extra could trade. These extras are called **surpluses**.

Barter system refers to the exchange of goods or services for other goods or services. Economy refers to the production and consumption of goods and services of a community as a whole.

Traditional trade refers to buying and selling of goods and services without the use of modern money mainly in the past

All provinces in Papua New Guinea did exchange amongst themselves in the past. What are the names of some of the traditional trade that were going on at that time?



In the past there was limited or not enough specialisation. Specialisation refers to doing something over and over and becoming good at it. Due to specialisation, people, who produced extra could trade. These extras are called surplus. For example, a coastal man might exchange his surplus fish for taro or cassava with an inland person.

Below is a picture showing a specialist making clay pots.



A clay pot specialist

**Activity 5.1 Read and do the following exercise**

(a) Define the following words and phases:

i. trade:

ii. traditional trade:

iii. specialisation:

iv. Specialists:

(b) Explain barter system:

In the past there was trade among people everywhere in Papua New Guinea. Trade linked the highlands to the mainland coast and the smaller off shore islands.

Listed below, are five examples of the traditional trade that took place in the past dating back thousands of years in Papua New Guinea.

1. The Hiri Trade: This was a trade between the people of Gulf and Central Provinces. People from Gulf brought their sago and betel-nut to exchange for clay pots from the people of the Central Province.

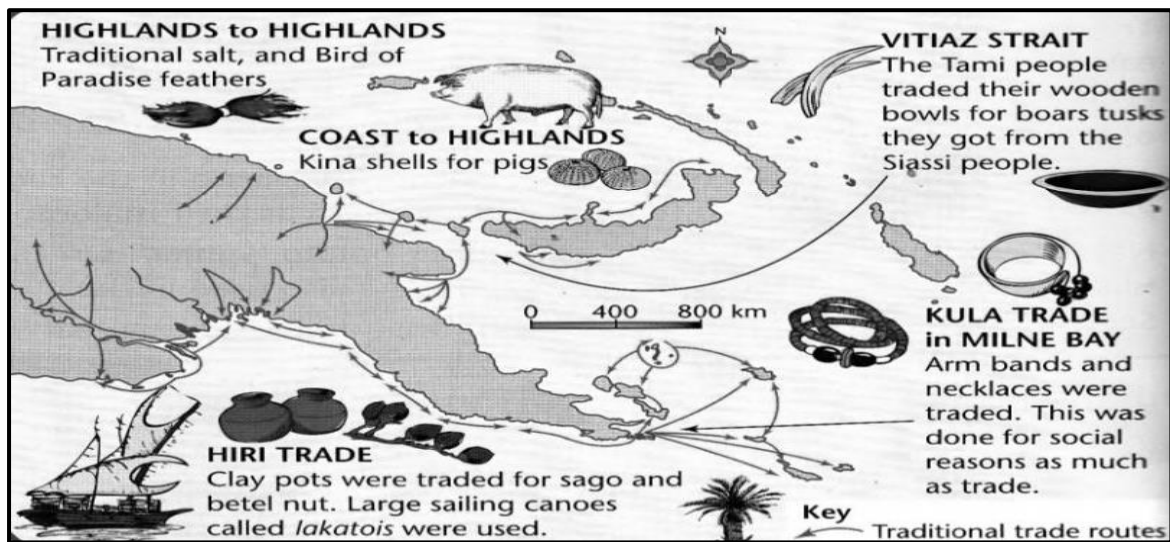
2. The Kula Trade: This was another trade that was going on among the people of the mainland and the islands of Milne Bay Province. They exchanged amongst themselves necklace called baggi, armband, fish, betel-nut and other food items.

3. The Moka Pena Trade: This trade was especially common among the Melpa people of Mt Hagen in the Western Highlands Province. They exchanged amongst themselves pig tusks, kina shells, bird of paradise and other birds' plumes or feathers, cassowaries, pigs and other food items.

4. The Mokink Trade : This trade was among the people of Mendi and the surrounding areas in the Southern Highlands Province. They traded pigs, pig tusks, kina shells, cassowaries and their feathers as well as food items.

5. The Vitiáz Trade: This trade was between the people of Tami Island of Finschafen and the Siassi Island of Morobe Province. The Tami's exchanged their wooden bowls and pigs for pigs' tusks, dogs, canoe ropes and red paint from the Siassi Islanders.

The map below shows these traditional trade routes of the past and the items that were exchanged.



Traditional Trade Routes

The Use of Traditional Money and its Uses Today

The use of traditional money came about when people began to realise that the items that they were exchanging did not fully satisfy their liking of the good they wanted. Therefore, something had to be used to satisfy both the traders. The idea of **money** then came into existence. **Money** refers to anything that is generally accepted in exchange for goods and services.

Look at the photos below to see the forms of money that were used in the past to trade with before the use of notes or paper money and coins.



Traditional Money

The use of modern money is the same as the use of traditional money that existed thousands of years back.

Here are the three main uses or functions of traditional money. It was accepted in exchanges.

1. The traditional money acted as **a medium of exchange**. This means the traditional money helped to simplify or made the process of exchange easy.
2. The traditional money provided **a measure of value**. This means the traditional money had value or weight to buy something. For example a kina shell could buy 10 betel-nuts. It could also **settle** or pay up **debts or** out standings.
3. The traditional money acted as **a store of value**: This means that the traditional money could be stored. That is, it was **durable** or long lasting. It could also be put away somewhere safe where it would not rot. Also it was **portable** or could be easily carried around anytime and anywhere to trade with.



Activity 5.2 Read and do the following exercises.

- (a) Name the five (5) traditional trades that occurred in Papua New Guinea in the past.

- | | |
|------------|-----------|
| i. _____ | iv. _____ |
| ii. _____ | v. _____ |
| iii. _____ | |

- (b) What is money?

- (c) List the three (3) uses or functions of money

- | |
|------------|
| i. _____ |
| ii. _____ |
| iii. _____ |
-

The use of traditional money is still practised today. This can be seen especially during bride-price ceremonies where shells or pig tusks or dogs teeth are used with modern money. Traditional money shows some form of wealth, **prestige** or big name for those who use it during the modern times.

In Papua New Guinea, especially in East New Britain Province, the use of traditional money is still used. Their traditional money is called the **tabu**. It is exchanged for goods or services even at the markets and shops.

The photo below shows an example of such an exchange of tabu for food item in East New Britain Province.



Activity 5.3: Read and do the following exercises.

- (a). The modern society in Papua New Guinea still uses the traditional money. Which common activity would involve the use of traditional money?

- (b). (i). Where in Papua New Guinea is the use of traditional money common?

- (ii). What is the name of the traditional money?

- (iii). What is the importance of this traditional money?

Summary:



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

- Traditional trade refers to buying and selling of goods and services without the use of modern money.
 - Specialisation refers to doing the same something over and over and becoming good at doing it.
 - Barter system refers to the exchange of goods or services in return for other goods or services.
 - The five examples of traditional trade are; the Hiri trade, the Kula trade, the Moka Pena trade, the Mokink trade, the Vitiaz trade.
 - The three main functions of traditional money are; it acts as a medium of exchange, provides a measure of value and acts as a store of value.
-

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

1. Define the following words.

(i). Limited:

(ii). Equates:

(iii). Surplus:

2. Fill in the table correctly by writing down the examples of traditional trade that existed in the past and what items were exchanged and between which people. Number one has been done as an example for you.

Name of traditional trade	Provinces that traded	Items exchanged
1. Hiri Trade	Gulf and Central	Sago, betel-nuts ,clay pots
2.		
3.		
4.		
5.		

3. Explain the three (3) main uses or functions of money.

i. _____

ii. _____

iii. _____

**CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 2
ON PAGES 86-89**

Lesson 6: Modern Trade in Papua New Guinea



Introduction:

Welcome to Lesson 6 of our new topic “Trade”. In the previous unit you learnt about production, where goods and services are produced. Trade and production are related if meaning, the extra goods that people produce for themselves can be traded with other people who do not have enough. In this lesson you will learn that production and Trade go hand in hand. You will first



Your Aims:

- Define modern trade and state its importance
- Discuss modern trade and the aids to trade.
- Identifies the uses of modern money and states its importance
- Discuss supply and control of money in Papua New Guinea

What is Trade?

Trade is the activity of buying and selling, sometimes bartering goods for goods, goods for services or services for services and on a larger scale between two countries or a number of countries. Firstly let us start by looking at trade in its simplest form_ traditional trade.

Traditional trade also known as the Barter system depends on the exchange of goods for other goods without the use of money (Kina and Toea).



Traditional Trade – exchanging a cow for a piece of land

While traditional trade is good, it has its own advantages and disadvantages too. Study the following table and learn about them.

Advantages of traditional trade

- Needs and wants can be satisfied.
- Goods that are plentiful can be exchanged for other goods
- Standard of living is improved – meaning people are able to get more of the things they want.

Disadvantages of traditional trade

- It does not help trade to increase
- Both persons need to have what the other person wants. Sometimes the item you are trying to trade does not exist or there is no one offering that item you want.
- The two people may not agree on the size or quantity of the exchange.

MODERN TRADE

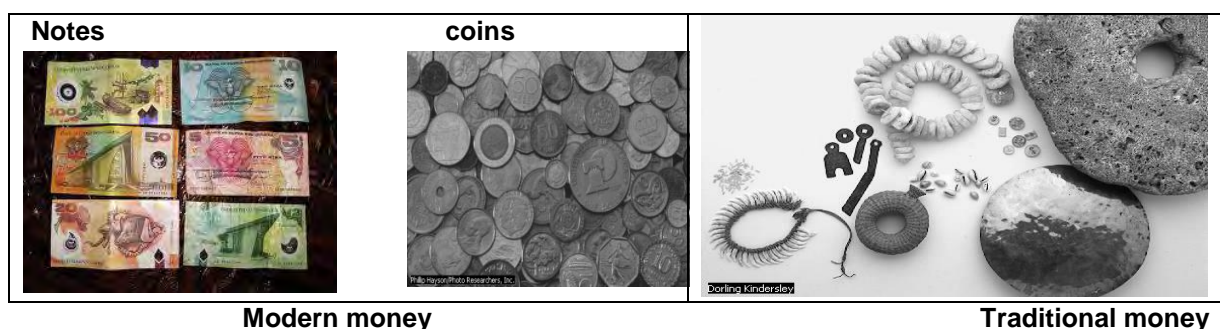
Modern Trade today refers to the buying and selling of goods or the exchange of goods with modern money. Trade is important in every society. It has always existed in the traditional society up till today.



Modern Trade – buying a cat for K20

Modern Trade depends on the exchange of goods for money (Kina and Toea – legal tender). The legal tender is the recognised money to be used in our country by law for any exchange process.

In our society today, money is seen as a medium of exchange. In Papua New Guinea we use the Kina and Toea to pay for goods and for services. Comparing this to our traditional society we used items that had value, for example, dogs' teeth, shells, and stones.



Modern money

Traditional money

When Papua New Guinea gained independence, its government decided that it will name its currency Kina and Toea. Kina means shell, a valuable pearl shell that is used by both the coastal and Highlands areas to buy or exchange goods and services. Toea is also used in the Southern Region, mainly by the Motuans. It is a valuable shell used in bride price payments as well as buying material goods and services too.

Characteristics of modern money

(1) Durability	It is long lasting
(2) Divisibility	It can be divided easily –that is, it can be broken down into smaller units.
(3) Standard value	Each item has its own value, which does not change. For example a K2.00 will always remain the same in value.
(4) Portable	It is portable meaning that it is easy to carry around. Traders find it easy to carry around.

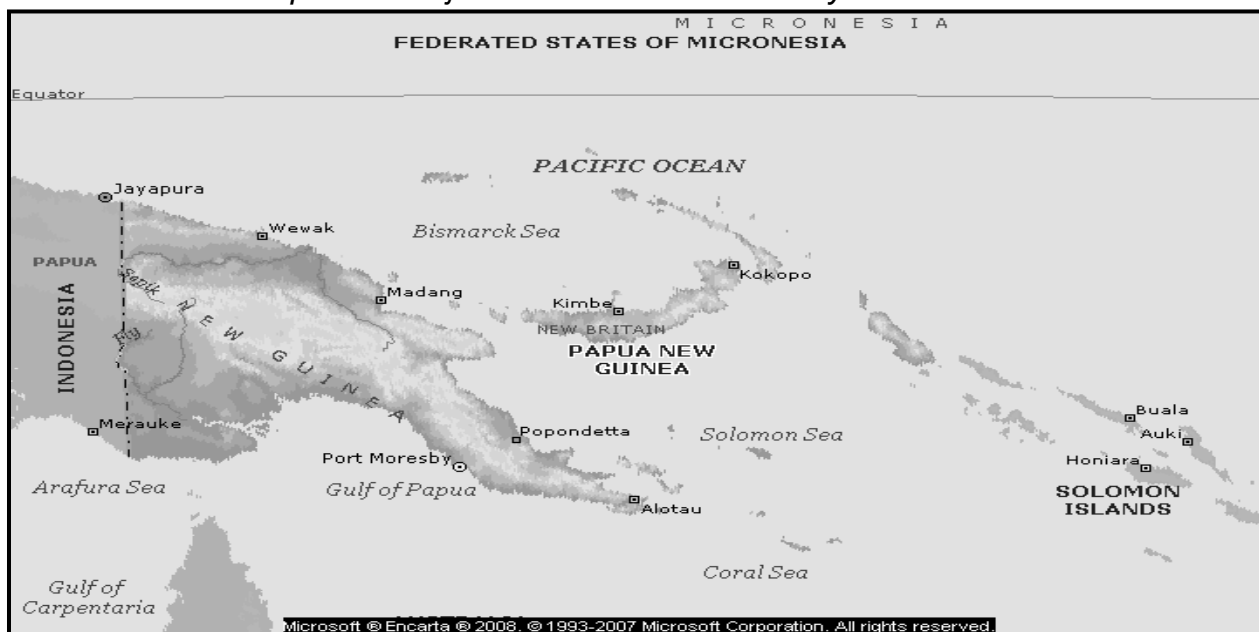

Activity 6.1: Read and do the following exercises.

(1) Write down five (5) examples of items you can buy in the shop and at the market place. Write down the Kina and Toea value for each item. An example has been done for you. Follow it and do the rest of the activities.

Five (5) things you can buy at the store	Price/s of the things you buy
(a) Rice (10kg)	K37.00
(b)	
(c)	
(d)	
(e)	
(f)	
Five (5) things you can buy at the market	Price/s of the things you buy
(a) Potatoes	K5.00
(b)	
(c)	
(d)	
(e)	
(f)	

(2.) Now refer to the map below to answer the following **exercises**.

(a) Draw a circle around the area you come from on the map, and then draw an arrow to the group of people you trade with. (If you trade from only within your area then you do not have to draw another arrow, just circle around your area only). An example has been done for you. *Rita comes from Waima in the Central Province and trades with the Mekeo people also in the Central Province. Therefore Port Moresby is circled because the places are just outside of Port Moresby.*



(a) What sort of things do you trade with those groups of people?

Trade and Money

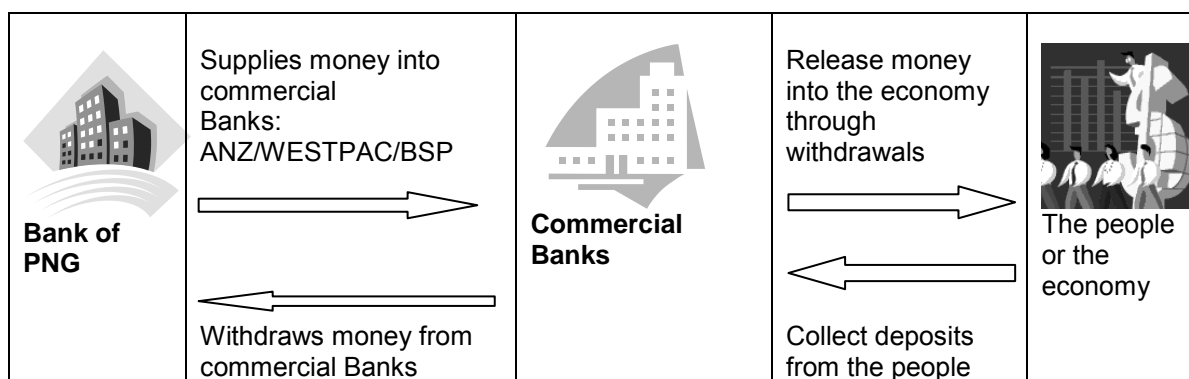
Money is an important element of trade. We looked at the characteristics of money earlier. We will now focus our attention on the “Functions of Money” and how the functions help trade. We will also look at who controls and supplies modern money in Papua New Guinea

Functions of Money

1. Medium of Exchange – The money comes between the buyer and seller. For example; if Duren want to buy a betel nut, he will give the buyer K1.00 in exchange for the betel nut. The K1.00 comes between the buyer and the seller to settle the trade.
2. Measure of value – Money measures the value and sets the price of things.
3. Store of wealth – we can put money in our pocket, in a jar or save it in the bank and when we need to use it, we can take it out and use.
4. Means of settling debts – debts are amounts of money owed to someone else. If you borrow K2 from a friend, that means that you have a debt to pay off. When you give that friend a K2.00 note, you are settling that debt.

Money Supply

All the kina and toea are controlled and supplied by the Bank of Papua New Guinea also known as the Central Bank of Papua New Guinea. It is the bank that is owned by the government, it determines how much money is to be used and not more or less, just enough to flow within our country. Having too much money can decrease its value. On the other hand, having less money will result in less trade taking place.



An illustration of the money supply in our country

The Central Bank also acts on the advice of the government. The Central Bank provides expert advice on the best policies that the government should make for the economy. Another problem with too much money moving around is that it creates Inflation. Inflation occurs when there is a sudden increase in the prices of goods and services, consumers suffer during these times. The opposite of this situation is having less money. In this situation, the government puts in extra money of reserves

it holds in hard currencies like the US Dollars (US\$) plus others too. Therefore the government must control the money supply, to also allow for more trade to take place. Money makes trade easier to take place. It is easy to buy goods and services using money, and also increases production. Have a go with the following exercise and see how much you have learnt.



Activity 6.3: Read and do the following exercise.

(1) Write the correct function of money next to the situation provided below

- (a) Buried a K50 in the ground: _____
- (b) Bought K5 worth of vegetables : _____
- (c) Paid back K10 to a friend: _____
- (d) A 10kg bag of rice costs K38: _____

Aids to Trade

Trade taking place today can be complicated or can have a lot of problems. To reduce the different problems that occur, aids are provided. Aids to trade refer to things people or places that allow trade to take place more effectively. The following are areas that provide aid to trade:



(1) **Banking and Finance**

Banking and Finance help trade to take place easily because they are specialised in handling money. People who work in the Bank are referred to as bankers and financiers. These people help ordinary people like you and me to save money and start our own business by providing loan.



Transport

(2) Goods together with people have to be moved from one place to another. An increase in trade would mean an increase in transportation. Today goods can be transported by air, land, sea and trains in overseas countries. As transport improves, it helps trade to become faster and cheaper. This also helps the consumer. They can buy more goods with their money. The quicker the transport; the more trading can take place.



Insurance

(3) Insurance protects business against damages and losses through cases such as fire. For instance, a business man insures his property, and if it burns down, he can get the money from the Insurance Company and buy materials to build his building again and keep his business operating. Additionally, if a businessman is sending his goods to a buyer in a different area he should insure those goods so that in the event

that a road accident occurs and he loses his goods he can replace the goods by claiming money from the Insurance Company. Therefore, Insurance helps businesses by protecting them against the risks of losses caused by fire or road accidents. This also makes insurance easier.



Communication

(4) Communication refers to the exchange of ideas between different groups of people. As you are reading and completing the activities in this book you are communicating with me, the writer of this lesson. We both do not know each other but we can relate to each other using this book. If two people meet and speak, they are communicating. Communication helps trade because they make it simple for the businessman to deal with his customers. This makes the movement of goods to flow smoothly and more cheaply. It is also used to let the customers know about the availability of goods making it easier for business to sell.

(5) The Government

The Government helps trade by providing Law and Order, Education and Health. It helps the nation by providing schools, health services and other services which help people to work better. When there is Law and order, Trade can take place smoothly. The Government makes Laws for businesses to follow. Businesses can act and deal with each other knowing that the Law can be used to settle their problems.

The notes on the Aids to trade above are brief. This is because that will be covered/repeated later in detail in the lessons later.

Let us now check our understanding of Aids to Trade through the following activities.

**Activity 6.4:**

Match the situations in the box below with the appropriate Aid to Trade. Draw an arrow to show the link. The first one has been done for you as an example. [Note: the aids are not in order]

Aid to Trade		Situations
Banking and Finance		<p>✓ Sinue lives in the mountains of Simbu, he brings his potatoes to the market early in the morning because, there is a truck that leaves at 6am in the morning</p>
Insurance		<p>People in the nation are able to start their own businesses knowing that there are rules in place to settle problems with their customers</p>
Communication		<p>These people help ordinary people to save their money and to borrow money if they want to start their own business</p>
Transportation		<p>A telephone company want to show the people that they are selling new mobile phones so it advertises using the radio, TV and billboards. This is an effective way to reach customers</p>
Government		<p>John is unable to operate his business because he lost everything he owned in a fire. If only he had done something before operating his business he would not suffer now.</p>

Summary:



You have come to the end of Lesson 6. You have learnt that;

- Trade refers to the buying and selling of goods.
 - Modern trade involves the usage of money (Kina and Toea) while in traditional societies goods are exchanged for other goods.
 - Trade is aided by communication, finance and transportation.
 - The functions of money include: medium of exchange, measure of value, store of wealth, and means of settling debts.
 - The government controls the supply of money in our country. It makes sure that there is just enough money for its economy.
 - If there is too much money moving around, we can experience inflation, a sudden increase in the prices of goods and services.
-

NOW DO PRACTICE EXERCISE 6 ON THE NEXT PAGE
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Practice Exercise 6

1. What is Trade?

2. What is the relationship between trade and production?

3. Who controls the money supply in our country?

4. Why is it important for the supply of money not to be more or less but just enough?

5. Identify the six (6) aids to trade in the puzzle below. If you have a highlighter then highlight the words or you can simply use a pencil to draw a circle around the correct words. The words are in the brackets below.

[Government, Transportation, Banking, Communication, Insurance, Finance]

A	N	T	E	G	W	I	G	D	R	V	E	T
M	O	N	T	H	F	R	E	T	E	A	R	B
U	M	E	O	A	E	B	P	R	K	D	A	A
C	O	M	M	U	N	I	C	A	T	I	O	N
D	H	N	N	J	K	N	O	N	S	G	N	K
P	G	R	H	A	D	S	E	S	L	I	K	I
O	T	E	M	A	M	U	F	P	F	H	V	N
L	B	V	F	H	D	R	B	O	P	T	Y	G
S	K	O	G	O	S	A	I	R	O	T	H	S
G	N	G	D	G	H	N	E	T	O	A	D	C
T	H	S	W	R	D	C	H	J	F	X	C	B
F	I	N	A	N	C	E	Q	E	D	S	G	O

CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 2 ON THE PAGES 86-89.

