

**PENANG SANGAM HIGH SCHOOL**

**P.O BOX 44, RAKIRAKI**

**LESSON NOTES-WEEK 25**

**Subject:** Commercial Studies

**Year:** 10

**Strand:** 3

**Sub Strand:** 3.3 - Macro Economics

**Content Learning Outcome:** - Investigate and explain the sources of income and expenditure incurred for the different types of government.

**Lesson Notes:**

	<b>SOURCE OF INCOME</b>	<b>EXPENDITURE</b>	<b>PROBLEMS</b>
<b>CENTRAL GOVERNMENT</b>	<ol style="list-style-type: none"><li>1. Tax</li><li>2. Profits from public enterprises.</li><li>3. Internal loan/ external loan and</li><li>4. Borrowing.</li><li>5. Charges</li><li>6. Aid</li><li>7. Surplus form trading</li></ol>	<ol style="list-style-type: none"><li>1. Public provision.</li><li>2. Subsidy</li><li>3. Transfer payment</li><li>4. Administration of the country.</li><li>5. Repaying its previous debt.</li></ol>	<ol style="list-style-type: none"><li>1. Inadequate basic urban services</li><li>2. Inefficient waste mange management.</li><li>3. Uncontrolled informal settlement</li><li>4. Lack of disaster management plan.</li><li>5. Inefficient traffic management and road infrastructure.</li></ol>
<b>LOCAL GOVERNMENT</b>	<ol style="list-style-type: none"><li>1. Rates</li><li>2. Parking meters</li><li>3. Land rents</li><li>4. Market fees</li><li>5. Garbage fees</li><li>6. Hire fees.</li><li>7. Grant form Central Government</li><li>8. Aid</li></ol>	<ol style="list-style-type: none"><li>1. Repairs and maintenance of facilities owned by local government.</li><li>2. Administrative cost.</li><li>3. Beautification of town and cities.</li><li>4. Uphold health regulation.</li></ol>	

### **Class Activity**

1. Identify a type of expenditure incurred by the local government.
2. Explain how non-payment of town rates affects the activities of a town or city council.

## **PENANG SANGAM HIGH SCHOOL**

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### **LESSON NOTES-WEEK 26**

**Subject:** Commercial Studies

**Year:** 10

**Strand:** 3

**Sub Strand:** 3.4 – International Economics

**Content Learning Outcome:** - Explore and demonstrate measurements of Balance of Payment.

### **Lesson Notes:**

Terms of Trade (T.O.T): Price ratio at which two countries are prepared to exchange goods, must therefore lie somewhere between the two countries domestic cost.

Balance of trade: A country's exports minus its imports; the largest component of a country's balance of payments.

### **Formula for Calculating Terms of Trade**

$$\text{Terms of Trade} = \frac{\text{Index Of Export Price}}{\text{Index Of Import Price}} \times \frac{100}{1}$$

### **For Example:**

### **Question**

Base year 2006: 100. Calculate the T.O.T for:

- i. 2007
- i. 2008

Year	Export	Import
2007	105	90
2008	80	102

**Solution:**

$$\begin{aligned}\text{i} \quad \text{Terms of Trade} &= \frac{\text{Index Of Export Price}}{\text{Index Of Import Price}} \times \frac{100}{1} \\ &= \frac{105}{90} \times \frac{100}{1} \\ &= 116.67(\text{favourable})\end{aligned}$$

$$\begin{aligned}\text{ii} \quad \text{Terms of Trade} &= \frac{\text{Index Of Export Price}}{\text{Index Of Import Price}} \times \frac{100}{1} \\ &= \frac{80 \times 100}{102 \times 1} \\ &= 78.43 (\text{unfavourable})\end{aligned}$$

**Interpreting Terms of trade**

A rise in TOT index for a particular year indicates a favourable movement. A favourable movement in T.O.T. maybe the result of:

- ✓ Export price increasing more than import price
- ✓ Export price increasing while import price remains constant
- ✓ Export price remains constant while import price falls
- ✓ Import price falls faster than export price.

**Class Activity**

1. The table given below shows the index of export and import of goods and services for **Economy Y** for the year 2008-2009.

**Export and Import Price Index for Economy Y**

Year	Export Price Index	Import Price Index
2008	134	145
2009	204	165

Base year 2007: 100

Calculate the **terms of trade** for the years 2008 and 2009.

2. The table given below shows terms of trade for **Economy Y** for the year 2005-2007.

**Export and Import Price Index for Economy Z**

Year	Export Price Index	Import Price Index	Terms of Trade
2005	120	130	92.31
2006	110	148	74.32
2007	130	115	113.04

Base year 2004: 100

Use the table given below and your knowledge to answer the following questions:

- i. Explain the terms of trade for the years 2006 and 2007
- ii. State the formula for calculating terms of trade
- iii. State **one** way of improving a country's terms of trade.

### **Balance of Payment**

Is a record of transaction between a country and the rest of the world.

$$\text{BOP} = \text{Balance of Current} + \text{Balance of Capital Account}$$

There are two main sections of balance of payments. These are:

1. Current account
2. Capital account

#### **Current Account**

- ◆ Records the imports and exports of goods and services
- ◆ Regarded as the most important section of balance of payment because it measures nations earning and spending abroad.
- ◆ It is divided into two sections:
  1. Visible trade (merchandise trade) – represents the export and imports of goods that can be seen and touched. eg cars, furniture, food and machinery.

$$\text{Balance Of Trade} = \text{Visible Export} - \text{Visible Import}$$

2. Invisible trade – refers to the export and import of services like banking, insurance, tourism, transport and also includes:

- ◆ Investment income such as profit, rent, interest, dividend
- ◆ Government expenditure overseas
- ◆ Transfer payment which includes gifts

#### **Invisible Export (Credit)**

- ◆ Are those invisible items that brings foreign exchange
- ◆ For example tourist in Fiji, rent. Interest, dividend earn abroad, transfer income from overseas company are treated as credit items.

### **Invisible Import (Debit)**

- ◆ Are using of foreign exchange to purchase invisible items
- ◆ For example purchase of insurance policy from foreign company, profit interest, dividend, and rent paid abroad, government expenditure overseas, transfer payments made abroad are treated as debit items.

$\begin{aligned}\text{Current Account} &= \text{Visible Trade} + \text{Invisible Trade} \\ &= (\text{Visible Export} - \text{Visible Import}) + (\text{Invisible Export} - \text{Invisible Import})\end{aligned}$
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#### **Example:**

Visible import \$105m
Visible export \$225m
Invisible export \$210m
Invisible import \$150m

#### **Required:**

Calculate:

1. Balance of trade
2. Current account balance

#### **Solution:**

1. Balance Of Trade = Visible Export – Visible Import  
= \$225m - \$105m  
= **\$120m**

2. Current Account = Visible Trade + Invisible Trade  
= (Visible Export – Visible Import) + (Invisible Export – Invisible Import)  
= (\$225m - \$105m) + (\$210m - \$150m)  
= **\$ 180m**

### **Capital Account**

- ◆ This records the movement of money into and out of the country.
- ◆ For all the purposes except for payment of goods and services
- ◆ The capital account records all the following international transaction between both private and public organization

1. International loan
2. Direct investment such as purchasing of building, factory, land etc.
3. Monetary investment and purchase of securities such as stocks and bonds.

<b>Capital inflow – Capital Outflow</b>
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### Class Activity

1.

Use the information given below for the **Economy Z** to answer the questions that follow.

Economy Z	
	\$m
Capital inflow	76
Import of services	13
Capital outflow	57
Export of goods	45
Export of services	80
Import of goods	50

- a. Calculate the following:
  - i. Balance of Trade
  - ii. Balance of Invisible
  - iii. Balance of Current Account
  - iv. Balance of Capital Account
  - v. Balance of Payments
- b. Why would there be a deficit Balance of Payments?