Lesson 7: Trade and Price



Introduction:

Welcome to Lesson 7 which is on 'Trade and Price'. In the last lesson you looked at Trade in Papua New Guinea. You learnt that trade in Papua New Guinea existed during the traditional times, using traditional money and continued on today. Modern money and other aids to trade make it easier for trade to flow easily.

Your Aims:



- Define pricing
- Discuss changes in trade and the factors affecting prices.
- Identify the uses of modern money and state its importance
- Discuss the relationship between trade and price
- Identify and discuss factors affecting supply and demand in trade

Trade and Price

What is Trade?

Trade is the exchange of goods and services between two persons or two parties. Trade enables people to get what they are not able to grow or have easily. This activity causes these two persons or groups to put value on their work which eventually becomes the price of the goods.

What is price?

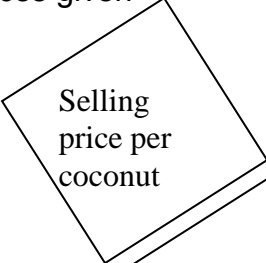
Price is the cost of something bought or sold: the amount, usually of money, that is offered or asked for when something is bought or sold. When the price is agreed then the exchange or trade can take place between the two persons or groups.

The prices of goods and services are determined by the forces of demand and supply. **Pricing** can be defined as the act of setting or fixing an amount of money at which a product can be traded.

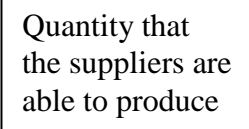
Demand refers to the total number of goods and services people are willing and able to buy at a given price at a particular time. For instance, if the demand for coconut in the market is 50 coconuts for K1.50 each coconut then buyers will buy a coconut at K1.50. **Supply** on the other hand, is the total number of goods and services the producer (supplier) is willing and able to offer (sell) at a given price at a given time. For instance, if the suppliers of coconut sell each coconut for K1.50 then consumer will have to buy coconut at that price because it is the price at which the suppliers are willing to produce and sell. Let us now look at two situations to illustrate the relationship of demand and supply.

Illustration1. The Focus is on the Seller

In a market, the **sellers** were willing to sell the following amounts of coconut at the prices given



Price (K)	Quantity supplied
3.00	250
1.50	150
1.00	50



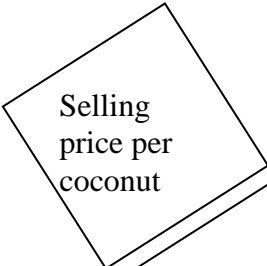
The table can be further understood as:

- At the price of K3.00 suppliers are willing to produce 250 coconuts
- At the price of K1.50 suppliers are willing to produce 150 coconuts
- At the price of K1.00 suppliers are willing to produce 50 coconuts
- Price determines the supplier's willingness, not their ability to supply. The price motivates the suppliers. If the price is high they produce more.

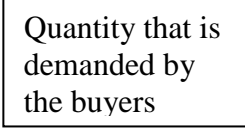
From the results on the table above we can also say that the sellers want to sell at a higher price. The law of supply states that as price increase, more is supplied and as price falls less is supplied

Illustration 2: The focus is on Buyers

The buyers of coconut, in the same market, want to buy these coconuts at the prices as shown below.



Price (K)	Quantity demanded
3.00	50
1.50	150
1.00	250



Again this table can be further understood as:

- At the price K3.00, buyers are willing to buy 50 coconuts.
- At the price K1.50 buyers are willing to buy 150 coconuts.
- At the price K1.00 buyers are willing to buy 250 coconuts.

The law of demand states that as price increases, less is demanded and as price falls more is demanded

The buyers want to buy *more* at a *lower* price. To find out what the right price of coconut will be in the market we put the two tables together. This should look like this:

Price (K)	Quantity (QTY) supplied	Quantity (QTY) Demanded
3.00	250	50
1.50	150	150
1.00	50	250

At the price of K3.00, suppliers are willing to supply more (250) but the consumers will only buy fifty (50) because the price is too high. Alternatively, at K1.00 consumers want two hundred and fifty (250) coconuts but suppliers will only supply fifty (50). They feel the price is too low.

The **Equilibrium price** is the point at which the Quantity Supplied is equal to the Quantity Demanded. In this case, the equilibrium point would be K1.50 and for 150 coconut. Both suppliers and buyers are satisfied at that quantity and price.



Activity 7.1: Refer to the table below to answer the following questions on pricing.

The following table refers to the supply of mangoes at a particular time between suppliers and buyers.

Price (K)	Quantity (QTY) supplied	Quantity (QTY) Demanded
2.00	200	100
1.50	175	125
1.00	150	150
0.50	125	175
0.25	100	200

1. What is the Equilibrium price for mango? _____
2. What is the equilibrium quantity that is supplied and demanded by the buyers? _____
3. At the price of K2.00, what is the quantity of mangoes to be supplied? _____
4. If the total quantity demanded is 175, what is the selling price? _____
5. At the price of K0.25 per mango, what is the value for quantity supplied? _____
6. At the price of K0.25 per mango, what is the value for quantity demanded? _____

Changes in Supply and Demand

Now that we have looked at how price affects supply and demand, we will now focus our attention on the changes in Supply and Demand. When there is an increase in supply, more is supplied to the market at the same range of prices. There is an increased supply at each price level.

For example:

Price (K)	Quantity (QTY) supplied	Increased quantity supplied
3.00	250	350
1.50	150	300
1.00	100	250

What happens to price, if demand stays the same? Put the new supply table with the original demand table to see:

Price (K)	Demand	New Supply
3.00	50	350
1.50	150	300
1.00	250	250

(Note: At K1.00 the buyer and supplier agree to buy and sell.)

The new Equilibrium price is K1.00, where the amount demanded (250) is equal to the amount supplied. The old amount was 150 at K1.50

An increase in supply reduces price when demand and supply remains the same. Since there is plenty around, consumers and buyers will pay less to get more. A reduction in supply means that less is put on the market at the same prices for example:

Price (K)	Supply	New Supply
3.00	250	50
1.50	150	30
1.00	50	20

What happens to price if less is supplied and demand remains the same? Put the new supply table with the old demand table;

Price (K)	Demand	New Supply
3.00	50	50
1.50	150	30
1.00	250	20

The new Equilibrium price is K3.00, where the amount demanded 50 is equal to the amount supplied which is 50. The original equilibrium price and quality was 150 for K1.50. **A decrease in supply increases price, when demand remains the same.**

What happens to the price when more is demanded at each price? Put the new demand table with the old supply table:

Price (K)	Demand	New Supply
3.00	250	250
1.50	150	150
1.00	50	50

The new equilibrium price is K3.00, where the amount demanded (250) is equal to the amount supplied (250).

An increase in demand causes price to rise when supply remains unchanged.
What happens when demand falls and supply remains unchanged?

Here is an example to explain this:

Price (K)	Old Demand	New Demand
3.00	250	20
1.50	150	30
1.00	50	50

Put the new demand table with the original supply table to find the new price.

Price (K)	New Demand	Supply
3.00	20	250
1.50	30	150
1.00	50	50

The new equilibrium price is K1.00, where the amount demanded (50) is equal to the amount supplied (50).

A fall in demand causes price to fall when supply remains the same. The exercise below is to strengthen the ideas we covered in this section.



Activity 7.2: Read and answer the following questions

1. State the effect of Supply and Demand on Price. Here an example has been done for you.

Supply	Price
If the supply of mango decreases what will happen to the price?	
If the supply of mango increase what will happen to the price?	<i>The price of mango will decrease</i>
Demand	Price
If the demand for mango decreases, what will happen to the price?	
If the demand for mango increases, what will happen to the price?	

Changes in Price

A summary of changes in price and the effect on demand and supply. If the price of a good changes, it has an effect on the amount consumers demand, and the amount producers will supply.

If the price rises, consumers will demand less: producers will supply more. If the price fall, consumers will demand more: producers will supply less.



Activity 7.3: Read and answer the following questions

(a) In Port Moresby market today, betel nut is sold for K1.00 and K1.50 per nut. The previous week the price of betel nut was 50 toea. How do the differences in price affect the buyers and sellers of betel nut? Explain using the words demand and supply

Summary:



You have come to the end of Lesson 7. You have learnt that

- Demand is the amount people are willing and able to buy at a particular price.
- Supply is the amount of goods producers are willing to sell at a certain price
- Equilibrium price is the price at which the amount demanded is the same as the amount supplied
- Increase in supply, causes the price fall and the quantity to increase
- Fall in Supply, causes price rise and quantity decreases
- Increase in Demand: price increases and quantity increases
- Fall in demand: price falls and quantity falls as well

NOW DO PRACTICE EXERCISE 7 ON THE NEXT PAGE
--



Practice Exercise 7

1. Complete the Crossword Puzzle below, identifying the key terms from the Lesson. Number 7 Down has been done for you as an example.

		1.	2.	3.	4.	5.	6.			
				7. S						
8.		9.		10. E			11.			
12.	13.	14.	15.	16. L	17.	18.	19.	20.	21.	22.
23.		24.		25. L			26.			
27.		28.					29.			
30.		31		32.	33.	34.	35.	36.		
37.		38.								
		39.								
		40.								

Across

1. The opposite of demand
12. The point at which the value of total quantity supplied is equal to the total quantity demanded
32. You will always find a customer and _____ at the market place

Down

7. This is an act that is done by producers at the market place
8. This refers to what consumers want from suppliers
9. This refers to the volume of goods that can be supplied at a particular time
11. This is usually set by the seller at the market place

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 2 ON THE PAGES 86-89.

Lesson 8: Finance Industry and Communication



Introduction:

Welcome once again to our new Lesson 8 on 'Finance Industry and Communication'. In our last lesson we looked at Trade and Price and how price affected Trade. Price as we have learnt, is decided by the power of demand and supply.



Your Aims:

- Define finance industry and communication
 - Discuss how the finance industry and communication assist trade to take place.
-



Finance Industry

What is finance industry?

Before defining Finance Industry, let us first all define Finance. It can be best defined as the provision of money for those who want, like businessmen or women, individuals and the government. An Industry, on the other hand, refers to a group of businesses, doing the same type of work. Therefore, we can now say that the Finance Industry as businesses provide money especially to people who need it.

Finance aids Trade

The finance industry helps trade in many ways such as listed below:

- (a) Money is kept safe by the Banks in savings, deposits and current accounts. Paying Interests and giving loans are some of the many attractions that the industry offers to encourage businesses and individuals to save or do business with them
- (b) Banks lend money mainly to businesses that need them as their start-up capital. When smaller amounts of money are accumulated by a large number of customers it becomes a huge amount. This is then used by the industry (commercial banks and finance companies) to lend out as loans to businesses and individuals who need it and in return get interest for the use of it. The interest from the loan repayment is the income of the financial industries. The customers who deposit also benefit as they are paid interest for saving with the industries.

Different financial institutions offer a variety of lending options. The commercial banks lending, varies from the finance companies lendings. However, despite the differences they all make finance available to businesses and individuals.

Individual loans are for things such as, homes, vehicles, and business loans are such projects, equipment, assets as well as business start-ups.

(c) Banks transfer money for businesses

They have different savings schemes to attract people and businesses to save with them. Interest rates and opportunities to get loans are some of the attractions from them to save with these financial institutions.

(d) Provide investment advice

Financial institutions provide expert advice on investment to businesses and individuals in the hope that they will be motivated and convinced to use the facilities they have on offer.

They are experts in the areas of finance and investment. They will greatly benefit inexperienced businessmen and women and individuals.

Finance is one of the best aids to trade. It allows trade to take place easily and quickly. Let's go through the small activity below and assess how much you have learnt about the industry.



Activity 8.1: Read and do the following exercises.

(a) Complete the boxes below with the appropriate term from the notes provided above. An example has been done for you.

1	2	3	4	A place where money is kept safely									
1	2	3	4	You can _____ your money in this place and watch it grow.									
1	2	3	4	5	This allows people to _____ with each other. Either with money of goods for other goods								
1	2	3	4	5	6	7	The provision of money to businesses and the government.						
F	I	N	A	N	C	E							
1	2	3	4	5	6	7	8	Activities of the same done in the same place					
	2	3	4	5	6	7	8	The act of placing your money in the Bank					
1	2	3	4	5	6	7	8	9	10	11	12	13	When we talk to someone or receive a letter from these shows...

You have just looked at how the finance industry aids trade and now we move on to how communication helps trade.



Meeting is Oral Communication

Communication

Communication refers to messages or information that can be passed from one business or person to another. This may be:

- **Oral Communication (spoken by word of mouth)**

This is communication done by speaking with or to someone. It is simple, cheap and fast. We all do it all the time. For example, in a meeting people communicate orally, because they share and exchange ideas. Today, we have telephones, cellphones and radios that make communication between businesses very easy. Businesses use them to receive orders, answer questions on product enquiries, and conduct interviews for new staff as thus answers are obtained immediately and the businesses run smoothly. Communication has become a vital tool for businesses because of its instant feedback.

- **Written (mail and letter)**

The postal services are operated throughout the country by the Postal Services Corporation in Papua New Guinea. All messages should be clear and to the point. Business letters should be typed as it shows efficiency, neatness, and saves time when referencing.

In order for business people to run their businesses successfully they need to communicate quickly and easily. If the methods of communication are swift and clear, this will save time and money. Saving time keeps the cost of production low.

Hence, if the costs are kept low, prices of goods will be kept low as well. This benefits everyone and especially the businesses. Good and improved methods of communication improves trade. One of the most useful tools for communication that has greatly improved trade is the **Fax Machine**. A fax machine can send a document electronically over telephone lines. A fax **machine** at the receiving end prints out a copy of the document. The copy is called a facsimile, or fax.



Fax Machine

Most business houses have fax machines that help them in their daily work, especially with the passing of information on stock, follow-ups, complaints, requests, price lists, quotations, reservations and orders.



Activity 8.2: Read and do the following exercises.

1. What is the difference between **oral** and **written** communication?

2. List three (3) examples of Oral Communication and (three) 3 examples of written communication

Oral Communication	Written Communication
1.	1.
2.	2.
3.	3.

Summary:



You have come to the end of Lesson 7. You have learnt that

- **Finance** is the provision of money for those who want it, like businessmen or women, individuals and the government.
- An **Industry** refers to a group of businesses that are involved in the same activity
- The **Finance Industry** is a business which provides money for people who need it.
- **Communication** refers to messages or information that can be passed from one person to another.
- There are two methods of communication: Oral and Written
- Communication aids trade if they are swift and clear, costs can be kept low.

NOW DO PRACTICE EXERCISE 8 ON THE NEXT PAGE
--



Practice Exercise 8

1. Define the following words:

(a) Finance Industry

(b) Communication

2. Explain how the Finance Industry aids Trade?

3. How does Communication aid Trade?

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 2 ON THE PAGES 86-89.

Lesson 9: Transportation and Insurance



Introduction:

Welcome to your last lesson on the sub topic Trade - 'Transportation and Insurance'. In your previous lesson, Lesson 8 you looked at Aids provided by the Finance Industry and Communication. These are two essential industries that enable trade to take place. In lesson 9, we will look at another two essential links in trade and they are 'Transportation and Insurance'.



Your Aims:

- Define Transportation and Insurance'
 - Discuss how Transportation and Insurance assist trade to take place.
-

Transportation

Transport is the movement or carriage of somebody or something. This act or business of carrying somebody or something from one place to another is usually done using either a vehicle, vessel. or an aeroplane.

Transport is a very important aid to trade. It helps production as well as trade.

- Production

Raw materials can be moved to factories quickly. Finished products are moved to consumers via wholesalers and retailers, while the working class people can be also transported to and from their working places.

- Transport

Transport carries goods (freight) and passengers. Transport helps to increase the amount of trade within a country and overseas. It helps to increase the amount of goods supplied to the market and also increases the demand for goods. If villages which are located in the remote parts of Papua New Guinea are linked by roads, goods as well as people can be transported in and out of these areas very easily.

When there is improvement in transport:

- People can sell and buy more goods.
- People can sell more of their goods, earning more money
- There is improvement in the standard of living because people can get more goods and services through easy access to transport

There are three main types of transport used around the world as well as here in Papua New Guinea. They are land, sea and air transport.

Land transport covers all the different types of transport that's travels on land and moves goods and services. They include; trucks, trains, and other light vehicles.

Sea transport covers all the different types of transport that uses water or sea like; ships, boats, container ships, submarines and even the crude rafts.

Air transport is the most expensive form of transport and it includes all types of earoplanes, satellites, and sophisticated missiles that carry space exploration equipment to simple helicopters that carry out aerial views of mobile networks or carry disaster relief supplies anywhere in the country.

Let's find out what you have covered in your lesson so far by doing the activity below.



Activity 9.1: Read and do the following exercises.

Identify and list three (3) examples of transport for each title in the boxes below.

Land	Sea	Air
1.	1.	1.
2.	2.	2.
3.	3.	3.

Insurance aid to Trade

Insurance is the protection against any risk, damage or danger to lives or properties. According to Lesson 6, we saw that it means that businesses are protected against any damages and losses by fire or through theft or robbery to their property or goods. Insurance provides;

1. Security and assurance to businessmen or women
A business can carry on its normal operations knowing that if they lose money through any accidents, they have security cover. If a business is not safe, it is likely that the business may not want to trade. That would result in less trading activity.
2. Helps with capital for small businesses
If an individual has a life assurance policy. He can get capital from it by using it as a security for a bank loan or can have the policy paid up. This means that he can get all the money he paid in the life assurance policy.
3. It provides share capital for companies
When the money is paid into Insurance companies, a portion of that money is used to invest in other properties, to earn more money. One way of earning more money is to buy stocks or shares in other companies.
4. It lends money to the government
The surplus money that Insurance companies have is given to the government. They buy bonds from the government. This money helps the government until all the tax are paid.

Insurance helps trade by giving security to businessmen and providing businesses with capital. Increased trade helps people to improve their standard of living. The different classes of insurance that can be taken out by businesses and individuals are listed below.

Classes of insurance

Commercial insurance policies are in the following four classes; marine, fire; accident and life policies. Under each policy, any individual and business can take cover;

Marine	Fire	Accident	Life
Hull	Loss of Profit	Third Party Motor Vehicle	Whole life
Cargoes	Storms	Workers Compensation	Term
Aircraft	Floods	Comprehensive Motor Vehicle	Endowment
	Hurricanes	Personal Accident	
	Earthquakes	Public liability	
	Explosions	Plate Glass	
	household	Livestock/Crops	
		Health	

Marine Insurance

Marine Insurance is the oldest form of insurance starting from the seventeenth (17th) century when sailing boats were used throughout the world as a means of transport. The risk is ever present in this industry as the boats and ships are at risk all the time. Since the start of marine insurance in a coffee shop owned by a man named Lloyd in England. Lloyd Insurance is one of the biggest insurance companies throughout the world.

Marine insurance provides cover for ship owners against loss or damage to their vessels. This is called "Hull" insurance which covers the bottom part of the ship. It also covers cargo carried by the ships. All goods transported by ship, air or by road are covered as cargo by marine insurance. Today, marine insurance covers aircraft insurance too.

Fire Insurance

Fire Insurance covers against loss or damage to property or goods by fire. Businesses as well as individuals take out this policy to protect against fire of a house plus goods they owned.

Today, precautions to prevent and reduce fire accidents are helping to prevent large losses and damages. Buildings are now fitted with fire escapes, fire alarms, smoke detectors, fire extinguishers, fire brigades and even build houses with fireproof materials against the risk of fire.

Loss of profit is taken to cover the period when the fire destroys a business and cannot operate. This policy covers for the period that the business is closed to until it is fully operational. The payment helps in the money that could have been made if it was operating normally.

Most insurance companies offer other policies such as damage by floods, hurricanes, earthquakes, and explosions with the fire policy.

Accidents

In the past there have been a lot of accidents in factories, working places or on work assignments so a law was passed to cover employees while at work or working on assignments outside. This law is now compulsory for all employers to provide cover for their employees. It is called Workers Compensation Act.

A law was made and passed for all vehicle owners to pay third party to cover against injury or even loss of lives by a motor vehicle. All motor vehicle owners are required by law to pay third party motor vehicle insurance.

Compulsory Insurance

Workers Compensation is a compulsory insurance policy that must be taken out by employers to cover their employees while at work. It will cover an employee's medical treatment and compensation when he or she cannot work due to injury.

Third Party motor vehicle Insurance is a compulsory insurance policy too. A motor vehicle owner must take out this protection to cover anyone (not the driver or owner) if hurt or killed and compensation can be paid.

"Third Party" by law means that an agreement has been made between two people, who are called the parties to the agreement. The insurance company is the first party. The insured is the second and anyone who is injured or killed is called the third party. The party that bears the risk is called the "insurer" or "assurer" and the party whose risk is covered is called the "insured" or "assured".



Activity 9.2: Read and do the following exercise.

Identify the key terms given in the box below. You can use a pen, pencil or highlighter to plot the words provided in the puzzle below.

policy, insurance, bonds, cover, life,
assurance, risks, security, invest,
insured

P	O	S	E	C	U	R	I	T	Y	O	N
O	A	E	L	O	N	I	M	O	U	S	I
L	E	E	L	V	T	N	S	B	S	T	I
I	S	B	R	E	U	S	A	P	K	I	N
C	R	O	U	R	T	U	D	U	S	N	V
Y	E	N	U	C	O	R	W	L	I	F	E
E	N	D	A	E	N	E	I	C	R	T	S
A	S	S	U	R	A	N	C	E	A	O	T
N	U	T	K	S	H	I	Z	G	U	K	W
T	O	O	I	N	S	U	R	A	N	C	E

In any insurance policy there is no excessive payment or claim when a loss is suffered. The payment or claim made is simply putting the loss back.

For example:

Let us say, that there are one thousand (1000) taxis running in Port Moresby and all are valued at K40 000 each. On the average five (5) cars crash and get written off each year. So the total loss due to careless driving is K20 000 ($5 \times 40\,000 = K20\,000$).

If each owner pays K300 each to a pool of insurance fund to recover, the fund will generate K300 000 ($K300 \times 1000$). The insurance company will receive K200 000 in total out of the pool, (K40 000 each) for the crashed and written off cars.

The risk of the five (5) cars was spread over the one thousand (1000) taxis reducing it greatly. If this pool was not available, one has to bear the total cost alone. However, for a premium of K300, the loss has been put back (K40 000) for a minimal fee only.

Premium is the payment the insured pays for insurance. It is usually given as a rate, that is, the amount of money payable for K100 or K1000, unit of coverage.

For example:

Peter is insured for K20 000, the payment will be worked out as twenty K1000 units, the premium is $K2.65 \times 20 = K53$.

Formula for calculating premium

Premium = Rate x number of units of coverage.

There are many more insurance policies that are available for businesses and individuals to take and cover against damages and losses. We will look at another policy – Household Insurance

Household Insurance

This policy protects against losses or damages from fire, theft, flood and disasters of such nature. The compensation payment depends on

- (1). the extent of the damage or loss
- (2). real value of property or goods
- (3). Clauses in the policy

For example:

- If the value of the property is K60 000 and it is insured for that value and fire completely destroys it then K60 000 will be put back. If for whatever reason the owner insures (under insures) the property for K15 000 then K15,000 will be paid as compensation.
- If the house is valued at K60 000 and only insured for K30 000 the insurance company will only pay K30 000 even if it is completely destroyed. If the damage is only K20 000 the owner will receive K10 000 which is the amount in proportion to the face value of the property.

Study the table below to get a full picture.

Value (K)	Insured Amount(K)	Damage (K)	Compensation (K)
60 000	60 000	60 000	60 000
100%			100%
60 000	60 000	20 000	20 000
100%			100%
60 000	30 000	60 000	30 000
50%			50%
60 000	30 000	20 000	10 000
50 %			50%

This table further strengthens one of the principles of insurance that in order to get full benefit of the policy held both the insured (person taking insurance cover) and the insurer (insurance company) must be honest in their dealings.

Finally, we have a brief look at life assurance policies. There are three main life policies available for businesses and individuals to take up.

Life Assurance

- Whole life assurance

A regular premium payment is made to cover oneself or a closest family member and when he or she dies a claim is made.

- Term assurance

This is the cheapest form of policy. One takes out a policy for a fixed period of time and when the insured dies within the period insured then a claim can be made. Otherwise, full payment is made to the injured person.

- Endowment assurance

This is the most expensive form of life policy. The insured pays premium to be insured for a certain amount and for a certain period of time. If he or she dies within the period, the claim is made by the next of kin or if he or she lives on then they themselves can make the claim after the period lapses.

Summary:



You have come to the end of Lesson 9. You have learnt that

- Transport aids Trade by bringing goods to producers, wholesalers, retailers and consumers, carries passengers hence, increasing trade.
- Insurance gives security to businesses.
- Insurance helps with capital for small businesses
- Insurance provides share capital for companies
- Insurance lends money to the government
- Easy access and more goods help increase the standard of living for the population.

NOW DO PRACTICE EXERCISE 9 ON THE NEXT PAGE

**Practice Exercise 9**

1. Define the following terms

Transportation:

Insurance

Bonds

Risks

Security

Invest

2. Why do insurance companies lend money to the government?

3. What do insurance companies do with the money they receive for insurance?

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 2 ON THE PAGES 86-89.

ANSWERS TO PRACTISE EXERCISES

ANSWERS TO PRACTICE EXERCISES 5-9

Answers to Practice Exercise 5

1. Define the following words.

- i. Limited: Not enough.
- ii. Equates: The same to.
- iii. Surplus: The extra amount of something produced or made.
- iv. Economy: It refers to the production and consumption of goods and services of a community as a whole.

2. Fill in the table correctly by writing down the examples of traditional trade that existed in the past and what items were exchanged and between which provinces. Number one has been done as an example for you.

Name of traditional Trade	Provinces that traded	Items exchanged
1. Hiri Trade	Gulf and Central	Sago, betel-nuts, banana, clay pots.
2. Kula Trade	Milne Bay	Baggi necklaces, armbands, Kina shells, betel-nuts, other food items.
3. Moka Pena Trade	Western Highlands	Pigs, pig's tusks, cassowaries, food items, kina shells, bird of paradise and other birds' plumes or feathers.
4. Mokink Trade	Southern Highlands	Pigs, pigs tusks, cassowaries, food items, kina shells and other birds' plumes or feathers.
5. Vitiaz Trade	Morobe (Tami and Finschafen islanders)	Wooden bowls, pig tusks, pigs, dogs, canoe ropes, red paint.

3. Explain the three main uses or functions of traditional money.

- i. It acts as a medium of exchange. This means it is able to buy goods and services and it is widely accepted by those who use it.
- ii. It provides a measure of value. This means that this form of money has value and weight. If the value of the money is high it will buy many goods and services.
- iii. It acts as a store of value. This means that it can be stored. It is durable or long-lasting and portable or easy to carry around.

Answers to Practice Exercise 6

1. What is Trade?
It refers to the buying and selling of goods
2. What is the relationship between Trade and production?
With surplus production, they can be traded with other people in other areas who are unable to produce for themselves. [*anything along this line /similar is correct*]
3. Who controls the money supply?
The Government
4. Why is it important for money to be more or less but just enough?
The problem with too much money moving around is that it creates Inflation. Inflation occurs when there is a sudden increase in the prices of goods and services. Therefore the government controls the money supply. Customers suffer during these times.
5. Identify the six (6) aids to trade in the Puzzle below. The answers are in red font and shaded blue.

[Government, Transportation, Banking, Communication, Insurance, Finance]

A	N	T	E	G	W	I	G	D	R	V	E	T
M	O	N	T	H	F	R	E	T	E	A	R	B
U	M	E	O	A	E	B	P	R	K	D	A	A
C	O	M	M	U	N	I	C	A	T	I	O	N
D	H	N	N	J	K	N	O	N	S	G	N	K
P	G	R	H	A	D	S	E	S	L	I	K	I
O	T	E	M	A	M	U	F	P	F	H	V	N
L	B	V	F	H	D	R	B	O	P	T	Y	G
S	K	O	G	O	S	A	I	R	O	T	H	S
G	N	G	D	G	H	N	E	T	O	A	D	C
T	H	S	W	R	D	C	H	J	F	X	C	B
F	I	N	A	N	C	E	Q	E	D	S	G	O

Answers to Practice Exercise 7

1. Complete the Cross Word Puzzle

		1. S	2. U	3. P	4. P	5. L	6. Y			
				7. S						
8. D		9. Q		10. E			11. P			
12. E	13. Q	14. U	15. I	16. L	17. I	18. B	19. R	20. I	21. U	22. M
23. M		24. A		25. L			26. I			
27. A		28. N					29. C			
30. N		31. T		32. B	33. U	34. Y	35. E	36. R		
37. D		38. I								
		39. T								
		40. Y								

Answers to Practice Exercise 8

1. Define the following words:

- Finance Industry: these are businesses that provide money to people who want them.
- Communication: sending messages or information between people in oral or written form

2. How does the Finance Industry aid Trade?

Students can have any of the following answers below:

- Money is kept safe by the Banks in savings, deposits and current accounts.
- Banks lend money mainly to businesses that need them as their start –up capital.
- Banks transfer money for businesses

3. How does Communication aid Trade?

In order for people to run their businesses successfully they need to communicate quickly and easily. If the methods of communication are swift and clear, this will save money. Saving money keeps the cost of production low. Hence, if the costs are kept low, prices of goods will be kept low as well. This benefits everyone. Good methods of communication aid Trade.

Answers to Practice Exercise 9

1. Define the following terms:

Students answers may vary, as long as the answers are related or similar to the definitions below.

- Policy: a written contract between an insurance company and a person or organisation requiring insurance against loss or harm
- Insurance: It gives protection to business, individuals and their properties.
- Bonds: Certificates issued by the government or companies to repay borrowed money.
- Risks: Chances or possibilities of danger or losses to a business.
- Security: Things that guard or gives guarantee
- Invest: Put money into a business or company to earn profit

2. Why do Insurance Companies lend money to the Government?

Insurance companies lend money to the government to assist them in infrastructure development or in areas where they can fully utilize the money towards our country. Up till all the taxes are received from the people.

3. What do Insurance companies do with the money they receive for insurance?

Insurance Companies invest the money in other companies by buying shares or stock, so that they can receive more money in return.

TOPIC 3

DOMESTIC AND FOREIGN TRADE

TOPIC 3: DOMESTIC AND FOREIGN TRADE



Welcome to Topic 3- Domestic and Foreign Trade. This topic teaches you trade in its simple form through to much more complex transactions with international organisations. The world has become a smaller because of advancement in technology. It is all about satisfying needs and wants of other consumers and having a choice and variety of goods and services to choose from. You will be able to identify the country's imports and exports. You will also learn skills that will enable you to use resources in several ways at your level. Finally, how we can promote our goods and services overseas. This topic contains four lessons.

Lesson 10: Domestic Trade

Domestic Trade outlines all the domestic trading activities here in Papua New Guinea. Commercial activities on a small to medium scale production are meant for the provincial and regional markets. These goods need a reliable transport system for distribution in the domestic market.

Lesson 11: Foreign Trade

Foreign Trade is trade between other countries and each of them have their own currencies too. Some of the activities of trade are visible and some are invisible. Papua New Guinea attends trade promotion fairs to tell other countries what we have on offer. You will be able to see when we have trade surpluses and deficits too.

Lesson 12: Papua New Guinea's Exports and Imports

Papua New Guinea's Exports and Imports include the country's natural resources and more recently - finished goods. Imports are coming from other countries and exports are what we send to other countries. You should be able to identify the country's main importers and exporters too and the steps they take when doing business with Papua New Guinea. You will also see how the prices of goods and services are determined on the world markets. There will be other costs related to importing and exporting of goods and services too.

Lesson 13: Foreign Currencies

Foreign Currencies involve the functions and uses of money. You will also be able to name the currencies of our country's trading partners. Some calculation on the exchange rates will be done to be able to compare our currency to other foreign currencies. You should be able to use the newspapers to get up to date information on the foreign exchange.

Lesson 10: Domestic Trade



Introduction:

Welcome to lesson 10 of our new topic on Domestic and Foreign Trade. In your previous lesson, you already learnt about trade and its importance in buying and selling in order to satisfy people's needs and wants. In this lesson, you will learn more about Domestic Trade.



Your Aims:

- Define domestic trade and discuss the main trading activities within the country
 - Discuss how domestic trade enables specialisation of the supply of goods within regions and provinces
 - Discuss how domestic trade promotes small scale production within regions and provinces.
 - Identify the kind of transportation methods used for the distribution processes in the domestic trade
-

What is Domestic Trade?

It is buying and selling of goods locally or within the country. This involves wholesaling and retailing. Wholesaling refers to buying and selling of goods in large quantities or bulk. Examples of wholesalers include general wholesalers, Cash 'N' Carry wholesalers, and specialist wholesalers. Retailing refers to buying and selling of goods in smaller quantities. Examples of retailers include market traders, street vendors (sellers), trade stores, mini-supermarkets, super markets, and department stores.



Activity 10.1: Read and do the following exercise.

- (a) List down five (5) examples of wholesalers and retailers in Papua New Guinea to show you can identify them.

Wholesalers

- (i) _____
 (ii) _____
 (iii) _____
 (iv) _____
 (v) _____

Retailers

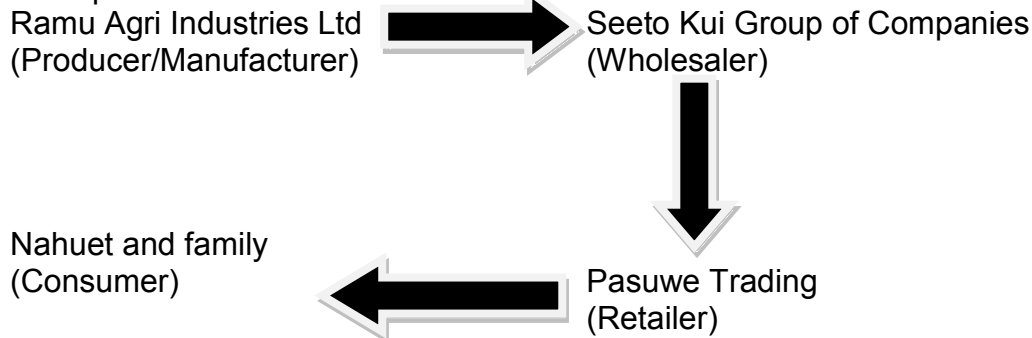
- (i) _____
 (ii) _____
 (iii) _____
 (iv) _____
 (v) _____
-

The main trading activities in the country involve wholesaling and retailing.

In Papua New Guinea, industries such as Ramu Agri Industries, Niugini Table Birds and Hugo Canning Ltd are some examples of producers that produce goods locally to meet the domestic market. So the chain of trade begins from the:

Producer → Wholesaler → Retailer → Consumer

Example:



Specialisation of the supply of goods

Trade becomes important in the process of satisfying needs and wants. Trade is simply buying and selling of goods. Domestic trade enables specialisation in the production and supply of goods as the demand increases. There are many different types of specialised goods being produced in the country to meet the needs of the people. These are goods such as chicken, eggs, biscuits, beef meat, tin fish, clothing, sugar and vegetables.

In Papua New Guinea, most of the people live in the rural areas. They produce goods and services for themselves and their family's consumption. However, this trend is changing very rapidly. Many people in the rural communities are greatly influenced by the cash society. Most and the best of what they produce today is sold for money.

In modern Papua New Guinea, domestic trading within the country is currently based on both formal and informal sectors. In the informal sector, the rural farmers from the Highlands supply kaukau, potato and other vegetables to urban markets and super markets in Port Moresby and other urban centres. In the formal sector, we have industries such as Zenag Producers and Niugini Table Birds who are specialised in producing chickens and eggs. These chicken and egg producers are in Morobe Province.



Fresh potatoes at Goroka Market



Butchering beef meat at Ramu Agri Industries

You are to do the activity below to find out what other provinces produce.



Activity 10.2: Read and do these activities

- (a) Listed below is a table of some of the provinces in Papua New Guinea and the products they are specialised in producing. The first column is the provinces of PNG.
- (b) Column 2 is the producers or manufacturers. You are to complete column 3 by writing down what they produce. The first one has been done for you as an example.

PROVINCES IN PNG WITH THEIR SPECIALISED PRODUCTS

Province	Producers	What they produce
e.g East New Britain	Tropicana Holdings Ltd	Clothing, meri blouses
West New Britain	New Britain Palm Oil Ltd	
Madang	Madang Tuna Cannery Ramu Agri Industries	
Morobe	Zenag Producers Ltd Niugini Table Birds Lae Biscuit Company	
East Sepik	Tuna Cannery	
Eastern Highlands	New Guinea Producers	
Western Highlands	Carpenters New Guinea Ltd	
Central	Hugo Cannery Ltd	

Promotion of Small Scale Production

Trading within the country between provinces and regions promotes the small scale production to increase their products to meet the domestic market. Some places have experience and skills to produce certain products that others don't have. For example, in Manus Province there's a small scale production and in supply of Nonie oil and soap products made from coconut oil and Nonie plant. Some of these products are sold on the streets of Port Moresby by street vendors.

Climatic conditions allow one place to produce certain products that others don't. An example for this, is the production of honey and jam from honey bee and fruits from Eastern Highlands and parts of Simbu Province. This promotes small scale production. The honey and jam products are sold in retail shops in the Highlands, Momase and Port Moresby.



Activity 10.3: Read and do the exercises.

(a). Write down five (5) examples of products produced locally through small scale production. You may start with your own district or province.

- (i) _____ (ii) _____
 (iii) _____ (iv) _____
 (v) _____

Distribution process of goods and services

Papua New Guinea is geographically rugged with mountainous terrain, rivers, valleys and swamps which hinder the transportation of basic goods and services to its people in the remote rural parts of the country.

However, the three (3) transport systems are still used for the distribution processes of goods. These systems are:

- (i) Air Transport – still used in transporting goods to remote rural PNG.
Eg. Oksapmin in Sandaun Province.
- (ii) Road Transport – the main and common system of transport between Highlands and Momase regions.
- (iii) Sea Transport – common system of transport between New Guinea Islands and mainland PNG.

Distribution of goods and services is done by distributors which are the wholesalers and retailers. The business sells all the goods and services they produce for money to consumers through the distributors. The distributors choose the type of transport system based on the region and province and distribute the goods or products to the consumers.



Activity 10.4: Read the questions and answer them

(a) Write true or false for each of the following statements to show you understand the distribution process of goods. Then make the false statements true.

- (i). Missionary Aviation Fellowship (MAF) transports goods to Oksapmin in Sandaun Province _____
- (ii). IPI Transport Limited carries goods from Lae to Rabaul _____
- (iii). Transportation of goods from Port Moresby to Vanimo is done by Consort Express Lines _____

Summary:



You have come to the end of Lesson 10. You have learnt that

- Domestic Trade is buying and selling of goods locally or within the country.
- The main trading activities in the country involve wholesaling and retailing.
- Goods produced locally for domestic market promotes provincial or regional specialisation of the products.
- Domestic trade promotes small scale production within different parts of the country.
- All systems of transport that are air, sea and road are needed in the distribution processes in domestic trade between the provinces and regions.

NOW DO PRACTICE EXERCISE 10 ON THE NEXT PAGE



Practice Exercise 10

1. Define Domestic Trade

2. What is the difference between wholesaling and retailing?

3. Name the three (3) transport systems in Papua New Guinea and give one (1) example of each.

4. List three (3) benefits or importance of domestic trade?

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 3 ON THE PAGES 124-125.

Lesson 11: Foreign Trade



Introduction:

Welcome to Lesson 11 on Foreign Trade. In your previous lesson, you learnt about Domestic Trade. It is a type of trade which takes place between buyers and sellers in the same country. In this lesson, you will learn more about Foreign Trade.



Your Aims:

- Define foreign trade, imports and exports.
 - Discuss the reasons for foreign trade
 - Distinguish the difference between visible and invisible trade
 - Explain balance of trade and balance of payment
 - Explain when surpluses and deficits occur
 - Define trade promotion and its importance
 - Discuss how international trade is promoted.
-

What is Foreign Trade?

Foreign Trade is buying and selling of goods and services between one country and other countries. It also involves exporting and importing of goods and services. Exports refer to goods and services sold by one country to other countries. For example, Papua New Guinea exports coffee, copra, gold, copper, etc to other countries. Imports refer to goods and services bought by one country from other countries. For example, Papua New Guinea imports manufactured items such as machinery, motor vehicles, electronic products, clothing, etc.

Reasons for Foreign Trade

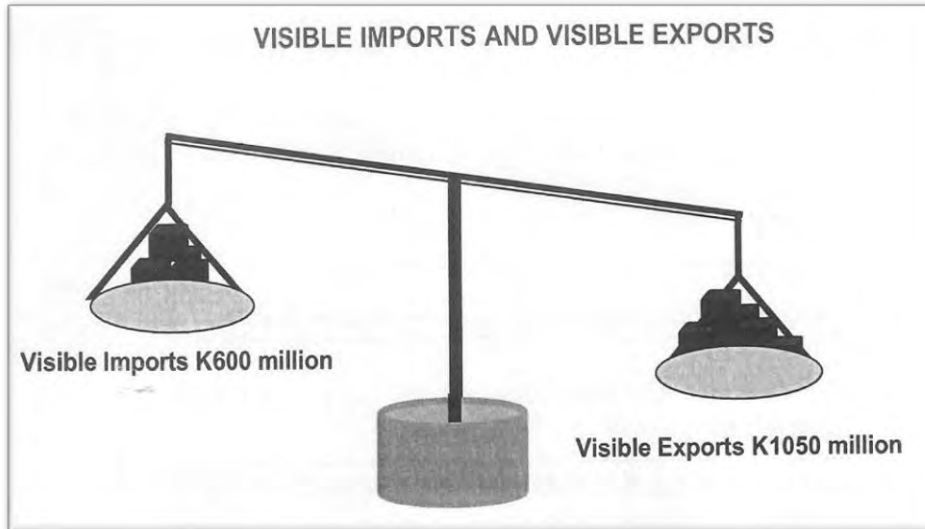
Foreign/International Trade takes place between countries due to the following reasons:

1. Some countries have abundant natural resources which other countries do not have. For example, Papua New Guinea has a lot of oil and gas which it exports to Asian countries what do not have these minerals.
2. The climate in some countries allows them to produce certain products which other countries cannot produce. Papua New Guinea sells a lot of cocoa to countries where it is not possible to grow cocoa trees.
3. Some countries have a lot of experience and skills in producing certain products. This gives them a big advantage over other countries. For example, Japanese workers are highly skilled and experienced in producing motor vehicles. This is why they sell to so many countries throughout the world.
4. Consumers have a greater choice of goods available when foreign trade takes place

Visible and Invisible Trade

What is Visible Trade?

Visible Trade is the selling and buying of things that can be seen like copra, cocoa, timber, copper, fish etc from Papua New Guinea to other countries and vehicles, manufactured goods, ships, aircraft, etc from other countries to our country. Visible means we can see with our own eyes.

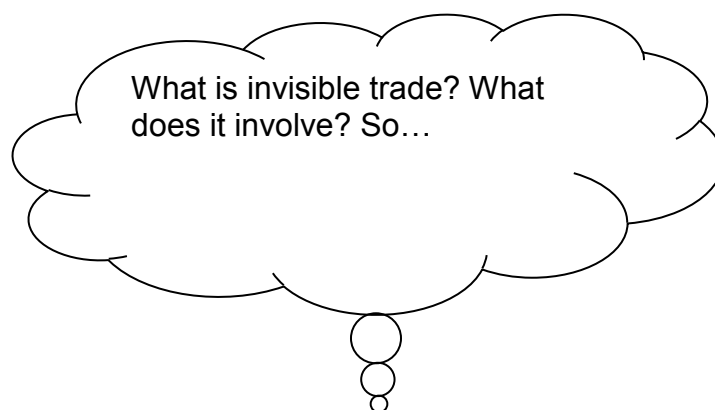


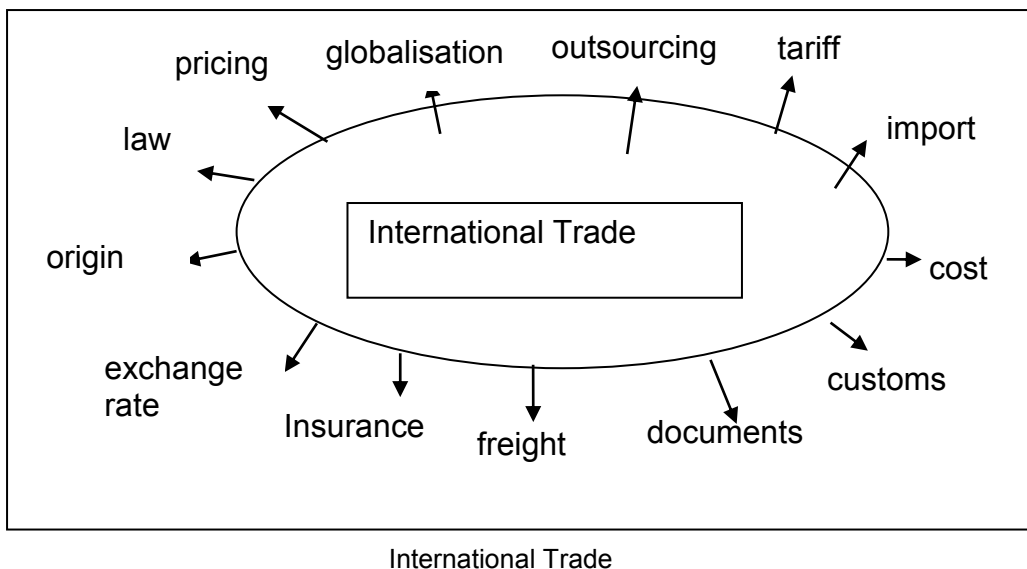
Visible imports and Visible exports

What is Invisible Trade?

Invisible Trade is the trade in services. We cannot see with our eyes but see the effect that it makes in the delivery of goods and services too. It includes services such as; insurance, transport, banking, communication, hotel accommodation, education, border patrol etc.