2.

Use the information given below for the **Economy Y** to answer the questions that follow.

<b>Economy Y</b>	
	<b>\$m</b>
Profits earned abroad	100
Tourism receipts	150
Interest paid abroad	105
Direct investment in the economy	175
Dividends paid abroad	50

Calculate the following:

- i. Invisible exports
- ii. Invisible imports
- iii. Capital inflow

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**LESSON NOTES – WEEK 27**

**Subject:** Commercial Studies

**Year:** 10

**Strand:** 3

**Sub Strand:** 3.5 – Development Economics

**Content Learning Outcome:** - Investigate and discuss economic issues affecting economic growth and development.

**Lesson Notes:**

Economic growth– is increases in a country's national income over time. Economic growth is expressed as the rate of increase in countries total output, the percentage increase in real gross domestic product over time. Is a bigger quantity (GDP and GDP per capita)

Economic Development- improvement in the people's standard of living. Is a bigger quality (improvements in quality of life)

## **1. Poverty**

Poverty is a situation in which a person does not have enough income to support themselves and their family.

Poverty can be measured in two ways.

1. *Absolute poverty (level of income)* – it is poverty in which people with income below a certain level are considered to be living poverty.
2. *Relative poverty (comparative)* – is a measurement of poverty based on peoples living conditions. Even with a steady source of income that is above the poverty line (an income above absolute poverty) some families are unable to provide themselves with adequate needs and wants

### **Causes of Poverty**

- ✓ Insufficient income to support the family
- ✓ Social or physical disabilities e.g. the physically or mentally handicapped cannot work for a living
- ✓ Majority of population re engaged in subsistence agriculture only
- ✓ Unfair distribution wealth between rich and poor
- ✓ Uneven social and economic development
- ✓ Lack of resources to generate income
- ✓ High rate of population growth
- ✓ Rate of saving and investment is low
- ✓ High level of unemployment
- ✓ Desertion by the bread winner

### **Effects of Poverty**

- Increase in crime
- Increase in spread of diseases
- Unable to get a job
- Health is poor
- Lower economic growth and development
- Poor standard of living
- Emotional disturbance

### **Methods of Reducing Poverty**

- ✓ Increase the availability of jobs



- ✓ Increase government spending to create jobs
- ✓ Increase education standard/education assistance
- ✓ Impose price control to ensure that everyone is able to afford basic necessities
- ✓ Impose a minimum wage rate

## **2. Crime**

Is an act which is prohibited by criminal law and the person is punished, usually by fine or imprisonment.

### Causes of Crime

- ✓ Breakdown of families – the breakdown of families includes families in which parent that are separated or divorced. Some children from these types of families are cared by single parents and extended family members. These children are sometimes able to leave home and wander the streets with friends whenever they want
- ✓ Pawn shops and other second hand retail stores – these shops have an easy and convenient place for the disposal of stolen items which can encourage such offenses such as house breakings, robberies and burglary.
- ✓ Rural – urban migration – when people move from the rural areas to urban areas, they usually do not have proper housing and employment opportunities and as a result some of these migrants turn to crime to survive.
- ✓ Unemployment – inability to work and earn a living can lead to an increase in crime as a means of surviving.
- ✓ Lack of education – poor education leads to difficulties in obtaining a job which may cause increases in crime to survive especially among youths.
- ✓ Alcohol abuse – abuse of alcohol leads to increases in crime because of violent, aggressive and spontaneous behavior. It has been estimated that almost 80% of crimes in Fiji are alcohol abuse related.
- ✓ Yagona abuse – parents who abuse yagona are poor role models for their children and are not available to supervise their children.
- ✓ Violent movies – viewing violent and inappropriate behavior on T.V and in movies can influence youths to do things that they don't normally do.