International Trade is made up of both Visible and Invisible Trade. **Visible Trade** refers to buying and selling of goods between countries. Visible trade is made up of **visible exports** (which means amount of money received from selling goods to other countries from one country). Examples of visible exports are coffee, cocoa, gold, copper, crude oil, palm oil etc and **visible imports** (which means amount of money paid for goods purchased from other countries). Examples of visible imports are motor vehicles, machinery & equipment, chemicals, clothes, food and drinks.





Invisible Trade refers to buying and selling of services between countries that do not result in the transfer of physical objects. Invisible trade is made up of **invisible exports** (which means amount of money received for services provided to other countries by one country). Examples of invisible exports are tourism, shipping, banking and **invisible imports** (which means amount of money we pay for services provided to us by other countries). Examples of invisible imports are consulting services, banking, insurance, transport, shipping etc. They are services provided which we have to pay.



Activity 11.1: Read and do the exercise below

(a) Write down five (5) examples of visible exports and visible imports

Exports

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____
- (v) _____

Imports

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____
- (v) _____

(b) Write down two (2) examples of invisible exports and invisible imports

Invisible Exports

- (i) _____
- (ii) _____

Invisible Imports

- (i) _____
- (ii) _____

Balance of Trade

The difference between the visible exports (timber, gold, copper, and coffee) and visible imports (cars, electrical items, computers, waste pipes) of a country are called the **balance of trade**. If the value of imported goods is greater than the value of exported goods; then we will have balance of trade deficit. If the value of exported goods is greater than value of imported goods this would result is a balance of trade surplus.

For Example:

1. PNG's Balance Of Trade Deficit for 2000

Export of Goods	K243million
Import of Goods	<u>K305million</u>
Balance of Trade	K 62million (deficit)

2. PNG's Balance Of Trade Surplus for 2001

Export of Goods	K443million
Import of Goods	<u>K333million</u>
Balance Of Trade	K110million (surplus)

Balance of Payment

The difference between the amount of money coming into a country from goods and services it exports, and the amount of money going out for goods and services it imports is called **Balance of Payment**..

If the total payments are greater than total receipts, there is a **Balance of Payments Deficit**. If the total receipts are greater than total payments, there is a **Balance of Payments Surplus**.

For Example:

1. PNG's Balance of Payment Deficit for 2003

Receipts	K (Million)	Payments	K (Million)
Visible Exports	291	Visible Imports	289
Invisible Exports	48	Invisible Imports	132
Other Receipts	<u>45</u>	Other Payments	<u>25</u>
Total Receipts	384	Total Payments	446

$$\begin{aligned}
 \text{Balance Of Payments} &= \text{Total Receipts} - \text{Total Payments} \\
 &= \text{K384m} - \text{K446m} \\
 &= \underline{\text{(K62million) deficit}}
 \end{aligned}$$

2. PNG's Balance of Payment Surplus for 2004

Receipts	K (Million)	Payments	K (Million)
Visible Exports	390	Visible imports	282
Invisible Exports	68	Invisible Imports	138
Other Receipts	<u>42</u>	Other Payments	<u>40</u>
Total Receipts	500	Total Payments	420

$$\begin{aligned}
 \text{Balance Of Payments} &= \text{Total Receipts} - \text{Total Payments} \\
 &= \text{K500m} - \text{K420m} \\
 &= \underline{\text{K80 million (surplus)}}
 \end{aligned}$$



Activity 11.2: Read and do the exercise below

Calculate the following balance of trade and state whether it is a surplus or a deficit.

- | | | |
|-----|------------------|---------------------|
| (a) | Export of Goods | K343 million |
| | Import of Goods | <u>K643 million</u> |
| | Balance of Trade | K_____ (_____) |
| (b) | Export of Goods | K555 million |
| | Import of Goods | <u>K444 million</u> |
| | Balance of Trade | K_____ (_____) |



Activity 11.3: Read and answer the question below

- (a) Using the following information, calculate Papua New Guinea's Balance of Payments for 2000 and state whether it is a deficit or a surplus.

Receipts	K (Million)	Payments	K (Million)
Visible Export	290	Visible Imports	182
Invisible Exports	58	Invisible Imports	38
Other Receipts	32	Other Payments	60
Balance of Payments =		Total Receipts – Total Payments	
= K _____	-	K _____	
= K _____	(_____).		

- (b) Using the following information, calculate PNG's Balance of Payments for 2001 and state whether it is a deficit or surplus.

Receipts	K (Million)	Payments	K (Million)
Visible Exports	442	Visible Imports	582
Invisible Exports	68	Invisible Imports	138
Other Receipts	32	Other Payments	160
Balance of Payments	= Total Receipts – Total Payments		
		= K _____	- K _____
		= K _____	(_____).

Trade Promotion

Trade Promotion refers to the promotion of goods and services of a country to another country. For example, in Papua New Guinea trade promotion is done when businesses and manufacturers promote their products by displaying them to overseas buyers in events such as trade fair and annual provincial shows.

The importance of promoting goods and services of a country to another country is to:

- (i) increase tourism
 - (ii) promote a country's culture and diversity
 - (iii) market its products to overseas buyers
 - (iv) establish new trading partners
-

Summary:

You have come to the end of Lesson 7. You have learnt that

- Foreign Trade is buying and selling of goods and services between one country and other countries.
 - Foreign Trade involves exporting and importing of goods and services.
 - International Trade is made up of Visible Trade and Invisible Trade.
 - Balance of Trade is the difference between the visible exports and visible imports.
 - Balance of Payment is the difference between the amount of money coming into a country from goods and services it exports, and the amount of money going out for goods and services it imports.
 - Trade promotion refers to the promotion of goods and services of a country to another country.
-

NOW DO PRACTICE EXERCISE 11 ON THE NEXT PAGE



Practice Exercise 11

1. Define foreign trade

2. What is the difference between exports and imports?

3. What is the difference between visible trade and invisible trade?

4. What is the difference between visible exports and visible imports?

5. What is balance of payments?

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 3 ON THE PAGES 124-125

Lesson 12: Papua New Guinea's Exports and Imports



Introduction:

Welcome to Lesson 12 on Papua New Guinea's Exports and Imports. In your previous lesson, you already learnt about Foreign Trade. It is a type of trade which involves exporting and importing of goods and services between one country and another country. In this lesson, you will learn about Papua New Guinea's Exports and Imports.



Your Aims:

- Identify Papua New Guinea's exports and imports
- Identify Papua New Guinea's trading partners
- Discuss steps to take when exporting and importing
- Discuss price terms used in foreign trade

Papua New Guinea's Exports and Imports

Exports

The type of products exported by Papua New Guinea includes:

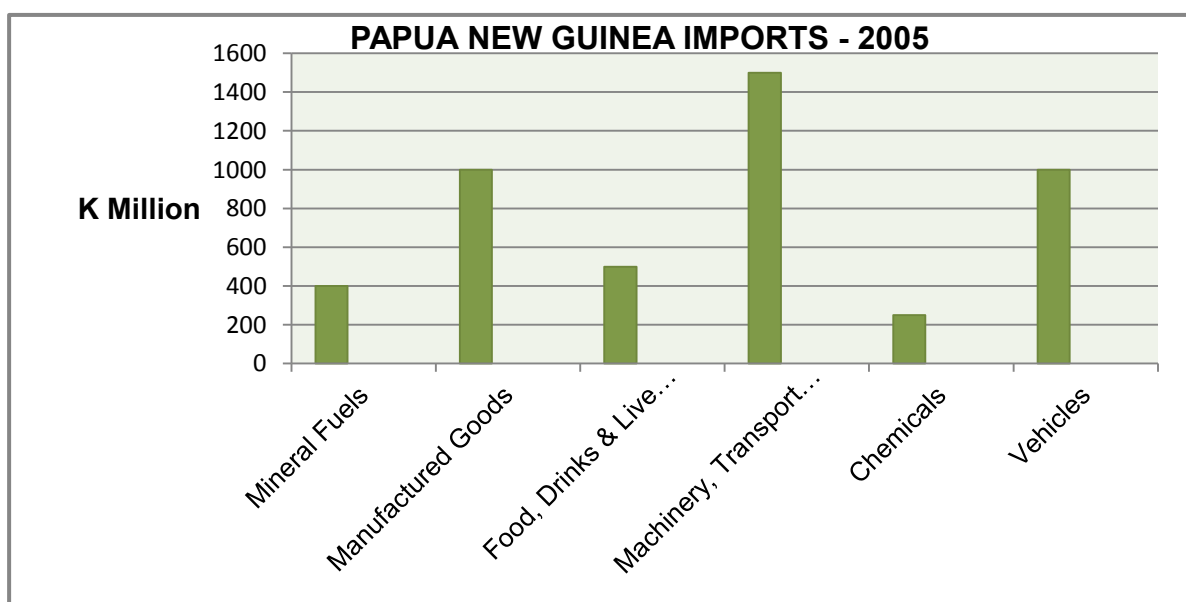
Cocoa, Coffee, Copra, Copra oil, Palm oil, Tea, Forest Products, Vanilla, Rubber, Gold, Copper, Crude Oil, Refined Petroleum Products, Marine Products, etc.

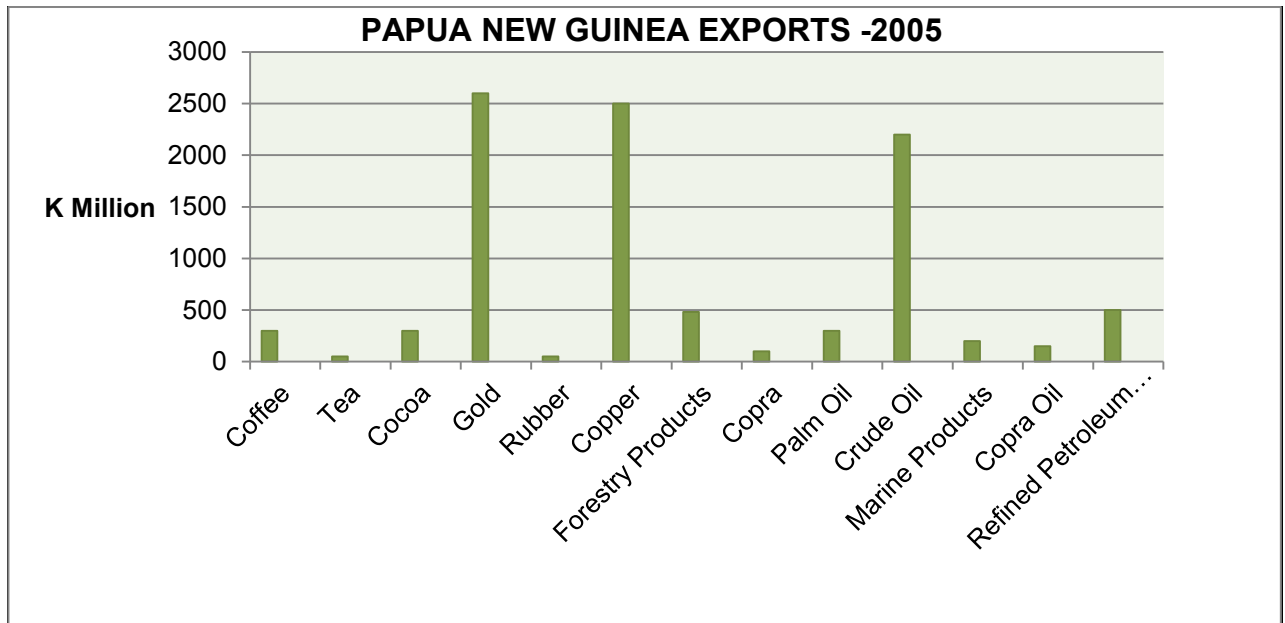
Imports

The type of goods imported by Papua New Guinea includes:

Food and Live Animals, Vehicles, Mineral Fuels and Lubricants, Chemicals and related products, Manufactured Goods, Machinery and Transport Equipment, Electronic Equipment, Parts, and Clothes.

The bar graphs below show the type of goods being imported and exported by Papua New Guinea in 2005.





The activity below tests your interpreting and understanding of the above bar graphs.



Activity 12.1: Read and do the exercises below

(a) Write down the five (5) leading products that are exported from Papua New Guinea.

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____
- (v) _____

(b) Write down the five (5) leading goods that are imported to Papua New Guinea.

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____
- (v) _____

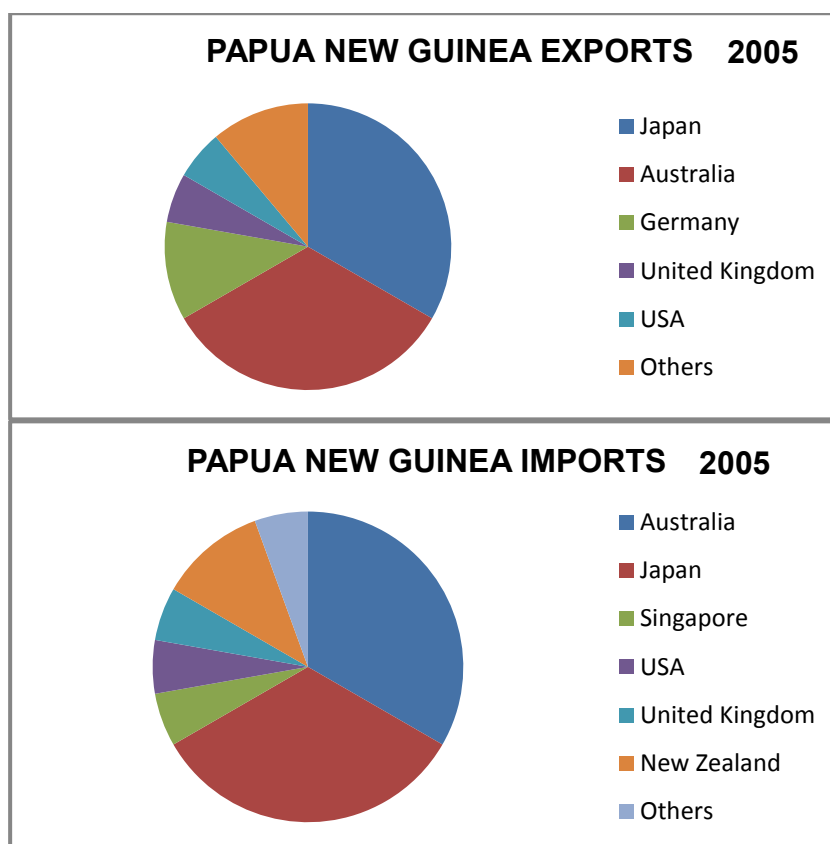
Papua New Guinea's Trading Partner

Papua New Guinea's trading partners can be seen in terms of where our exports go to and where we get our imports from. Firstly, our exports go to Japan, Australia, Germany, United Kingdom, USA, South Korea and others like China etc.

Secondly, our imports come from Australia, Japan, Singapore, USA, United Kingdom, New Zealand and others like Malaysia, and Indonesia.

Papua New Guinea's imports and exports are like that of most other developing countries. It exports primary products and imports mostly manufactured products from their secondary industries. It exports mainly agricultural products and minerals and imports manufactured goods including food, vehicles and machinery. It also imports raw material for small industries like leather for making shoes, foam to make pillows, and mattress just to name a few.

The following pie charts illustrate which countries buy exports from Papua New Guinea and which countries most of our imports come from.





Activity 12.2: Read and do the exercises below

(a) Name in order of importance the trading partners of Papua New Guinea.

Who are the top five (5) buyers of our exports? Who are the top five (5) sellers of our imports?

Exports

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

Imports

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

Steps to take when exporting and importing goods

Exporting goods

A business that is planning to export goods should do the following things.

- Get as much information as possible on the different export markets. This will help you to decide what countries to export goods to. This information can be obtained from foreign embassies and chambers of Commerce.
- Get to know the regulations that cover packaging, labelling, and so on in the export market.
- Get to know all the documents that are needed when exporting.
- Find out if the firms you will be dealing with are **credit worthy**, safe to give credit to.
- Decide on how payment is to be made by a foreign buyer. This arrangement should suit both the seller and the buyer.
- Decide on a suitable way to transport the goods. Goods may be sent via airfreight or sea freight, or other postal services may be used.
- Decide on how you will insure the goods to be exported. Goods should be insured against damage or loss while being transported. You should also have insurance against non-payment by the importer.

Importing goods

A business that wants to import goods should first of all do the following things.

- Check that the importing of certain goods is legal or allowed.
- Check if an **import licence** is needed in order to import the particular goods.
- Check how much import duty, if any will be charged.
- Check if there are any import restrictions on the goods being imported. If there is a **quota**, there will be a limit on the amount of goods which may be imported. Some imports may be banned in an effect to encourage local producers. Imported vegetables for example are banned for this reason.

**Activity 12.3: Read and do the exercises below**

- (a) Write **True** or **False** for each of the following statements to show you understand the different steps involved in exporting and importing goods. Then make the false statement true.
- (i) A business must have an import licence in order to import the particular goods. _____
- (ii) All the products exported over sea's markets are not insured. _____
- (iii) Lamp flaps imported from New Zealand have an import restriction on them. _____
- (iv) If there is a quota, there will be a limit on the amount of goods imported. _____

Prices – leading terms used in foreign trade

This is how prices are stated in foreign trade deals.

Cost and freight (C & F)

This means that the price stated by the seller includes the cost of the goods and the sea freight charges only.

Cost, insurance, freight (CIF)

This means that the price stated includes the cost of the goods, the insurance to cover the goods while being delivered, and the freight charges.

Duty paid

This means that the price stated includes the duty charged on the goods as well as the trade price of the goods. Duty is collected by the government and it is one source of income for the annual expenditure.

Free on board (FOB)

This means that the price stated includes delivery to the port of departure. It also includes loading the goods on to the ship, but not the shipping freight charge.

Door-to-door

This means that the price of the goods includes all charges up to delivery at the buyer's premises.

**Activity 12.4: Read and do the following exercises.**

- (a) (i) When the seller of goods pays for all costs right to where the buyer is situated, the term used is called_____
- (ii) The cost of goods is stated as K1000.00 CIF. CIF means that:

- (iii) The price of goods includes the cost of delivering the goods to a port and loading them on to a ship is called_____
-

Summary:

You have come to the end of Lesson 12. You have learnt that

- Papua New Guinea exports mainly primary products and imports mostly manufactured goods.
 - Papua New Guinea's most important trading partners are Japan and Australia.
 - There are always steps or procedures to follow when exporting and importing goods.
 - The price terms used in foreign trade are important when exporting and importing goods.
 - There are restrictions in place on certain goods to be imported from other countries.
 - The mining and agriculture sectors play an important role in the economy of PNG
-

NOW DO PRACTICE EXERCISE 12 ON THE NEXT PAGE

**Practice Exercise 12**

1. Study the graph on exports in page 110 and calculate as accurately as you can the value of:
 - (a) Agricultural exports_____
 - (b) Mineral exports_____
 - (c) Total exports_____
2. Hwekduon Office Supplies are importing goods from New Zealand. The New Zealand price is K25,000 Insurance is K1,000, Freight charges are K22000
 - (a) Calculate the C&F price of the goods

3. An exporting business should first of all check if overseas buyers are credit worthy. Explain what credit worthy means

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 3 ON THE PAGES 124-125.

Lesson 13: Foreign Currency



Introduction:

Welcome to Lesson 13 on Foreign Currency. In your previous lesson, you learnt about Papua New Guinea's Exports and Imports and the trading partners. In this lesson, you will learn more about Foreign Currency.



Your Aims:

- Define foreign currency and state its uses
 - Identify the foreign currencies of Papua New Guinea's trading partners.
 - Discuss and compare foreign exchange rates.
-

What is Foreign Currency?

Foreign currency is the money or currency belonging to another country that is used to trade. Foreign exchange is the exchange of currency from one country for currency from another country. Exchange rate is the price for which one currency is exchanged for another. When one Papua New Guinea buyer buys goods from another country, that buyer will pay for these goods in that country's money. So, the Papua New Guinea buyer has to change Kina and Toea into the seller's currency, and use that money to make the payment.

Countries that have trade or mutual relations are required to use foreign exchanges. Today, most countries in the world that are involved in some importing and exporting, overseas travel, borrow money from other countries, receive and provide services such as transport, insurance, communication, banking, hotel accommodation, use foreign currencies. A country needs foreign currencies to pay for goods and services.

For example, a Turkish tourist staying over at Hideaway Hotel, has to pay Kina and Toea in order to lodge there. Papua New Guinea needs the foreign currency to pay for goods and services. Likewise, foreign countries need other country's money to pay for the imports from Papua New Guinea.

Papua New Guinea as a country needs a lot of foreign exchange by exporting more raw materials in order to meet import expenditure. Papua New Guinea's foreign exchange earners are;

- exporters to other countries
- musical groups who perform in other countries
- sports people who play overseas
- Papua New Guinea citizens employed overseas
- people who have foreign investment

Uses of Foreign Currency

Payment for imported goods and services are made in foreign currency. Papua New Guinean importers must first of all convert a certain amount of kina into a foreign currency of the country they are importing goods from to pay for their goods. As well, Papua New Guinean exporters, exporting their products to other countries are paid in foreign currency. This money which is in foreign currency is converted to PNG Kina.

All Papua New Guinea importers and exporters trading with foreign countries use foreign currencies as a form of payment for goods and services provided to them or received from them in those countries.

The table below shows some of the foreign currencies of PNG trading Partners use.

Foreign currencies of Papua New Guinea Trading Partners

Country	Currency	Currency Symbol
Australia	dollars	\$
Japan	yen	Y
Germany	European Euro	Euro
United Kingdom	Pound	£
United State of America	dollars	\$
Singapore	dollars	\$
New Zealand	dollars	\$
Philippines	peso	P
South Korea	Won	W
Malaysia	dollars	\$
Indonesia	Rupiah	R
China	Yuan	Y
Hongkong	dollars	\$



Activity 13.1: Read and do the following exercises

(a) Define Foreign Currency

(b) List the two (2) reasons for using foreign currencies

- (i) _____
- (ii) _____

Foreign Exchange Rates

In order to convert money into another currency, one must first look at the **exchange rate tables**. These tables show how much K1 is equal to in another currency. It is called the **exchange rate**. Foreign Exchange Rates are provided by the Bank of Papua New Guinea and is available daily in the Newspapers like the National and Post Courier, also available in the commercial banks like the Bank of South Pacific, Westpac and Australia and New Zealand Banking Group and also through the internet services.

Selling Rates for 26th September, 2011

Country	Currency	Currency Code	Rate
Australia	Dollars	AUD	0.4240
USA	Dollars	USD	0.4183
Japan	Yen	JPY	31.9700
European	Euro	EUR	0.3081
Canada	Dollars	CAD	0.4211
FIJI	Dollars	FJD	0.7474
New Zealand	Dollars	NZD	0.5205
Philippines	Peso	PHP	18.1800
Great Britain	Pound	GBP	0.2698
Hongkong	Dollars	HKD	3.4705
South Korea	Won	SKW	519.46
Taiwan	Dollar	TAD	13.6048
Singapore	Dollar	SGD	0.5791

This Kina exchange rate table shows how much one kina will buy of another currency. For example, one kina will buy 0.4240 Australian dollars. It will also buy 31.97 Japanese yen. We can use the **currency code** and say that one kina is equal to \$A 0.4240 or Yen 31.9700

Papua New Guineans can buy the strong foreign currencies like USA dollars, Great Britain Pounds and Australian Dollars and keep the money in the bank. When our currency (PNG Kina) drops, they can sell their foreign currency and help themselves.

Conversion of Papua New Guinea Kina into Foreign Currency

In order to convert PNG Kina into foreign currency we use the formula:

Foreign Currency = PNG Kina x Rate

Example 1:

How much will 100 kina buy New Zealand dollars? Simply multiply one hundred kina by the rate for New Zealand dollars.

New Zealand Dollar	=	PNG Kina	X	0.5205
	=	100	X	0.5205
	=	NZ\$ 52.05		

In other words, 100 Kina is equal to only 52.05 New Zealand dollars. Australia, USA, New Zealand, Canada and Fiji use dollars as their currency as well as many other countries. But note that the value of the dollars are different for each country. They are separate currencies each having a different value.

Example 2:

A Papua New Guinea exporter sells K2, 000 worth of coffee to Australia. The exporter will be paid in Australian dollars. He will therefore receive:

Australian Dollar	=	PNG Kina	X	0.4240
	=	2000	X	0.4240
	=	AU\$ 848.00		



Activity 13.2: Read and do the following exercise

- (a) A Papua New Guinea Shipping Company charges a Japanese firm K500 for shipping goods. How much will the Shipping Company receive in Japanese Yen?

Conversion of Foreign Currency into PNG Kina

So far you have learnt how to change Kina into foreign currency. However, many Papua New Guinea traders have to change foreign currency into Kina. In order to convert foreign currency into PNG Kina we use the formula:

PNG Kina	=	Foreign Currency	÷	Rate
-----------------	----------	-------------------------	----------	-------------

so this AU\$ 848.00 from the above - Example 1 will be converted into Kina by dividing it by the rate of exchange.

$$= \text{AU\$ } 848.00 / 0.4240$$

$$= \text{K } 2000$$

Example 1

How much is NZ\$ 250 worth when converted into Kina? Simply divide two hundred fifty New Zealand dollars by the rate for PNG Kina.

PNG Kina	=	New Zealand dollar	÷	Rate
	=	250	÷	0.5205
	=	K480.30		

Example 2

An importer purchases AUD\$3200 worth of goods from Australia. The supplier wishes to be paid by bank draft. How much Kina will the importer have to convert in order to receive a bank draft for AUD\$3200?

PNG Kina	=	Australian dollar	÷	0.4240
	=	AUD\$ 3200	÷	0.4240
	=	K7547.16		

It is important to know that the exchange rate table is for one day only. The rates for different currencies change daily. In order to find out the latest correct rates of exchange one must ask a bank or look at a copy of a newspaper for that particular day.

**Activity 13.3: Read and do the following exercise**

- (a) A business receives export receipts for USD\$20,000. Convert this amount to Kina.

Summary:

You have come to the end of Lesson 7. You have learnt that

- Foreign exchange is the exchange of currency from one country for currency from another country.
- The importance of foreign currency is for making payments for imported goods and services and for exporters to receive payments for goods sold to a foreign country.
- In order to convert PNG Kina or any currency into another currency, an exchange rate table is used.
- This rate table shows how much of the currency another currency exchange will buy.

NOW DO PRACTICE EXERCISE 13 ON THE NEXT PAGE

**Practice Exercise 13**

1. Ryan goes to Japan for a holiday. He changes K6, 000 into Japanese Yen before he departs for Japan. He spends 100,000 Japanese Yen while in Japan. When he returns to PNG, he converts what he has left into Kina. Use the table on page 121, to calculate the following:

(a) How much Japanese Yen did he receive?

(b) How much Japanese Yen does he have left to be converted to PNG Kina?

(c) How much Kina will he receive when he changes the left over Yen into Papua New Guinea currency?

2. Wafix sees a mobile phone advertised in an Australian magazine. The price is AUD\$350. Postage is AUD\$50. She decides to send the money away for the mobile phone. Calculate how much Kina she will have to convert into Australian dollars. Use the table on page 121.

CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 3 ON THE PAGES 124-125.

ANSWERS TO PRACTISE EXERCISES

ANSWERS TO PRACTICE EXERCISES 10-13

Practice Exercise 10

1. Define Domestic Trade
Domestic Trade is buying and selling of goods locally or within the country.
2. What is the difference between wholesaling and retailing?
Wholesaling refers to buying and selling of goods in large quantities or bulk and retailing is buying and selling of goods in smaller quantities.
3. Name the three (3) transport systems in PNG and give example of each.
 - (i) Air transport - eg. MAF
 - (ii) Road transport – eg. Melpa Freighters
 - (iii) Sea transport – eg. Star shipping, Solomon Queen
4. List three (3) benefits or importance of Domestic Trade?
 - (i) Customers have a greater choice of products from other places.
 - (ii) Climatic changes allow one place to produce certain products only.
 - (iii) Some places have abundant resources than others.

Practice Exercise 11

1. Define Foreign Trade
It is buying and selling of goods and services between one country and other countries.
2. What is the difference between exports and imports?
Exports refer to goods and services sold by one country to other countries and Imports are goods and services bought by one country from other countries.
3. What is the difference between Visible Trade and Invisible Trade?
Visible Trade refers to buying and selling of goods between countries and Invisible Trade refers to buying and selling of services between countries.
4. What is the difference between visible exports and visible imports?
Visible exports refer to the amount of money received from selling goods to other countries from one country and Visible imports refers to the amount of money paid for goods purchased from other countries.
5. What is balance of payments?
Balance of Payments is the difference between the amount of money coming into a country from goods and services it exports, and the amount of money going out for goods and services it imports.

Practice Exercise 12

1. Study the graph on Exports and calculate as accurately as you can the value of:
 - (a) Agricultural exports - Between K1, 300.00 and K1, 400.00 million
 - (b) Mineral exports - Between K 7,900.00 and K8.000.00 million
 - (c) Total exports - Between K9, 000.00 and K10, 000.00 million
2. Hwekduon Office Supplies are importing goods from New Zealand. The New Zealand price is K25, 000.00. Insurance is K1, 000.00. Freight charges are K2, 200.00.
 - (a) Calculate the C&F price of the goods
 $K25, 000.00 + K2, 200.00 = K27, 200.00$
 - (b) Calculate the CIF price of the goods
 $K25, 000.00 + K1, 000.00 + K2, 200.00 = K28, 200.00$

3. An exporting business should first of all check if overseas buyers are **credit worthy**. Explain what credit worthy means?
It means to be trusted when receiving credit.

Practice Exercise 13

1. Ryan goes to Japan for a holiday. He changes K6, 000 into Japanese Yen before he departs for Japan. He spends 100,000 Japanese Yen while in Japan. When he returns to PNG, he converts what he has left into Kina. Calculate the following:
- (a) How much Japanese Yen did he receive?
- | | | | | |
|--------------|---|--------------------|---|-------|
| Japanese Yen | = | PNG Kina | X | Rate |
| | = | 6,000 | X | 31.97 |
| | = | Yen191, 820 | | |
- (b) How much Japanese Yen does he have left to be converted to PNG Kina?
- Yen 191,820 - 100,000 = **Yen 91,820**
- (c) How much Kina does he receive?
- | | | | | |
|----------|---|-------------------|---|-------|
| PNG Kina | = | JPY | ÷ | Rate |
| | = | 91,820 | ÷ | 31.97 |
| | = | K2, 872.06 | | |
2. Wafix sees a mobile phone advertised in an Australian magazine. The price is AUD\$350. Postage is AUD\$50. She decides to send the money away for the mobile phone. Calculate how much Kina she will have to convert into Australian dollars.
- | | | |
|-----------------------------------|---|----------------|
| Price AUD\$350.00 + Postage A\$50 | = | A\$ 400.00 |
| PNG Kina | = | AUD |
| | = | 400.00 |
| | = | K943.40 |

TOPIC 4

ISSUES AFFECTING PRODUCTION

TOPIC 4: ISSUES AFFECTING PRODUCTION



Welcome to Topic 4: Issues Affecting Production. This topic teaches you about some of the issues that affect production. An economy will suffer when its health status is very low. That means some of its population is not active or too sick to produce the much needed goods and services. It is not only being non active and sickness but also due to unemployment due to crime, and pollution which are man- made disasters. Disasters such as droughts, floods and volcanic eruptions to name a few are natural disasters. Furthermore, production is not done to fulfill the work of producing goods and services for the people and at the same time assist the economic growth in your own country, region or the world. You will also learn skills that will enable you to manage your life to be fruitful and productive in several ways at your level.

This topic contains five lessons.

Lesson 14: Industrial Issues

Industrial Issues involve identifying the Industrial Issues and finding out the causes of these issues. You should be able to pick out issues of production and find ways to solve them. Some solutions will be challenging. Carrying out awareness in work places is a must for every employer. Listing of names of individuals and organisations that help out in such circumstances will help in a big way because people will talk about them and actions can be taken to address them. Forming of interest groups or industrial groupings can expose unlawful activities and make things right for the employers and employees. Employees must know their rights at work but this right comes with responsibilities which must be exercised accordingly.

Lesson 15: Unethical Practices

Unethical Practices involve people and their actions. Unethical means not following the agreed standards of moral conduct, especially within a particular profession. Practice is to do something as an established routine or habit. So Unethical Practices simply means conducts that are out of order and unacceptable. Individuals must be knowledgeable or educated to understand where their rights stop and where they need to take responsibility for their actions or conducts.

Lesson 16: Social Issues

Social Issues involve the social aspect of mankind. You may know already that there are four main aspects of mankind: spiritual, physical, emotional, and social. When these four are balanced then an individual is well. When so much attention is given to one the rest will suffer causing disability in ones well - being. You should be able to identify organisations that handle social issues. Social Issues may seem harmless, however, some are life threatening especially those that are health related.

Lesson 17: Health Issues

Health Issues involve people encountering life threatening situations through ignorance or negligence on the part of an individual or the employer. As the slogan summarizes it very well "Prevention is better than cure" you and I need to take care of our lives while at home or even at work. A healthy population means a strong and vibrant workforce for the country. Everyone is working and this strengthens the economy of a nation. You will also look at organizations and the ways they are addressing this

issue of health. The population must have nutritious food, immunize children and mothers and conduct health awareness to promote a healthy Papua New Guinea.

Lesson 18: Disasters

Disasters often cause serious loss, destruction, hardship, unhappiness and even death. Disasters can be man-made or natural. Man-made disasters are those that are caused by humans such as wars, pollution, and crime. Natural ones are those that are caused by nature, such as flooding, earthquake, and volcano eruption for which humans have no control over. One will simply do his or her best to make life a bit comfortable with the little resources they might have. Finally, you should be able to identify organisations, Non - Government Organisations, and private entities that are helping in times of disaster. We need to be ready to help out when major disasters occur in Papua New Guinea.

Lesson 14: Industrial Issues



Introduction:

Welcome to Lesson 14 of Topic 4. Your last lesson was on foreign currency. You and I need foreign currency to pay for our goods and services that we buy or get from overseas. In this lesson you will learn about Industrial Issues. They are issues that affect production and trading of goods and services.



Your Aims:

- Define industrial issues and identify their causes
- Identify types of industrial issues affecting production in Papua New Guinea and overseas
- Discuss the effects that industrial issues have on production
- Identify organisations involved in addressing industrial issues

What is an industrial issues?

According to our lesson basically, it means a problem or situation that causes a conflict, worry or emotional stress in a person.

An issue is something for discussion or of general concern which needs to be addressed.

So industrial issues are activities or situations that affect the production of goods and services from being normal. It is a situation or problem that is causing conflict, doubt and emotional stress to employers and employees.

Causes of industrial issues in percentage (%)

Cause Group	2002	2003	2004	2005
(1) Wages & Allowances	21.3	20.4	26.2	21.8
(2) Personnel	14.1	11.2	13.2	9.6
(3) Retrenchment	2.2	2.4	0.2	0.4
(4) Lay-Off	0.4	0.6	-	0.2
(5) Indiscipline	29.9	36.9	40.4	41.6
(6) Violence	0.9	1	0.9	0.4
(7) Leave and Hours of Work /shift Working Bonus	0.5	1	0.4	-
(8) Inter /Intra Union Competition	0.4	0.6	0.4	0.4
(9) Non- implementation of agreements and awards	3.1	1	1.1	0.9
(10) Contract of Demands	10.5	8.8	5.7	7.1
(11) Work Load	0.5	0.4	0.7	1.1
(12) Standing orders /rules /service conditions /safety measures	1.8	1	2.4	0.2

What are Industrial Issues and their causes?

The causes of industrial disputes can largely be placed under two groups as: economic and non-economic causes. The economic causes will include issues relating to compensation like wages, bonus, allowances, and conditions for work, working hours, leave and holidays without pay, unjust layoffs and retrenchments.

The non-economic factors will include harassment of workers (suffering for somebody else's wrong), ill treatment by staff members, sympathetic strikes (a

sorryful state of conducting strikes), political factors and indiscipline (not following office manners in conducting work).

Wages and Allowances

The wages and salaries is the reward for the work done for an employer. Since the Consumer Price Index (CPI) is rising, workers generally bargain for higher wages to meet the rising cost of living and to increase their standards of living. Consumer Price Index (CPI) is a measure of change in the purchasing power of Kina and the rate of inflation. It expresses the current prices of the basic goods (rice, tinned fish, sugar, flour, betel nut, etc) and services (transport, medical, electricity, school etc) in terms of prices during the same time in the previous year and to show the effect of inflation on the purchasing power.

Personnel and Retrenchment:

Personnel and Retrenchment, have also been two important factors which accounted for most disputes. During the year 2002, disputes caused by personnel were 14.1% while those caused by retrenchment and layoffs were 2.2% and 0.4% respectively. In 2003, a similar trend could be seen, wherein 11.2% of the disputes were caused by personnel, while 2.4% and 0.6% of disputes were caused by retrenchment and layoffs. In year 2005, only 9.6% of the disputes were caused by personnel, and only 0.4% was caused by retrenchment. This is done to improve working conditions. In 2002, 21.4% of disputes were caused by industrial issues relating to the employees working condition and the welfare of the workers.

Indiscipline and Violence:

From the given table above on page 132, it is evident that the number of disputes caused by indiscipline has shown an increasing trend. In 2002, 29.9% of disputes were caused because of indiscipline, which rose to 36.9% in 2003. During the year 2003, indiscipline accounted for the highest percentage (36.9%) of the total time-loss of all disputes, followed by cause-groups wage and allowance and personnel with 20.4% and 11.2% respectively. Similarly in 2004 and 2005, 40.4% and 41.6% of disputes were caused due to indiscipline respectively.

Bonus has always been an important factor in industrial disputes. Almost 6.7% of the disputes were because of bonus in 2002 and 2003 as compared to 3.5% and 3.6% in 2004 and 2005 respectively. Leaves and working hours have not caused much industrial disputes. During 2002, only 0.5% of the disputes were caused by leave and working hours although this percentage increased to 1% in 2003. During 2004, only 0.4% of the disputes were caused by leaves and working hours.

Workers Welfare

Labour is a factor of production and without labour input there is no production and therefore no goods and services produced for trade. Labour is required for production. Even a computer is programmed by a worker. Workers can be grouped according to their skills, trade, education qualification or work experience.

Workers are human beings and they need decent safety clothes, decent housing with electricity and water supply. Transport pickups and drop offs and a good salary package to commensurate the amount and quality of work done. Where the above conditions are not available the workers can be rewarded with a good package to make the worker meet the cost of living especially the rentals.

General workers issues are managed by the Industrial Officers and are coordinated through the Human Resource Division. When the workers find that their conditions

are not properly met, they can go on strike through a union. The workers normally join a Workers Union to bargain collectively with an employer.

Workers Union

The Workers Union is a body of workers who can all stop work and go on strike when the condition of the working environment, safety standards, the salary rates are not favourable to reward the work done.

The Papua New Guinea Trade Union Congress covers Workers Unions and Associations representing some of the workers in Papua New Guinea, there are many more workers unions, associations around the country.

Some examples of the workers union in Papua New Guinea are:

- The Papua New Guinea Teachers Association,
- Public Employees Association,
- Police Association,
- Nursing Association,
- National Doctors Association,
- National Staff Associations,
- Porgera and Allied Workers Mining Workers Association.
- Maritime Workers Association,
- National Air Niugini Staff Association,
- National Bankers Association,
- Steel Industry Association.

When the members of the labour and union agree to go on for a strike over certain industrial issues, work will stop. This effects the production of goods and provision services.

When work stops, the employer produces less or none at all. Hence, it becomes very dangerous because the company can collapse and in the long run the owners, stakeholders and the employees all become losers and no one wins. To avoid such a situation, the industrial officers address the industrial issues for the work force.

In Papua New Guinea, we have a Labour Department which sets up the minimum urban and rural wages and the classification of workers.

In an event that an employer cheats, mistreats or terminates a worker, the Labor department represents the worker to go before a tribunal comprising District Court Magistrates to hear the grievances, and in most cases the worker returns to work with his grievances solved.



Activity 14:1 Read and do the following exercises

1. Explain the common industrial disputes at a work place.
-
-

2. What is the reward for labour?

3. Who deals with labour issues at the work place ?

4. Name five (5) examples of labour unions in the country?

Types of Unrests

The common types of unrests affecting production in Papua New Guinea and overseas are Civil Unrest, Social Unrest and Political Unrests.

Civil unrest

The people can fight each other or against The government. The issues of holding back Business Development Grant for the LNG Landowner by the government had nearly triggered a civil unrest. The non-payment of ex-soldiers pay had caused the ex-soldiers to storm the Morauta Haus in Port Moresby. These are examples of civil unrests in the country. The unpopular decision by the O'Neil Namah Government had caused the civil society to cause rampage in the city. The Police and the Defence Force and the Judiciary were all divided and nearly caused a civil interest in the country in 2012.



PNG GOVERNMENT

Social unrest

Because PNG is made up of ethnic groups, there has been fighting amongst people to the extent where other ethnic groups joined in and the fighting go out of hand.



Liquidified Natural Gas Pipeline, Hela Province

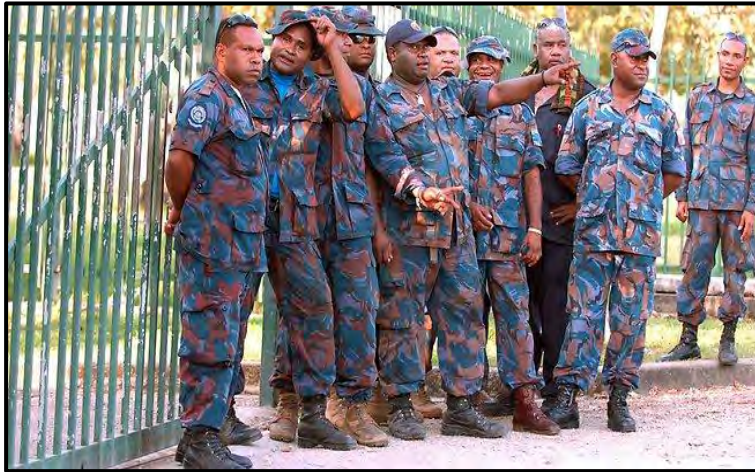
Such problems make workers feel unsafe to go to work and production can be disrupted. We are experiencing school fights and it becomes unsafe for parents to send their children to school resulting in them not performing well in examinations. We may have tensions with religious groups on the base of their Biblical faith like the Seventh Day Adventist (SDA) and the Catholic Church or any church for that matter.

Liquefied Natural Gas (LNG) projects in Southern Highlands might spark social unrest in the country due to unfair distribution of benefits to the local land owners.

The political impasses in 2012 had threatened social unrest in the country, however, the June 2012 general election had brought in many new leaders into parliament to calm the situation.

Political Unrest

Political unrest refers to disturbances caused by the conduct of some elected leaders of Parliament. Their actions become unconstitutional and cause some setbacks for the country by disturbing business and trade.



Police prevent people fighting in public places

People organise rallies and petition the government to correct them.

Most times the Police and the Defence Force are used by the executive government to enforce their decisions and disperse crowds. When the issues get out of hand, some factories, shops and businesses could lose business which will be disastrous for the country.

Industrial issues can also be related to the political maneuvering or interfering and changing of the Managing Directors of companies or any organization. This will result in an uprising and the public will be in chaos and confusion.

PNG is a country which is made up of many ethnic groups but fortunately problems have never gone out of hand to destabilize our industries.



Activity 14: 2: Read and do the following exercises

1. What is civil unrest?

2. In your own words explain social unrest

3. Give an example of a Political unrest in Papua New Guinea

4. Explain how an unrest affects production

Effects of Industrial Issues on Production.

When workers are not-satisfied with their employment conditions they will not effectively do their work. When there is a civil unrest, political impasse or a strike the workers will not attend to their usual work. This unrest can be short term or can be for weeks and months. When this happens, the organisations, in both private and public sector will miss the production of goods and services.



Social unrest leads to famine and hunger

The overall revenue of the producers can be affected and can collapse. The workers will also be affected because they will not receive their wages and salaries as it is their only source of income. Consequently the government will not collect taxes. The employees will miss out on employment opportunities and the shareholders lose their investment.

People will be scavenging for basic humanitarian needs after their employer business fails due to social unrest.



Activity 14:3: Read and do the following exercises

1. What will happen to workers who are not satisfied with their employment conditions?

2. Explain what is likely to happen with production when there is a period of civil, social or political unrest in a country?

3. Explain, how the Government, the industries and the workers will be affected in a period of unrest.

Incorporated Landowner Group (ILG)

Many people claim to be land and resource owners and have stolen money belonging to the genuine landowners. They do this without the Incorporated Landowner Group (ILG) providing evidence of the true land and resource owners. In Papua New Guinea the land and resources belong to the people. Landowner groups and associations have been set up to speak up for the rights of the resource owners.

Department of Labour & Industrial Relations.

The Department of Labour has the fixed standards to measure the level of treatment given to the workers by their employers. Any unfair treatment and grievance of workers are brought to the attention of the department to evaluate and resolve the problem. The Secretary for Labour and Industrial Relations writes letters to the employers concerned to correct their decisions to avoid industrial unrest and disputes in order to avoid production losses of goods and services.

Trade Union Congress

The Trade Union offers its members support. It listens to the grievances of the union members and tries to use the trade union to stop work if the grievance of the union are not settled. The Trade Union is the big body of associations and the employers try to have a good work relationship with this union to avoid mass stop over from work.

Workers Union

The workers become members of a union or an association to protect their interest against maltreatment and exploitation by their employers.



Activity 14: 4: Read and do the following exercises

1. Which organisation deals with workers industrial disputes?

2. What organisation deals with International Workers issues?

3. Name the largest workers union or association in the country

Summary:



You have come to the end of Lesson 14. You have learnt that Industrial disputes are classified as economic and non-economic causes.