### Effects of Crime

- ✓ Costs to victims can include medical costs, property losses, and loss of income.
- ✓ Losses can come in the form of increased security expenses including stronger locks, extra lighting, parking in more expensive secure lots, security alarms for homes and cars, and maintaining guard dogs.
- ✓ Some costs of crime are less tangible (not easily or precisely identified). These kinds of costs can include pain and suffering, and a lower quality of life. There are also the traumatic impacts on friends and the disruption of family.
- ✓ Communities also are affected through loss of tourism and retail sales.
- ✓ Communities and governments spend public funds for police departments, prisons and jails, courts, and treatment programs, including the salaries of prosecutors, judges, public defenders, social workers, security guards, and probation officers.

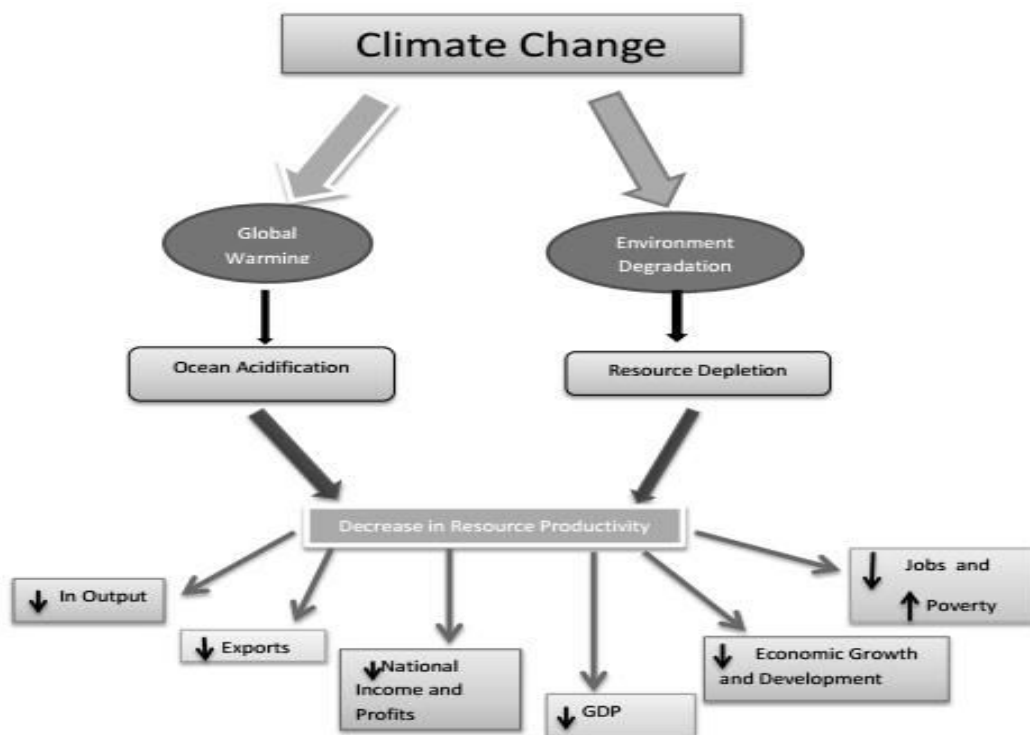
### Prevention of Crime

- ✓ Strengthen family structures by providing counseling and other assistance to family's needs.
- ✓ Reform the education system to assist in teaching character traits such as discipline, honesty, responsibility, integrity, hard work and so forth.
- ✓ Reform the legal system to ensure that criminals are dealt with fairly and quickly.
- ✓ Rehabilitate prisoners so that they do not return to their criminal behaviors upon their release.
- ✓ Control alcohol abuse.
- ✓ Control and reduce the rural – urban drift by improving employment opportunities and living conditions in the rural areas so that the attractiveness of urban life loses some of its appeal.
- ✓ Police training and increased expenditure on police force.