- The economic causes include issues like wages, bonus, allowances, work conditions, working hours, paid leave, holidays without pay, unjust layoffs and retrenchments.
- The non-economic causes include victimization of workers (workers suffer innocently), ill treatment by staff members, sympathetic strikes, political interruptions and indiscipline conducts etc.
- Workers need safety clothing, good housing with electricity and water supply, transport pickups and drop offs, and a good salary package to commensurate the quality and the quantity of their output.
- Workers are classified according to their skills, trade, educational qualification and work experience.
- The Industrial Officer in the Human Resource Division manages and coordinates worker issues in an organization.
- In an event that an employer cheats a worker or for no good reason terminates his employment, the Labour Department will represent the worker before a tribunal headed by a District Court Magistrate to hear the grievance. In most cases the worker will return to work with his grievances solved.
- When work stops, the employer produces less or none at all. Hence, the company can collapse and in the long run, the stakeholders and the employees all become the losers. To avoid unpleasant result, the industrial officers must address the industrial issues faced by members of the work force.
- Many people claim to be land and resource owners who have stolen money belonging to the genuine landowner or the Indigenous Landowner Groups.
- The Department of Labour and Employment has fixed standards to measure the level of treatment given to the workers by their employers. Any unfair treatment and grievance of workers are brought to the attention of the labour department to arbitrate and resolve the problem.

NOW DO PRACTICE EXERCISE 14 ON THE NEXT PAGE ON THE PAGES 174-176

**Practice Exercise 14**

1. Name two (2) mining companies in the country.

2. Names two (2) agricultural industries in the country

3. Explain the importance of workers in a production industry.

4. What is the reward for labour?

5. Name the main employment conditions required by a worker?

6. What happens to the industry when workers are upset over their working conditions and go on strike?

7. Explain how the Department of Labour addresses labour disputes

8. Name the three main types of unrests affecting production in Papua New Guinea and other countries.

9. Give the main reason for labour unions taking strike actions against their employers as the best option.

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

Lesson 15: Unethical Practices



Introduction:

Welcome to Lesson 15. The focus of this lesson will be on Unethical Practices affecting production. We all should know by now that the success of a nation depends on its production capacity that is how well it is able to increase its level of production. In your previous lesson on Issues affecting production, you covered Industrial Issues that affect the level of production in a country. We will go a step further to look at another issue that affects the level of production. In



Your Aims:

- Define unethical practices and state their causes
- Identify types of unethical practices affecting production
- Discuss the effects of unethical practices on production
- Identify organisations involved in addressing unethical practices

What are Unethical Practices?

First of all, let us define ethical (which is the opposite of unethical). Ethical refers to the manner or behavior of a person or a group of people whether is polite and accepted by people or the community around them. For example, teachers teaching in the remote areas of Papua New Guinea are committed in their work and are polite to their students by helping them to complete their school work.

Unethical Practices can now be defined as the manner in which the behavior of people or the community is unacceptable because it is wrong, bad or corrupt. Unethical practices can cause a reduction or decrease in the level of production. Let us now look at a newspaper article from „The National“ to show us a clear meaning of unethical practices.

Engans want PM, Namah to quit

Prime Minister Peter O'Neil and his deputy Belden Namah have been asked to step down because of the current constitutional crisis facing the country. The call was part of a petition presented last Friday to government authorities by about 500 people from the Tsak valley in Wapenamanda, Enga Province. They walked about 10km to present the petition to the sub-district manager, Iso Lovely, who received it on behalf of the government.

The group was led by Tsak local level government councillors Nathan Iso and Mossen Lai and included women and children. Their bodies were painted in white clay. Nathan said the seven Pembe tribe council wards met last Sunday to express their concern over how the government had been treating Chief Justice Sir Salamo Injia. Apart from calling O'Neil and Namah to step down, they also demanded that the government:

- Immediately repeal the judicial conduct law;
- Rescind the decision to defer the general elections by six months; and
- Reinstate Sir Salamo and Justice Nicolas Kirrowom to their substantive positions

“Continue from above”

The petitioners are giving the government 14 days to respond to their demands. “If the government fails to give us favorable answers, we have plans for the next course of action.”

Nathan said every person including O’Neil, Namah and the judges were subject to the rule of the law. But the government had been unrelenting in its treatment of Sir Salamo.

The National – Tuesday April 17, 2012.

From the article above, we can now see that unethical practices can take place at any level. In this case, it is taking place within the government and a concern is raised by an ethical group in Enga. This ethical group is against the government because it believes that the government has created a constitutional crisis.



Activity 15.1: Refer to the article (above) in the lesson to answer the following questions.

1. Which ethical group is against the government?

2. Who are the leaders behind this ethical group?

3. Why is this ethical group against the government?

4. O’Neil and Namah have been asked to step down from their positions in the Government. What are their positional titles in the Parliament House?

Types of Unethical Practices

Political Corruption

Before we look at the word political corruption, let us first of all define corruption. Corruption is a word that describes a person who is placed in a position of authority and misuses his authority by doing things that are not right. Political Corruption can be defined it as people in the government who are seen as having power over the nation make decisions in their own interest, or to benefit themselves.

Let us look at a newspaper article for a better understanding of the phase political corruption.

(1)

Union Leader blames politicians for police stand- off

The rot in the police force created by politicians led to the assault on a group of officers by their colleagues from another unit, a trade union leader has claimed.

Trade union congress general secretary John Paska blamed politicians with vested interests and “big cash” for splitting the police force on the eve of the general election. Paska raised his concern as the government and the police hierarchy tried yesterday to defuse the tension among the police officers from the National Capital District and the unit deployed from the highlands to help monitor law and order in the capital city. A group of NCD officers were assaulted by their colleagues from the highlands around noon on Monday at Gordon. They were later dumped at the Boroko police station. At least five were spotted having injuries yesterday from the incident. Money and personal belongings were taken from them. The injured officers had sent a petition to police commissioner Tom Kulunga demanding among other things, that:

- An immediate investigation be carried out on the assault and the officers involved be disciplined;
- The officers from the highlands be immediately sent back to their stations; and
- A satisfactory resolution be found to avoid a stand-off between the two groups

Paska said that it was apparent that police from Mt.Hagen, Western Highlands province, brought into Port Moresby, were not brought to safeguard the citizens but to serve political purposes. He said the congress strongly condemned the violence that took place and saw the assault of the police as a violation of their civil liberty to work in a safe working place. He said it was completely unacceptable, inexcusable and intolerable to see the police fight each other when their line of duty required them to protect each one another. “Every policeman and every policewoman should support each other,” he said. “Politicians will come and go. They use the police and dump them without caring for their welfare.” Paska said that the in-fight had left many households and investors at risk. The group of NCD officers gave their 16 point petition to Metropolitan Commander Superintendent. Peter Guinness in the absence of Kulunga. Also present were NCD/Central Assistant Commissioner Francis Tokura and CID Chief Mark Yangen. A spokesman from the angry officers said: “There are no renegade policemen in NCD. And those deployed here, whose command have they taken to do such brutality among their own comrades?” He said they should be sent back to their respective provinces and a full investigation be carried out to bring them to justice as soon as possible. “We will not be deployed to other parts of the regions during the election period if those involved are not brought to justice and sent back to where they came from,” the spokesman said in front of his superior officers. Police Minister John Boito assured parliament yesterday that he would present a Ministerial statement on the incident involving NCD police and the highlands-based policemen in the city. He had instructed the police hierarchy, including the

Metropolitan Commander, to talk to the two factions of police and resolve the matter. Kulunga told a press conference in Konedobu that he could not comment on the incident because it was under investigation. Supt. Andy Bawa tried to defuse the tension yesterday and told the angry officers to return to the barracks at Gordon.

The National–Wednesday April 18, 2012

(2)

Bribery

The offering of money or other incentives, which are given to you to encourage and persuade you to do something, that is especially illegal or dishonest. For example, if you are lazy and you give your assignment to your brother who is a student at the University and tell him that if he completes your work you will pay him K20 from the sale of betel nut (buai). What you are actually doing is using bribery because the homework is yours to complete and you give it to someone else to do it. You are not doing an honest work based on your own knowledge.

(3)

Nepotism

Nepotism can be defined as favouring one person over another person. Nepotism in Papua New Guinea is well known as Wantok system. For example, if Mr.Kange is the Human Resource Manager, and recruits or employs two of his cousins who are grade 6 school leavers then, he is practising out Nepotism or Wantok System.

If we have similar unethical practices taking place in our country, this will cause a reduction in the productivity level. By this, we mean that if people are not well qualified for a certain job and are only working there because of someone they know then, we really cannot achieve anything positive at the end of the day. Most businesses want to be successful at the end of the day and it goes back to the type of people we allow to work for that business. Political corruption, Bribery and Nepotism will destroy the well-being of a nation



Activity 15. 2: Look at the following situations and state whether it is an example of Bribery or Nepotism.

- a. Mary does not want to do her laundry so she buys betel nut for her aunty to chew and wash her clothes._____.
- b. Jonathan is a soccer player but is travelling to Madang for the singing festival because his best friend's uncle is in charge of the singing festival. This results in one of the participants missing out on travelling to Madang because Jonathan has used the person's ticket. _____.
- c. Louise has completed grade 6 and is working with the Prime Minister's Department and is paid K700 like a University graduate. Her uncle is the Human Resource Manager. _____.
- d. The people of YXO clan were paid K500 and given two (2) rice bags and two (2) flour bags each in order to vote for their local member _____.

For the next set of questions refer to the article in the lesson on "Union leader blames politician for police stand-off."

- e. Identify from the article names of the following people. Note: do not leave a space between the first name and the surname. The first one has been done as an example.

Police Minister	J	o	h	n	B	o	i	t	o										
	1	2	3	4	5	6	7	8	9	10									
CID Chief	1	2	3	4	5	6	7	8	9	10									
Police Commissioner	1	2	3	4	5	6	7	8	9	10									
Metropolitan Commander Superintendent.	1	2	3	4	5	6	7	8	9	10	11	12							
NCD/Central Assistant Commissioner	1	2	3	4	5	6	7	8	9	10	11	12	13						

- f. According to the article, the injured officers sent a petition to the Police Commissioner stating their concerns, regarding the incident. Identify one (1) concern raised in the petition and write it below.

- g. "Politicians will come and go. They use the police and dump them without caring for their welfare. What do you think Mr. Paska meant by this statement?"

- i. When did this event take place? Indicate the time, date and place.

Organization involved in addressing Unethical Practices

Ombudsman Commission

The Ombudsman Commission in Papua New Guinea was set up to be a watchdog. This means, it is responsible for investigating or finding out problems that arise in different organizations and tries to solve them in a just and fair manner. It receives complaints from the public against a certain company or organisation that maybe involved in illegal activities or unacceptable behaviours.

Courts – Law and Justice Department

The Law and Justice Department deals with rules recognised by the public and are enforced by the Courts. It tries to make sure that people are treated in a fair and reasonable manner. Furthermore, it tries to convey the true status of individuals or organizations that are taken to court. So if the person or individual is guilty he can face the law.

Police Force

The Police Force is an organisation set up to maintain the law and order in a country. The police force is given authority by the government to maintain public order and to solve and prevent or stop any crime from taking place. For example, if there is fighting going on in the streets, the police will be asked to go in and stop the fight.

Summary:



You have come to the end of this lesson. Let us recap the things you have learnt. In this lesson you learnt that:

- **Unethical Practices** are actions that are aimed at taking advantage of another person, people or the community without their knowledge and permission and are unacceptable, wrong, bad or corrupt. Unethical practices can cause a reduction or decrease in the level of production.
- The three (3) main types of Unethical Practices are:
 - **Political Corruption** - people in the government having power over the nation, making decisions in their own interest, or to benefit themselves.
 - **Bribery** - The offering of money or other incentives, which are things given to you to encourage and persuade you to do something, that is especially illegal or dishonest.
 - **Nepotism** - someone showing favouritism to another person because that person could be related to him or her as a relative or a friend.
- Organizations involved in addressing Unethical practices are: The Ombudsman Commission, and the Police Force are some of these organisations. There can also be others.

Most businesses and countries want to be successful at the end of the day and it goes back to the type of people we allow to work in our businesses. Political corruption, bribery and nepotism will destroy the well-being of a nation. It cannot continue to grow successfully while are also others these issues are active.

NOW DO PRACTICE EXERCISE 15 ON THE NEXT PAGE



Practice Exercise 15

Match the following situations to the different organisations involved in unethical practices, bearing in mind with these are organisations that help to solve problems that arise in the community.

1. A local store in town has been robbed; both cash and goods have been taken from the shop. Who steps in to solve this problem? _____.
2. K3 million has gone missing in the local FTX Bank in town, The Managing Director is reported to be in Australia spending holiday there with his family. Who will investigate the matter? _____.
3. A husband and wife want to be separated because they fight all the time. They want to split all their belongings equally including their two children. Who should they see to address their marital problem? _____.
4. There is continuous fighting between School A and School B. This afternoon School A plans to murder a student from School B. Who should step in to address this conflict or fight between the two schools? _____.

For Questions 5 and 6 refer to Bribery and Nepotism articles. In your personal experience or from what you might have heard from another person. Explain in your own words what Bribery and Nepotism mean to you. Note: your answers should be similar to the sample answers provided.

5. Bribery

6. Nepotism

CHECK YOUR ANSWERS AT THE END OF THE TOPIC 4 ON THE PAGES 174-176
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Lesson 16: Social Issues



Introduction:

Welcome to Lesson 16, where the focus of the lesson will be on Social Issues affecting production. We all know by now that the success of a nation depends on its production capacity that is how well it is able to increase its level of production. In your previous lesson on Issues affecting Production, you looked at Unethical practices and how it affects the level of production in a country or nation. Today we will look at yet another issue that contributes to the problem of production. In this lesson we will first



Your Aims:

- Define social issues and state their causes
- Identify types of social issues affecting production
- Discuss effects of social issues on production.
- Identify organisations involved in addressing social issues

What are Social Issues?

Social issues are situations or activities that affect people living in a particular society positively or negatively. They will have a good and bad impact on this group of people.

Social issues are closely related to unethical practices because they relate to problems that affect us in the society we live in today. These are also problems that affect the way we do things in the society. For instance, crime in the city is a social issue, because it involves people living within the same community who steal or cause discomfort to others in the community.

For example, a young girl coming home from school is bashed up by a group of boys and they steal her bag of books. Other types of social i marital problems, tribal fights, rural-urban migrator , starvation or malnutrition, teenage pregnancy, school fights, and we can go on listing the social issues that affect our daily lives.



Children suffering from malnutrition

Types of Social Issues

There are so many different social issues affecting each and every one of us. However, we will be explaining the following types of social issues.

Unemployment

Unemployment is a serious problem in our society today, because it affects many people. You can find yourself unemployed, if you do not fully make use of the knowledge you are receiving from FODE. If you fail to complete the courses at FODE for whatever reasons, you will add to unemployment in our country. Unemployment is also the result of lack of education because of finance or money needed to pay for school fees. The type of job we want to do in the future can

create unemployment, because of the necessary skills requirement and knowledge needed for that particular job. The government has the responsibility of creating employment for the people. One way in which the government can help in by making money available through banks for people to borrow as loan and start their own businesses.

Crime

The word crime can be defined as an activity that is illegal or not allowed by the leaders of the community. Crimes take place without permission or authorization from anyone. People who are involved in crimes do so knowingly. Most people commit crime to survive or live. Crimes include activities such as: stealing money, phones, bags, watches, clothes and any other items considered to be valuable.

Rural-urban Migration

The word rural means places or areas located in a remote part of places. Rural means have less access to the benefits of city life like: power, water, variety of shops, education/schools, and so on. Urban is the exact opposite to rural. In an urban centre like Port Moresby, everything is provided conveniently.

The word migration means to move from one place to another. Altogether, Rural-urban migration means that people are moving from the rural areas into the urban centres. Now, what could be causing this movement? Some people move to the city for the right reason and make use of the opportunity.

For example, you might want to move to the city so that it is easy for you to deliver your lesson on time and pick new lessons. Other people move for the wrong reasons. For instance, some people think that coming to the city was some fun. That is wrong; you might end up doing work that is not legal or right, like selling drugs-marijuana or even getting involved in prostitution. This will create a lot of social problems for the family you are living with and the community as well.

Tribal Fights

Before, we look at the complete word "Tribal Fights." let us first of all define tribe. What is a tribe? A tribe refers to a group a people who belong to a group with similar beliefs, customs, leadership or who simply come from the same ancestors. When we look at tribal fight, we can say that two different tribes of people who cannot tolerate each other's behavior, end up fighting.

Let us read an article below about a tribal fight that occurred outside of Port Moresby at 9- mile. This article below is taken from "The National" newspaper.

Vendors want 9-Mile market opened

By GRACE AUKA

VENDORS are anxious to know when the 9-Mile market outside Port Moresby will be re-opened. The market was closed last August after an ethnic clash between people from Chimbu and Tari. It resulted in the death of business manager John Siune Kaupa from Chimbu. Jack Waso, the chairman of the 9-Mile peace and good order committee said it was taking too long to re- open the market. The closure has affected the sale of garden produce, cooked food and



Activity 16.1: Refer to the article in the lesson to answer the following questions.

1. Who are vendors?

2. Who are the two ethnic groups involved in this tribal fight?

3. Which groups of people are affected by the fight?

4. Apart of the fighting between the ethnic groups, what else resulted from the fight?

5. Complete the table below by writing five (5) examples of problems related to types of social issues.

Crime	Unemployment	Rural –urban Migration
e.g Stealing	Prostitution	Unplanned Pregnancy

1.	1.	1.
2.	2.	2.
3.	3.	3.
4.	4.	4.
5.	5.	5.

Summary:



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

- **Social issues** are closely related to Unethical practices because they relate to problems that affect us in the society we live in today.
 - There are so many social issues affecting us in our country. However the main ones are unemployment, crime, rural –urban migration and tribal fights.
 - **Unemployment** is the state of not having any job available for you to do in order to be paid amount of money. To be unemployed means that you are a burden to the people you are living with because you are just another mouth to feed and they may not have enough money to buy food to feed everyone.
 - **Crimes** are activities done to benefit one group of people when they have things done their way while the other group is being disadvantaged and suffers.
 - **Rural-urban Migration** means to move from the rural areas to towns. This movement can create the opportunity for the person who moves for the right reasons while for others it only creates problems like employment, criminal activities and so on.
 - **Tribal Fights** are the result of two different groups of people who cannot accept each other's behaviour. When this happens we experience ethnic clashes.
-

NOW DO PRACTICE EXERCISE 16 ON THE NEXT PAGE



Practice Exercise 16

1. Define the following terms:

(a) Crime

(b) Unemployment

(c) Rural-urban Migration

(d) Tribal fights

(e) Select one of the social issues and write a personal experience about.

**CHECK YOUR ANSWERS AT THE END OF THE TOPIC 4
ON THE PAGES 174-176**

Lesson 17: Health Issues



Introduction:

Welcome to lesson 17. You have learnt about social issues in your last lesson. Also you have seen how they prevent production of goods and services, how customers suffer and the consequences and the general effects on the population. In this



Your Aims:

- Define health and health issues
 - Explain the importance of a healthy population
 - Identify types of health issues affecting production
 - Discuss effects of health issues on production
 - Identify organisations involved in addressing health issues
-

What is Health?

The World Health Organization (WHO) and International Labour Organisation (ILO) define health as a state of complete physical, mental and social wellbeing. In order to be in complete good health it becomes necessary to consider a wide range of issues such as the distribution of resources between and within households, environmental problems such as pollution, occupational health and cultural beliefs.

What are Issues?

Issues are things of concern that need to be addressed or attended to. When it is connected to health then it is to do with one's well – being.

Health Issue is the general physical condition of the body or mind especially in relation to the presence of illness, injuries or damage.

Health Issues

In most developing countries like Papua New Guinea the life expectancy is sometimes less than 50 years. Many people will die from treatable diseases that can be easily cured and prevented in developed countries of the world. Poverty increases the likelihood of poor health. A nutritious diet which contains a balance of all food groups is vital to keep a healthy life. A healthy person can work much harder and for longer hours than an average unhealthy person.

Labor is a factor of production like land, enterprise and capital. A healthy workforce could have a bigger output than a sick workforce who could produce less output.

The increase in production will at the same time increase the revenue for the firm but a reduction in production due to unhealthy or sick labour force. An unhealthy or sick labour force will slow down the growth of an economy.

When you look at the production scale of a country, its economy will prosper, if her population is healthy and will shrink if her population is affected by disease outbreaks, hunger, poverty and other social problems. A healthy workforce is therefore the key to social and economic development in a country.

BAHA, an HIV & AIDS Extension Service program reaches out to workers at the work place especially those that work in private companies. The threats from HIV / AIDS and malnutrition can reduce the working capacity of the labour force. Therefore health and health issues in the production of goods and services in the country are important. A worker expects a good pay, work environment and a better living condition. These conditions are specified in the Labour and Employment Act. The Workers Unions also have their awards to guide their terms of employment condition to benefit from their employers.



World Health Organisation Emblem

The World Health Organisation requires all employers to provide a safe and healthy working environment for its employees.

The International Labour and Health Organization care and provide safety rules for workers at the work place are classified into the following: Construction workers health and safety standards, Light and heavy construction work like building wharves, factories, bridges, needs a high level of safety standards, safety clothes and safe environment to avoid workers getting injuries.

1. Environment Health and Safety Work related to mining, factory, and logging



Workers at the Steel Industry



The LNG Gas & Oil Pipeline - Hela Province

2. Industrial Hygiene Work related to factories.



A Warning Sign of High Voltage Power Distribution Site - OK Tedi Gold and Copper Mine.

The occupational safety standard becomes important at the factory and mine sites. Workers must put on safety clothes to protect themselves from being injured in places which uses high voltage of power, noise and heat.

3. Safety and industrial engineering work related to factory.



Safety Clothes for workers who are doing Laboratory Test

4. Infection control
Health worker trainer, who provides health and safety awareness campaign at the Porgera Camp Site, teaching workers about infection control.



Training is important

5. Mine safety
The environment was seriously damaged at the Ok Tedi Mine. The waste could sweep into new forest area and affect the living creatures



Open cut mine

6. Process safety management at Lihir Gold Mine

The safety standards and equipment testing apparatus are built to ensure that mineral drilling and rock blasting are done without injuring the workers.

7. Psychology and public health

Labor exploitation (cheap use of labour to do hard work) and child labour are not allowed by the International Labour Organization. There are three reasons why work place safety and health is a concern:



Chemical testing & data processing center - Porgera Gold Mine.

They are for the:

1. physical, mental and social well-being of all workers in an occupation
2. workers to be protected in their employment from the risks resulting from adverse health causes.
3. workers to be placed in an occupational environment adapted to suit their body and mental capabilities



Activity 17: 1: Read and do the following exercises

1. Define the word health

2. In a sentence or two explain how poverty contributes to poor health?



Breast feeding mother

Healthy Population

The connection between a healthy population and economic development is to ensure that all basic needs including health are met.

Economic development affects health and health affects economic development. For example, the chances of disease and malnutrition increasing in agricultural systems are under stress already from population growth and poor soil fertility which is very high.

Women have to work harder to keep the food gardens that are under stress. Increasing workloads can harm women who are often already in poor health.

Improvements in health contribute to development and increase the care and productivity of workers. Many resources are used to treat people who are in poor health. Upgrading in health allows resources that would have been spent treating illness to be used for other types of economic development. Improved health may also create access to natural resources that could not previously be used because of disease.

Upgrading facilities in health centres and clinics will enable children to have a chance to enrol in school. Healthy children are most likely to attend school regularly and are often better able to learn while at school.

Women's health has a particularly important role in economic development. Where a woman is malnourished, her productivity level will fall and her ability to produce and earn money to buy food for the family will also decrease. The health status of the woman and her family will further decrease.

The International Labour Organization, World Health Organization, Labour and Industrial Relations Department and the Workers Unions are organizations meant to protect and serve the interest of all workers in order to have a safe and healthy work force in the country. For firms that use labour to deliver goods or service they should see the human labour as an important factor of production and not to exploit and take it for granted.

People in this photo are wearing safety clothes which include helmets and safety boots. When the workforce is managed well, they contribute meaningfully towards the production in the work place.

Other common needs of labour apart from the safety and health needs are:

- wages /salaries.
- allowances,
- leave entitlements
- pension
- recreational leave fares
- shelter (accommodation)
- retrenchment /retirement benefits



Porgera Mine Ware House Staff

Jobs are classified according to trades, educational qualifications, nature of work , locations and work experiences. Hence, highly skilled workers are paid higher than the ordinary workers. Accordingly working in a risky work environment can earn a

higher wage than those working in a less risky environment. A person's labour is rewarded with a pay and this is determined by his level of skills, educational qualification, work experiences and the nature of work.

The common needs and wants in an urban settings are; accommodation, water, electricity, food, transport, lunch, school fees, medical bills, and clothing. Where the prices of goods and services rise and the reward for work or pay is still the same, the worker will face difficulty paying for family essentials. The welfare of the family will drop resulting in a weak and poor society.

The work of Trade Unions is to advise the employers and the government on issues that can be resolved to safe guard the welfare of the workers. The health issues are most likely to creep into a home, if the employee is not able to afford the daily needs of his or her family. The hungry children will not be able to learn well in the school. The girls will get in to illegal activities for money. There will be an increase in social, law and order problems in the homes, towns and cities.

To have a safe work force in a country, its citizens must be protected by the Labour Department, the Labour Rights and World Health Organization. When the economy of a country falls, bigger companies shrink and as a result reduce the work force and displace the worker from good and healthy living homes to poverty. The aim of businesses is to make profit for their shareholders. These companies are hesitant to spend more money on labour, safety, health benefits as these will reduce their profit margin. The companies will use labor cheaply as much as possible to make huge profits. They will also try to reduce spending and this includes the cost of labour. The company will not want to spend money on safety and health care on its own accord, so it needs the Labour Department, the Trade Union and the International Labour Organisation and World Health Organization to enforce and safe guard the human labour rights.



Activity 17: 2: Read and answer the following Questions

1. How could a country benefit from its health programmes

2. Explain how an unhealthy population could reduce production?

AIDS

Since the early 1980s, a new disease known as HIV and AIDS has had terrible social and economic effects on production.

The AIDS epidemic through its effects on savings and productivity and the age structure of population has reduced rates of economic growth in many developing and poor countries.

The world believes that AIDS will slow down the rate of growth of income per capita by an average of 0.6 % per year in the ten worst affected countries. The economic impacts of AIDS comes partly from high costs of treatment, which diverts resources from other productive users. This leads to 25 % reduction in the rate at which new people become HIV-positive. HIV /AIDS has affected many adults in their productive years. Many of these people are highly skilled. For example, HIV positive persons will have spent sixteen or more years in education. The loss of production and cost of replacing them will be in thousands of kina. The death of an adult from AIDS often tips vulnerable household into poverty.

In 1980, the household of parents and seven children planted a variety of crops and employed two laborers. By 1989, both parents and the three children had died, fewer crops were grown and the two youngest children (aged 12 and 14 years) had to work part-time for other households. Public pressure also played an important role in reducing the rate of death from the disease. Trade Unions which were first formed in the 1899's fought for higher wages and better working conditions.

The high death rates from infectious diseases had put pressure on Government to pass a public health Act in 1848. By 1870's laws covering activities such as water supply, housing, sewerage disposal significantly improved people's health. Primary Health Care tries to strengthen linkages between health and other sectors such as agriculture, housing and employment.

Health Priorities for the Future

The rate of infections from diseases could be reduced. It continues to be a common problem in urban areas, despite improved access to more nutritious foods, health care, housing, sanitation, water supply etc. often health care still needs to be improved.

The National AIDS Advisory Committee was established in PNG in 1987. The National Aids Council oversees all HIV/Aids activities under the Health Department. It is important that education about HIV and AIDS continues and efforts are made to treat people who have the disease. Programs are to expand to provide counseling or practical help to people affected by HIV.

Other bodies set up by Non-Government Organizations and churches and individuals are playing their part by educating, advising and helping victims as well as others. Business Against HIV & AIDS (BAHA) has set up the private sector work on a toll free line in Papua New Guinea to assist. Examples of other organization includes; Poro Support Hope World Wide , World Vision, Anglicare and Salvation Army Red Shield. There are also other mental illness and social issues like;

- work related stress, whose casual factors include excessive working time and overwork.
- violence from outside the organization.
- bullying, which may include emotional and verbal abuse
- sexual harassment
- mobbing (organized crime)
- burnout

- exposure to unhealthy elements during meetings with business association, eg tobacco, uncontrolled alcohol.

Future developments

Occupational health and safety now has an impact on every worker, in every work place, and those charged with managing health and safety are having more and more tasks added to their portfolio. The most important responsibility is environmental protection. The skills required to manage occupational health and safety are in line with environmental protection standards. This is why these responsibilities are so often attached to the workplace health and safety professional. On an international scale, the World Health Organization (WHO) and the International Labour Organization (ILO) have begun focusing attention on the working environments in developing nations with projects such as Healthy Cities and Healthy Island Concept projects. Focus is well-placed, as many developing countries are caught in a trap.

Malnutrition

Hunger and poor nutrition, directly or as an underlying cause for the fatal diseases. This causes 36 million deaths per year accounting for more than 1 death each second on the average. A child under five dies every 5 seconds on average as a direct or indirect result of poor nutrition. This is 6 million children per year, more than half of all child deaths. Besides malnutrition these deaths are also caused by; HIV/AIDS, diarrhea, lower respiratory infection, childhood diseases, lung cancer, car accident, and tuberculosis. A work force which is affected by health issues relating to HIV/AIDS, STI's, poor nutrition, life style diseases and mental illnesses will seriously contribute to a decline in the production. Sick people can never work hard because they have weak bodies and they will die if they work hard.



Activity 17:3: Read and do the following exercises

1. What is the reward for work?

2. Explain the effects of HIV /AIDS in production

Summary:

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

- Health is a state of complete physical, mental and social well-being.
- To achieve good health, it is necessary to consider the distribution of resources between households, to address environmental problems, such as pollution, occupancy health & safety standards and the cultural beliefs in a society.
- The World Health Organisation and International Labour Organisation have health care and safety rules for workers at the work place.
- The health and safety issues can be classified into environmental, mine construction, industrial hygiene and management processes.
- Other common needs of labour apart from the safety and health are: wages, or salaries, allowances, leave entitlements, pension and retirement benefits.
- Labour is classified according to its skills, educational qualification, work experiences and the nature of work.
- Trade unions, and labour organisations are formed by workers to collectively fight for pay increases and good working conditions.
- The common health issues affecting production are: HIV/AIDS, STIs, malnutrition, life style diseases, and mental illness.
- Social issues also include; work related stress, excessive working hours, overtime, violence from outside the organization, bullying and verbal abuse, sexual harassment, mobbing and burnt out, exposure to unhealthy elements like drugs, meetings with business associates, tobacco and uncontrolled alcohol consumption

NOW DO PRACTICE EXERCISE 17 ON THE NEXT PAGE



Practice Exercise 17

1. Explain how good health affects production?

2. What causes malnutrition?

3. Describe Occupational Health

4. What measures the work of a worker?

5. List the main causes of death in the life of a productive person

6. What is child labour?

**NOW CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 4
ON THE PAGES 174-176**

Lesson 18: Disaster



Introduction

Welcome to Lesson 18, it is about disaster. In your last lesson you learnt about the health issues which affect production. In this lesson you will learn about all the different types of disasters that affect production.



Your Aims:

- Define disaster
 - Identify the category of disasters affecting production
 - Discuss the effects of disasters on production
 - Identify the organisations involved in addressing disasters
-

What is disaster?

Disaster is any event that happens which disturbs the normal lives of people. Disaster in other words means a problem created which affects the lives of people. It can be categorised into two groups: Natural Disaster and Man – Made Disaster

Natural Disaster

People, communities, provinces or even a country faces Natural Disaster which affects so many lives and properties. When a natural disaster occurs many people are killed, left homeless or with severe shortages of basic human needs. Such disaster can be small or big but it affects businesses too. In this unit, we will consider how a natural disaster affects production.

Landslides, droughts, floods, tsunami, earthquake, volcanic eruption, cyclone and other natural disasters are sometimes very destructive. They destroy food gardens, commercial crops, and business houses and injure or kill people. Major highways that link to centres where mining companies operate are cut off due to such disasters. When these happen, companies make great losses in their businesses. The prices of products in those areas increase because no new supply will get through.

Commercial crops like coffee, tea, rubber and commercial animals like cattle, sheep, chicken and others are also affected. When all these are affected, the country does not export its normal amount and we find that our country's income can be greatly affected. The flow of money in the country will decrease due to less export so the whole population suffers with the shortage of items or increase in the prices of goods and services. The government has set up the Disaster Committee to assist when a natural disaster occurs.



Activity 18.1: Read and answer the following question.

(1) Name the major natural disaster that occurred in the following provinces.

(a) West Sepik Province _____

(b) Chimbu Province _____

- (c) Southern Highlands Province _____
- (d) Eastern Highlands Province _____
- (e) East New Britain Province _____
-

A natural disaster is caused by the weather pattern and it's not planned or forecasted. However, there are disasters that are created by people that also affect production. We will consider this next.

Man-Made Disasters

Law and Order

Production can also be affected by law and order problems such as; stealing, break and enter, armed hold-up or tribal fights. These are rated as crimes that cause problems for businesses. When there is a crime or law and order problem people are frightened to do business. When this happens the country becomes poor like some developing countries.

In our country we have major ethnic fights that destroy businesses or kill potential business people, and result in loss of properties. These lead to major cash flow issues in the country. When the educated and skilled workmen and women who hold key positions of management in the provision of goods and services fear for their lives, they do not perform their daily tasks and duties. Furthermore, there won't any money to start - up businesses because all the sources of finance have been destroyed.

Health Problems

Poor living conditions, no basic health services and the spread of HIV-AIDS and other deadly diseases can destroy our population and make productive people sick and weak.

This is a man-made disaster that leads to losing our potential working people. People choose whom they associate with, how they live, what kinds of food they eat, where and whom they sleep with, and many more lifestyles that people will not be healthy and our country will have problems in production by losing our workforce. HIV and AIDS is a clear example of a man - made disaster because it is a person to person disease which is claiming lives daily in our communities and will continue to do so.

Most of the mature and able men and women will become victims and be unproductive so will be liabilities to their families and the country. Although, the Government has set up an HIV/AIDS Committee to do an awareness on HIV-AIDS, people are still not careful which will lead to disaster in our country.

Unemployment

The country has more school leavers who are never employed. These people do not have the resources to venture into business. That means the majority of our people are poor. Poverty is a major contributor to problems like law and order. Most people in this group turn to crime for survival and it affects the country.

Most families in PNG survive from food crops. People living in urban areas live on money. If no one from an urban family is working then it's a problem so they turn to

crime for survival. Though more companies are operating, some of our population who are uneducated may find employment in semi-skill or no skill jobs.

Pollution

The other major health issue is pollution. People throw rubbish around and it's very unhygienic to see papers and plastics lying all over the place. Some families have no water connected to their house with no proper toilet which leads to pollution. This really affects production because pollution and poor hygiene leads to sickness. Sick people are not fit to work to produce so we are losing on income generating activities.



Activity 18.2: Read and answer the following question

(1) If there is a tribal fight in the Western Highland Province, how will it affect someone in a clan doing his or her business?

Others

There are many other man-made disasters which affects production. Although these are minor problems it affects the whole business network. Problems such as: drinking, marriage break up, social disorder, drug abuse, bribery at the workplace, political unrest and many more bring disharmony in the community .

Production brings in benefit to the family, community and the country. The government will develop the country using money generated by businesses taxes.

Any good country that has a very good business framework, happy people and healthy work force will become poor, when there are lots of natural and man-made disasters. This is because they affect the countrys' businesses especially in the production of goods and provision of services.

Therefore the Government of Papua New Guinea has set up different bodies to look after such disasters so that Papua New Guinea can prosper in areas such as:

- | | |
|-------------------------|----------------------------|
| - Health facilities | - Court System |
| - Police Department | - Rehabilitation Centres |
| - Climate Change Office | - Family Welfare |
| - Disaster office | - Health Extension officer |
| - Relief centres | - Red Cross |

And many more to assist in natural and man- made disasters.

Summary:

You have come to the end of Lesson 18. In this lesson you learnt that;

- There are two types of disasters, natural and man-made disasters.
 - Disasters affect production.
 - Natural disasters like landslides or volcano eruption destroy commercial production.
 - A man-made disaster causes people to get sick which leads to unproductivity.
 - Papua New Guinea needs healthy people to improve its economy.
 - The National Government has set up various organisations to help relieve people during disasters.
-

NOW DO PRACTICE EXERCISE 18 ON THE NEXT PAGE

**Practice Exercise 18**

1. Define disaster

2. Name two (2) man-made and two (2) natural disasters

Man-Made Disasters

Natural Disaster

(a) _____ (a) _____

(b) _____ (b) _____

3. State one area or way that will affect a person involved in production.

4. List down five (5) ways in which a natural disaster would affect the country's economy.

(a) _____

(b) _____

(c) _____

(d) _____

(e) _____

5. Explain how pollution would affect production.

6. How would landslide affect production?

**NOW CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 4
ON THE PAGES 174-176**

**NOW YOU MUST COMPLETE ASSIGNMENT 1 THEN SEND IT TO THE PROVINCIAL
CO-ORDINATOR FOR MARKING**

ANSWERS TO PRACTICE EXERCISES

ANSWERS TO PRACTICE EXERCISES 14-18

Answers to Practice Exercise 14

1. Lihir gold, Porgera gold or Ok Tedi mine
2. Ramu sugar, Niugini Table Birds, Coffee Industry Board
3. Workers are important because they are used to produce goods and service in an industry, without workers there will be no production.
4. The reward for labour is wages and salaries.
5. Employment conditions include;
Good pay, decent housing, transport and allowances.
6. When the workers are upset with their work condition and go on strike, there will be no production.
7. The Labour Department receives the complaints from a worker and initiates discussions with the employer to mediate settlement.
8. Social, Civil and political unrest in a country can lead to a halt in production because people will be reluctant to work.
9. The main reason is that the unions grievances in terms of their call for improving condition can be resolved through the stop work action. Hence the company does not want to lose money so it listens to the suggested awards of the labour union.

Answers to Practice Exercise 15

Match the following situations to the different organisations involved in unethical practices, bearing in mind that these are organisations that help to solve problems that arise in the community.

1. A local store in town has been robbed; both cash and goods have been taken from the shop. Who steps in to solve this problem? *The Police Force*
2. K3 million has gone missing in the local FTX Bank in town, the managing director is reported to be in Australia spending holiday there with his family. Who will investigate into the misappropriation?
The Ombudsman Commission
3. A husband and wife want to be separated because they fight all the time. They want to split all their belongings equally including their two children. Who should they see to address their marital problem? *Law and Justice Department*
4. There is continuous fighting between school A and school B. This afternoon School A plans to murder a student from School B. Who should step in to solve this conflict or fight between the two schools? *The Police Force.*

For questions 5 and 6, your answers should be similar to the sample answers provided in the practice activity.

1. Bribery

Sample answer:

When I was a small girl, my big brother would give me K1 or buy my lollies in order for me to wash his clothes. I didn't know at that time that it was bribery. Because I was doing something that I wasn't supposed to do. I was paid to do someone else's job.

6. Nepotism

Sample answer:

My dad has a small trade store back in the village. He employs his nephew, who did not complete his formal education, to record the sales for each day. No profit was made from the business. Relatives who are not well trained and qualified should not be employed.

Answers to Practice Exercise 16

1. Define the following terms:

- (a) Crime: These are activities illegally done to benefit one group of people. They are usually not accepted by the law. For example: stealing
- (b) Unemployment: Is the state of not having any job available for you to do in order to be paid with some amount of money. To be unemployed means that you are a burden to the people you are living with because you are just another mouth to feed and there may not be enough money to feed the unemployed.
- (c) Rural-urban Migration: Means to move from the rural areas to towns. This movement can create an opportunity for the person who moves for the right reasons while for others it only creates problems like unemployment, overcrowding, homelessness, begging and criminal activities.
- (d) Tribal fights: Are the results of two different groups of people who cannot resolve their differences peacefully. When this happens we experience ethnic clashes or fights.
- (e) Select one of the Social issues below and write about a personal experience or IF you have read or heard about issues related to them.

Sample answer: I have decided to select Crime

My mother was coming home from work one afternoon, when four young boys came up to her and grabbed her handbag and the plastic of food she bought from the shops. My mother tried fighting back with the boys but one of them pulled a knife out of his pocket and threatened to cut her hand. Upon seeing the knife, my mother let go of her bag and the plastic of food. She came home with a couple of scratches and was very upset about the whole incident.

Answers to Practice Exercises in Lesson 17

- 1. Good health makes people strong, tough and eager to work hard and for long hours.
- 2. Malnutrition is a result of people not eating a balanced meal due to poverty.
- 3. Occupational health means safety and health standards for workers in the work environment.
- 4. A person's labour is measured in wages or salaries
- 5. Many deaths are caused by HIV & Aids, Diarrhoea, Tuberculosis, car accidents.
- 6. Child labour is the use of a child to do heavy duty work and for long hours.

Answers to Practice Exercise 18

1. Define Disaster
Any event that destroys properties or affects normal living.
2. Name two man-made and two natural disasters

Man- made	Natural
(a) Pollution	(a) Tsunami
(b) Workers strike/demonstration	(b) Landslide
(c) civil war	(c) flood
(d) civil unrest	(d) drought
(any two)	
3. State one area or way that will affect a person involved in production.
Sicknesses like HIV- AIDS, marital issues, drug abuse, and bribery at work can adversely affect a productive person.
4. List down five ways in which a Natural Disaster would affect the country's economy.
 - (a) Damage to commercial crops
 - (b) Business could be destroyed
 - (c) Businessmen or women may die
 - (d) Supplies will get less when they are cut off
 - (e) Roads can be blocked for movement of goods
5. Explain how pollution would affect production.
Pollution causes sickness and thus affect workers and the whole working population as well. Unhealthy people are unfit for effective production
6. How would a landslide affect production?
The Road network would be blocked off so supplies and services would not be moved to the market or the people who would need them.

NOW YOU MUST DO TOPIC 1 TEST IN YOUR ASSIGNMENT 1 BOOK

Answers to Lesson Activities

Answers to Lesson Activities – Topics 1-18

Lesson 1: Production

1.1: (a) Write down five (5) examples of goods and services each.

	Goods		Services
1	(i) medicine/medical drugs	1	(i) health/medical attention
2	(ii) shoes	2	(ii) shoe mending
3	(iii) kaukau	3	(iii) market
4	(iv) television set	4	(iv) communication
5	(v) vehicle	5	(v) transportation

(b) Write down five (5) examples of goods and services each.

1	Needs	1	Wants
2	(i) Food	2	(i) Pizza
3	(ii) Water	3	(ii) Alcohol
4	(ii) Shelter	4	(iii) Apartment
5	(iv) Clothing	5	(iv) Suit

1.2: Listed below in the first column examples of some workers. Complete column 2 and 3 by writing down what they produce and whether they produce goods or services. The first one has been done for you as an example.

Workers	What they Produce	Goods or Services
vegetable farmer	vegetables	goods
plumber	plumbing	service
book writer	books	goods
market seller	sales/selling	service
teacher	education	Service/good
house builder	house	Good/service

1.3: (1) Name five (5) types of employers.

- (i) government
- (ii) private businesses
- (iii) public (government) businesses
- (iv) individuals
- (v) NGOs – faith based or churches, community based,
- (vi) self employed

- (2) Match the employers on the left with their appropriate employees on the right by drawing lines

Employers

- (i) Government
- (ii) Private Business
- (iii) Government Business
- (iv) Self - employed (formal)
- (v) Self- employed (Informal)

Employees

- (a) A mining engineer with Pogera Gold Limited
- (b) Wana Wake a meri-blouse seller
- (c) Dr. Clement Mola as the Health Secretary
- (d) Managing Director of Air Niugini Ltd
- (e) Dr. Mola of Dr. Mola's Private Clinic. Ltd.

- 1.4:** Write True or False for each of the following statements to show you understand the relationship between production and trade. Then make the false statements true.

- (i) All the goods and services produced in Papua New Guinea are sold. **FALSE**
Most goods and services produced in PNG are sold.
- (ii) Basic government services are subsidised. **TRUE**
- (iii) With private businesses, the owners of the resources retain the right to claim the proceeds of production. **TRUE**

Lesson 2: Stages in Production

2.1: Answer the following questions

- (a) In which type of production does logging activities fall?
Primary Production
- (b) Taking natural resources out of the earth is called:
Primary Production
- (c) In which type of production does manufacturing of shoes fall?
Secondary Production
- (d) A Toyota Hilux is a finished product of which stage of production?
Tertiary Production
- (e) Most Papua New Guineans are engaged in which type of production?
Primary Production

2.2: Answer the following Questions**1** List the three (3) main stages of production

- (a) Primary Production
- (b) Secondary Production
- (c) Tertiary Production

2 Name at least two (2) examples each of the three 3 stages of production

- (a)
 - (i) Agriculture
 - (ii) Forestry
- (b)
 - (i) Building
 - (ii) Construction

- (c) (i) Commercial airplanes
- (ii) private clinic

3. Which of the three (3) stages of production are referred to as industries?
Secondary Production

2.3: Write true or false for each of the following statements. Then make the false statements true.

- (a) PNG Forest Products is an example of Primary Industry. **TRUE**
- (b) RD Tuna Cannery is an example of both Primary and Secondary Production. **TRUE**
- (c) Bank of South Pacific provides banking services. **TRUE**
- (d) St Johns Ambulance Services is an example of commercial services. **FALSE**
- (e) Brian Bell is an example of a direct service. **FALSE**
- (f) Niugini Builders Ltd specialises in road constructions. **FALSE**
Niugini Builders Ltd is specialised in building constructions
- (g) Secondary Production mainly involves in direct services. **FALSE**
Secondary Production mainly involves in building, construction & manufacturing.
- (h) Tertiary Production is the third and final stage in production. **TRUE**

Lesson 3: Factors of production

3.1. Name the flow of income that is accrued to the following resources.

- (a) Land is **rent**
- (b) Labour is **salaries or wages**
- (c) Capital is **interests**
- (d) Entrepreneurship is **profit**

3.2 List four (4) examples of natural resources that are found on the land

1

- (a) Fish
- (b) Rivers
- (c) Trees
- (d) Minerals

2 List four (4) examples of capital that are used in production

- (a) Machines (b) Vehicles
- (c) Tools (d) Buildings

3 List four (4) examples of non-renewable resources

- (a) Oil
- (b) Gas
- (c) Gold
- (d) Copper

4 Land is useful to the majority of our people. List three (3) examples that make land useful.

- (a) Producing food crops
- (b) Producing commercial crops
- (c) Animal husbandry
- (d) Letting others use land

Lesson 4: Specialisation and Division of Labour

- 4.1. Differentiate between specialisation and mechanisation
- (a) Specialisation is the use of many workers doing simple tasks or concentrates on a particular product.
 - (b) Mechanisation is the process of using machines to produce goods.
2. Differentiate between mass production and automation
- (a) Mass production is where many people carry out simple tasks helped by machinery to make goods in large quantities.
 - (b) Automation is the increased use of machines.
3. List four (4) specialisation tasks carried out in traditional production to satisfy their own needs and wants.
- (a) building houses
 - (b) growing food
 - (c) making bilums
 - (d) making canoes
- 4.4 True and False Questions
- Write true or false for each of the following statements to show you understand the relationship between specialisation, division of labour and mass production. Then make the false statements true.
- (a) Mass-produced goods and services are generally cheaper. **True**
 - (b) An economy based on specialisation is much more efficient than self-sufficiency. **True**
 - (c) Division of labour is part of learning by doing. **True**
 - (d) Machinery is not needed in mass production. **False**
Machinery is needed in mass production.
- 4.5 **Answer these questions**
1. List four (4) advantages of specialisation
- (a) Workers become more expert at a particular part of the production process.
 - (b) Increase in efficiency and output
 - (c) Production is faster and more products are produced
 - (d) Higher wages for specialised work
2. List three (3) disadvantages of mass production
- (a) The machinery that is needed in production line is so expensive
 - (b) Standardized products leading to less choice
 - (c) Unemployment as machinery takes over
3. Which business organisation is specialised in sugar and beef production in PNG? Ramu Agri-Industries
4. RD Tuna Cannery is specialised in manufacturing tinned fish. Which two brands of tinned fish does it produce?
- (a) Diana Tuna
 - (b) Dolly

Lesson 5: Traditional trade in Papua New Guinea

Activity 5.1

- (a) Define the following words:
- (i). Trade: The exchange of goods and services.
 - (ii). Traditional Trade: The exchange of goods and services without the use of money
 - (iii). Specialisation: It refers to doing something over and over and becoming good at doing it.
 - (iv). Specialists: People who specialise or do something over and over again and becomes good at doing it.
- (b) Explain barter system: Barter system refers to the exchange of goods or services in return for other goods or services.

Activity 5.2

- (a) Name the five (5) traditional trade that occurred in Papua New Guinea in the past.
- (i). Hiri Trade
 - (ii). Kula Trade
 - (iii). Moka Pena Trade
 - (iv). Mokink Trade
 - (v). Vitiaz Trade
- (b) What is money?
It refers to anything that is generally accepted in exchange for goods and services.
- (c) List the three uses or functions of money.
- (i). Acts as a medium of exchange
 - (ii). Provides a measure of value
 - (iii). Acts as a store of value

Activity 5.3

- (a) The modern society in Papua New Guinea still uses the traditional money. Which common activity would involve the use of traditional money?
Bride-price ceremony.
- (b) (i). Where in Papua New Guinea is the use of traditional money common?
East New Britain Province
- (ii). What is the name of the traditional money? Tabu
- (iii). What is the importance of this traditional money?
It helps to buy goods and services if they do not have the modern money.

Lesson 6: Modern trade in Papua New Guinea

6.1 Write down five (5) examples of items you can buy in the shop and at the market. Write down the Kina and Toea value.

Five (5) things you can buy at the STORE (students can list other household items that are frequently used)	Price/s of the things you buy varies with the prices given[depends on your area]
(a) Sugar (1kg)	K6.60
(b) Milk 100g	K3.95
(c) Ox & palm	K9.90
(d) Salt 100g	K2.00
(e) Cooking oil 1Litre	K6.65
(f) Ocean blue tinned fish (tall)	K5.00

2.

Five (5) things you can buy at the market	Price/s of the things you buy
Banana	K3 – K5.00
Fish (tuna)	K15 - K30
Coconut broom	K2 – K5.00
Potatoe	K1 – K10.00
beans	20t – K2.00
carrots	20t – K2.00

3. Now refer to the map below to answer the following questions

(a) Draw a circle around the area you come from on the map, and then draw an arrow to the group of people you trade with. (If you trade from your area only then you do not have to draw another arrow, just circle around your area only). **The answer depends on the area where you come from, as long as there is a circle around it.**



Map of Papua New Guinea

4 What sort of things do you trade with those groups of people?

The answer depends on the area that you come from. However the response should have the name of the area where you come from and the name of the trading area. The items being traded should also be written.

6.2 Write the correct function of money next to the situation provided below

- | | |
|---------------------------------|-------------------------|
| (a) Buried a K50 in the ground: | store of wealth |
| (b) Bought vegetables for K5: | medium of exchange |
| (c) Paid back K10 to a friend: | means of settling debts |
| (d) A 10kg rice costs K38: | measure of value |

6.3 Match the situations in the box below with the appropriate Aid to Trade. Draw an arrow to show the link. The first one has been done for you as an example. [Note: the aids are not in order]

Aid to Trade	Situation
Banking and Finance	Sinue lives in the mountains of Simbu, he brings his potatoes to the market early in the morning because, there is a truck that leaves at 6am in the morning
Insurance	People in the nation are able to start their own businesses knowing that there are rules in place to settle problems with their customers
Communication	These organisations help ordinary people to save their money and borrow money if they want to start their own businesses.
Transportation	A telephone company wants to show the people that they are selling new mobile phones so it advertises using the radio, TV and billboards. This is an effective way to reach customers
Government	John is unable to operate his business because he lost everything he owned in a fire. If only he had done something before operating his business he would not suffer now.

Lesson 7: Trade and prices

7.1

- What is the Equilibrium price for mango? **K1.00**
- What is the equilibrium quantity that is supplied and demanded by the buyers?
Quantity is 150 and supplied is 150 too
- At the price of K2.00, what is the quantity of mangoes to be supplied? **200**
- If the total quantity demanded is 175, what is the selling price? **K1.50**
- At the price of K0.25 per mango, what is the value for the quantity supplied? **100**
- At the price of K0.25 per mango, what is the value for the quantity demanded? **200**

7.2

1. State the effect of Supply and Demand on Price. Here an example has been done for you.

Supply	Price
If the supply of mangoes decreases what will happen to the price?	The price of mangoes will increase
If the supply of mangoes increase what will happen to the price?	<i>The price of mangoes will decrease</i>
Demand	Price
If the demand for mangoes decreases, what will happen to the price	The price of mangoes will decrease
If the demand for mangoes increases, what will happen to the price	The price of mangoes will increase

7.3 This week due to the supply being low and demand being high it has caused the price to rise. In the previous week, the supply was high and as a result the price was low.

Lesson 8: Finance Industry and Communication

8.1 Complete the boxes below with the appropriate term from the notes provided above. An example has been done for you.

1 B	2 A	3 N	4 K	A place where money is kept safely_____										
1 S	2 A	3 V	4 E	You can _____ your money in this place and watch it grow.										
1 T	2 R	3 A	4 D	5 E	This allows people to _____ with each other. Whether with money or goods for other goods									
1 F	2 I	3 N	4 A	5 N	6 C	7 E	The provision of money to businesses and the government, etc._____							
1 I	2 N	3 D	4 U	5 S	6 T	7 R	8 Y	Activities of the same done in the same place._____						
1 D	2 E	3 P	4 O	5 S	6 I	7 T	8 S	The act of placing your money in the Bank._____						
1 C	2 O	3 M	4 M	5 U	6 N	7 I	8 C	9 A	10 T	11 I	12 O	13 N	When we talk to someone or receive a letter from these shows...	

8.2 What is the difference between oral and written communication?

(1) Oral communication is the word of mouth communication. For example, meetings and written communication refers to someone reading written information, example; SMS, and newspaper.

8.3. List three (3) examples of oral communication and three (3) examples of written communication. Answers will vary as long as they can be identified as oral or written communication.

Oral Communication	Written Communication
1. Talking face to face	1. Letters (personal or business)
2. Singing	2. Fax
3. Talking on the telephone	3. e-mail
4. Blowing a cone shell or beating the garamut.	4. SMS

Lesson 9: Transportation and Insurance

Activity 9.1

Identify and list three (3) examples for the titles in the boxes below.

Students can have the following listed below or, they can have other forms of transportation, as long as they are classified correctly under the three headings.

Land	Sea	Air
1. cars	1. ships	1. plane
2. tractors	2. dinghies	2. hot air balloons
3. buses	3. boats	3. rockets
4. trucks	4. canoes	4. helicopters

Activity 9.2

Identify the key terms in the box below. You can use a pen, pencil or highlighter to identify the words provided in the box below.

Policy, Insurance, bonds, cover, life,
assurance, risks, security, invest, insured

P	O	S	E	C	U	R	I	T	Y	O	N
O	A	E	L	O	N	I	M	O	U	S	I
L	E	E	L	V	T	N	S	B	S	T	I
I	S	B	R	E	U	S	A	P	K	I	N
C	R	O	U	R	T	U	D	U	S	N	V
Y	E	N	U	C	O	R	W	L	I	F	E
E	N	D	A	E	N	E	I	C	R	T	S
A	S	S	U	R	A	N	C	E	A	O	T
N	U	T	K	S	H	I	Z	G	U	K	W
T	O	O	I	N	S	U	R	A	N	C	E

Lesson 10: Domestic Trade

10.1 (a). Write down five (5) examples of wholesalers and retailers in PNG.

Wholesalers	Retailers
(i) Seeto Kui	(i) Street vendors
(ii) Luk Poy Wai	(ii) TST Supermarket
(iii) Jimm Trading	(iii) Papindo Supermarket
(iv) Shao Trading	(iv) SVS Supermarket
(v) Steamships Trading	(v) Kanage trade store

10.2 (a). Listed below is a table of PNG provinces and the products they are specialise in. The first column is the provinces of PNG. Column 2 is the suppliers or manufacturers. You are to complete column 3 by writing down what they produce. The first one has been done for you as an example.

PROVINCE	PRODUCERS	WHAT THEY PRODUCE
East New Britain	Tropicana Holdings Ltd	Clothings, meri blouse
West New Britain	New Britain Palm Oil Ltd	Soap, beef, cooking oil
Madang	Madang Tuna Cannery Ramu Agri Industries	Diana Tuna, Dolly tinned fish Sugar, beef
Morobe	Zenag Producers Ltd Niugini Table Birds Lae Biscuit Company	Chicken, eggs Chicken, eggs Snax, Lae biscuit
East Sepik	Tuna Cannery	Loin Tuna tinned fish
Eastern Highlands	New Guinea Producers Goroka Coffee Ltd	Honey, Jam, beverages, vegetables, ground coffee
Western Highlands	Carpenters New Guinea Ltd	Tea, vegetables
Central	Hugo Cannery Ltd	Canned Ox & Palm

10.3 (a). Write down five (5) examples of products produced locally through small scale production.

- (i). vegetables
- (ii). bilums
- (iii). noni juice
- (iv). noni oil/soap
- (v). beverages

10.4 (a). Write true or false for each of the following statements to show you understand the Distribution process of goods. Then make the false statements true.

- (i). Missionary Aviation Fellowship (MAF) transports goods to Oksapmin in the Sandaun Province. **TRUE**
- (ii). IPI transport Ltd carries goods from Lae to Rabaul. **FALSE**
IPI transport Ltd is a road transport system, No road from Lae to Rabaul.
- (iii). Transportation of goods from Port Moresby to Vanimo is done by Consort Express Lines. **TRUE**

Lesson 11: Foreign Trade

11.1: (a). Write down five (5) examples of visible exports and visible imports

Exports		Imports	
(i).	Copper	(i).	Motor Vehicle
(ii).	Cocoa	(ii).	Clothing
(iii).	Crude oil	(iii).	Chemicals
(iv).	Coffee	(iv).	Machinery & Equipment
(v).	Gold	(v).	Food & drinks

(b). Write down two (2) examples of invisible exports and invisible imports

Exports		Imports	
(i).	Tourism	(i).	Consulting services
(ii).	Banking	(ii).	Insurance

11.2 Calculate the following balance of trade and state whether it is a surplus or a deficit.

(a).	Export of Goods	K343 million
	Import of Goods	<u>K643 million</u>
	Balance of Trade	K300.00 (deficit)
(b).	Export of Goods	K555 million
	Import of Goods	<u>K444 million</u>
	Balance of Trade	K 111 (surplus)

11.3 (a). Using the following information calculate PNG's Balance of Payments for 2000 and state whether it is a deficit or a surplus.

Receipts	K (Million)	Payments	K (Million)
Visible Export	290	Visible Imports	182
Invisible Exports	58	Invisible Imports	38
Other Receipts	32	Other Payments	60
Balance of Payments	= Total Receipts – Total Payments		
	= K380m	= K280m	
	= K100million (surplus).		

(b) Using the following information, calculate PNG's Balance of Payments for 2001 and state whether it is a deficit or surplus.

Receipts	K (Million)	Payments	K (Million)
Visible Exports	442	Visible Imports	582
Invisible Exports	68	Invisible Imports	138
Other Receipts	32	Other Payments	160
Balance of Payments	= Total Receipts – Total Payments		
	= K542m	= K880m	
	= K338million (deficit).		

Lesson 12: Papua New Guinea's Exports and Imports

- 12.1: (a). Write down the five (5) leading products that are exported from Papua New Guinea.
- (i). Gold
 - (ii). Copper
 - (iii). Crude Oil
 - (iv). Petroleum Products
 - (v). Forestry Products
- (b). Write down the five (5) leading goods that are imported to Papua New Guinea.
- (i). Machinery, transport and equipment
 - (ii). Vehicles
 - (iii). Manufactured goods
 - (iv). Food, drinks and live animals
 - (v). Mineral fuels
- 12.2: (a). Name in order of importance the trading partners of Papua New Guinea.
- | Exports | Imports |
|----------------------|--------------------|
| (i). Japan | (i). Japan |
| (ii). Australia | (ii). Australia |
| (iii). Germany | (iii). New Zealand |
| (iv). United Kingdom | (iv). Singapore |
- 12.3: (a). Write true or false for each of the following statements to show you understand the different steps involved in exporting and importing goods. Then make the false statement true.
- (i). A business must have an import licence in order to import a particular good. **TRUE**
 - (ii). All the products exported to overseas markets are not insured.
FALSE
All goods are insured against damage or loss while being transported
 - (iii). Lamb flaps imported from New Zealand have an import restriction on them. **FALSE**
PNG only imports from New Zealand and no way else.
 - (iv). If there is a quota, there will be a limit on the amount of goods imported. **TRUE**
- 12.4: (a).
- (i). When the seller of goods pays for all costs right to where the buyer is situated, the term used is called Door-to-door
 - (ii). The cost of goods is stated as K1000.00 CIF. CIF means that: It covers Cost, Insurance and Freight charges
 - (iii). When the price of goods includes the cost of delivering the goods to a port and loading them on to a ship is called Free On Board (FOB)

Lesson 13: Foreign Currency

- 13.1: (a). Define Foreign Currency
It is the same as foreign exchange. It is the exchange of currency from one country for currency from another country.
- (b). List the two (2) reasons for using foreign currencies
- (i). Payment for goods purchased overseas.
- (ii). Exporters receive payments for goods sold in foreign currency.

- 13.2: (a). A Papua New Guinea Shipping Company charges a Japanese firm K500 for shipping goods. How much will the Shipping Company receive in Japanese Yen?

$$\begin{array}{rclcl}
 \text{Japanese Yen} & = & \text{PNG Kina} & \times & \text{Rate} \\
 & = & 500 & \times & 31.97 \\
 & = & \mathbf{JPY15,985.00} & &
 \end{array}$$

- 13.3: (a). A business receives export receipts for USD\$20,000. Calculate how much this is worth in Kina.

$$\begin{array}{rclcl}
 \text{PNG Kina} & = & \text{American dollars} & \div & \text{Rate} \\
 & = & \text{USD\$20,000} & \div & 0.4183 \\
 & = & \mathbf{K47,812.57} & &
 \end{array}$$

Lesson 14: Industrial Issues

- 14.1.1 The common industrial issues that affect workers at the work place include; wages, bonuses, allowances and condition for work.

- 14.1.2 The reward for labour is wages and salaries.

- 14.1.3 The Industrial officers deal with labour industrial issues.

- 14.1.4 Labour unions in the country include;

- Porgera & Allied Workers Union
- Teachers Association
- Nurses Association
- Public Employees Association
- Steel Industry Association
- Police Association.

- 14.2.1. Civil unrest: When people fight over each other or against the government.

- 14.2.2. Social unrest: When defector association or different segment of the association having different interest and views over certain issues which can cause tension and disorder in the society.

- 14.2.3 Political unrest: Refers to the conduct of elected leaders in the parliament. Their actions become unconstitutional and cause some setback for the country. People organise rallies and present petition to the government to correct the issues.

- 14.2.4 When employees concerned are not satisfied with their employment conditions, they would lose their interest to work.

14.3.1. There will be little in working or no production because the workers will be reluctant to go to work.

14.3.2. During the period of unrest, the government will not receive its tax revenue, the employers will not earn their revenue and the workers will not receive their salaries. wages, allowance, bonus etc.

14.4.1 Labour industrial issues and disputes are settled by; Workers Unions, Department of Labour and Employment, Trade Union Congress, Indigenous Landowner group etc.

14.4.1 International Labour Organization (ILO)

14.4.2. PNG Trade Union Congress

Lesson 15: Unethical Practices

15.1: Refer to the article in the lesson to answer the following questions.

1. Which ethic group is against the government?

The people of the Tsak valley in Wapenamanda, Enga province.

2. Who are the leaders behind this ethic group?

Nathan Iso and Mossen Lai, who are the Local Level Government Councillors.

3. Why is this ethic group against the government?

This ethic group is against the government because they believe at the government led by O'Neil and Namah is responsible for the current constitutional crisis our country PNG is facing.

4. O'Neil and Namah have been asked to step down from their positions in the government. What are their ministerial portfolios?

O'Neil – Prime Minister

Namah – Deputy Prime Minister

15. 2: Look at the following situations and state whether it is an example of **Bribery** or **Nepotism**.

a. Mary does not want to do her laundry so she buys betel nuts for her aunty to chew and wash her clothes. **Bribery**

b. Jonathan is a soccer player but is travelling to Madang for the singing festival because his best friend's uncle is in charge of the singing festival, resulting in one of the participants missing out on travelling to Madang because Jonathan has used that person's ticket. **Nepotism**

c. Louise has completed grade 6 and is working with the Prime Minister's Department and is paid K700 in line with the University graduate students. Her uncle is the Human Resource Manager. **Nepotism**

d. The people of YXO clan were paid K500 and given two (2) rice bags and two (2) flour bags each in order to vote for their local member back into Parliament.

Bribery

15.3: For the next set of questions refer to the article in the lesson on "Union leader blames politician for police stand-off."

e. Identify from the article names of the following people. Note: do not leave a space between the first name and the surname. The first one has been done as an example.

Police Minister	J 1	o 2	h 3	n 4	B 5	o 6	i 7	t 8	o 9				
Police Commissioner	T 1	O 2	m 3	K 4	u 5	l 6	u 7	n 8	g 9	a 10			
CID Chief	M 1	a 2	r 3	k 4	Y 5	a 6	n 7	g 8	e 9	n 10			
Metropolitan Commander Supt.	P 1	e 2	t 3	e 4	r 5	G 6	u 7	i 8	n 9	n 10	e 11	s 12	s 13
NCD/Central Assistant Commissioner	F 1	r 2	a 3	n 4	c 5	i 6	s 7	T 8	o 9	k 10	u 11	r 12	a 13

- f. According to the article, the injured officers sent a petition to the Police Commissioner stating their concerns, regarding the incident. Identify one concern raised in the petition and write it below in the spaces provided.
Students can have any of the following options taken from the article

- An immediate investigation be carried out on the assault and the officers involved be disciplined;
- The officers from the highlands be immediately sent back to their stations; and
- A satisfactory resolution be found to avoid a stand-off between the two groups

- g. "Politicians will come and go. They use the police and dump them without caring for their welfare. What do you think Mr. Paska meant by this statement?
The positions of the people employed in the police force is determined by the government of the day, meaning whoever is present in Parliament has the power to appoint certain individuals to higher or senior positions in the police force. According to Mr. Paska, the government of the day is not concerned about the welfare of the police they just find people to protect them.

- h. When did this event take place? Indicate time, date and place.
This event took place at Gordon- Port Moresby at noon on 16th April 2012

Lesson 16: Social Issues

- 16.1 Who are Vendours?
People who sell goods in the market place and places where there are a lot of customers.
- 16.2 Who are the two ethic groups involved in this tribal fight?
The Chimbus and the Taris' both from the Highlands' region
- 16.3 Which groups of people are affected by the fight?
Mothers and children
- 16.4 Apart from the fighting between the ethnic groups, what else resulted from the fight?
The death of a business manager John Siune Kaupa from Chimbu

16.5 Complete the table below by writing five (5) examples of problems related to types of social issues. **Your answers maybe slightly different from the options below. Just bear in mind the definitions must be linked.**

Crime	Unemployment	Rural –urban Migration
EXAMPLE: Stealing	Prostitution	Unplanned Pregnancy
1. killing	1.gambling	1. over population
2. fighting	2. begging	2. unemployment
3. increase nepotism	3. stealing	3. stealing
4.decreases business opportunities	4. increase nepotism	4. HIV and other diseases increases
5. businesses break-down.	5. starvation	5. marital problems

Lesson 17: Health Issues

17.1.1 Health is a state of complete physical, mental and social well-being

17.1.2 Poverty increases the likelihood of poor health because people with low income cannot afford to prepare a balance meal which contains the three (3) food groups.

17.2.1 A country will sustain a healthy population which could be the strong work force to increase production in the country.

17.2.2 Unhealthy people work less hour and are not able to be fully utilized to increase production.

17.3.1 Apart from the occupation safety needs of labor, they need salaries, wages, allowance, leaves fares etc.

17.3.2 The spread of HIV & Aids like a bush fire had reduced the working population which is causing a big shock in the total work force in the country.

Lesson 18: Disasters

18.1. Name a major natural disaster that occurred in the following provinces.

- (a) West Sepik Province – Tsunami
- (b) Chimbu Province - Tribal Fighting
- (c) Southern Highlands Province - Landslide
- (d) Eastern Highlands Province - Coffee Rush
- (e) East New Britain Province–Volcano Eruption

18. 2. If there is tribal fighting in W.H.P Explain, how it will affect someone from the clan from doing his or her business. He may not get the supplies; his or her business property may burn down and not safe for him.

NOW YOU MUST DO TOPIC TEST IN YOUR ASSIGNMENT 1 BOOK