### **3. Climate Change**

Is a change in abnormal distribution of weather patterns when that change lasts for an extended period of time (i.e., decades to millions of years)

Climate change may refer to a change in average weather conditions, or in the time variation of weather around longer-term average conditions (i.e., more or fewer extreme weather events).



## Causes of Climate Change

### **1. Industrial Revolution**

Globalization is shifting production techniques thus creating greater demands for technology and transportation. To meet these demands more factories are born that increase the use of carbon based fossil fuel such as coal, oil etc and these carbon leads to global warming.

### **2. Increasing Concentrations Of Greenhouse Gases**

Continuous rise in greenhouse gases leads to global warming. This further causes changes in climate leading to intense cyclones, droughts and sea level rise.

### **3. Increasing Input of Methane Gas into The Atmosphere**

Due to rise in agricultural activity. Increased dairy productions increases carbon dioxide and methane gases in the atmosphere that also contributes to global warming. It also due to the improper dumping of rubbish in the rubbish in the rubbish dump or land field.

### Effects of Climate Change

1. Affects food production due to changes in global climate temperatures. The food source such as land and sea are affected leading to decline in production.
2. Sea-Level Rise: causing increase to salt water intrusion in land that affects agricultural production. Therefore depriving people from their source of livelihood further affecting individuals as well as nation's income. Thus less income means less economic growth and development. Sea level rise also leads to sinking of smaller island nations and increases the mortality rate of marine life due to increased bleaching, habitual loss and extinction of animals.
3. Decrease in Economic Activities causing a fall in income, growth and development.
4. Increase in Diseases such as cancer, NCDs and other viruses.

### Government Actions towards Climate Change

1. Integrate climate change in school curriculum, tertiary courses and vocational, non- formal education and training programs.
2. Increase awareness and understanding of climate change related issues across all sectors at all levels in Fiji
3. Adaption of strategies to address the climate change related issues.

### **4. Unemployment**

Unemployment exists when there are people willing to work but they are unable find suitable work.

#### Causes of Unemployment

- ✓ Reduced spending by business firms
- ✓ High wage rates
- ✓ Uneducated workforce
- ✓ Unskilled workforce
- ✓ Overpopulation

#### Effects of Unemployment

- ✓ Hurts the worker and his or her family
- ✓ Loss of family savings
- ✓ Caused by inadequate income
- ✓ Loss of self-respect/morale

## **5. Rural- Urban Drift**

Movement of people from rural to urban areas.

### Causes

#### Pull factors

- Many types of job opportunities.
- Better facilities for higher education.
- Better medical facilities.
- Facilities for varieties of job opportunities.
- Young people are attracted to the bright lights.
- Peer pressure.

#### Push Factors

- Lack of unemployment
- Poor living standard.
- Lack of good agriculture land.
- Conflicts in the family over land
- Low grade facilities in the rural schools
- Poor medical conditions.

### Effects

H- Housing

O- Overcrowding

T- Traffic congestion

C- Crime

U- Unemployment

P- Pollution

### Government Actions

- Decentralization
- Job creation
- Rural development
- Creating awareness.

## **Class Activity**

1. Refer to the article below and answer the questions that follow:

### **POVERTY ANALYSIS (extract)**

#### **Poverty indicators**

Poverty remains a significant concern in Fiji, despite the overall level of development and the moderately high average incomes. Poverty trends indicate that the national incidence of poverty declined from 35% in 2002–2003 to 31% in 2008–2009. This reduction in poverty was uneven—urban areas saw a reduction in poverty from 28% to 19%, while poverty in rural areas increased from 40% in 2002–2003 to 43% in 2008–2009, possibly as a result of the decline in the sugar industry, expiring land leases for agriculture.

Source: Asian Development Bank Country Partnership Strategy: Fiji, 2014–2018

- a. What happen to poverty rate in rural areas from 2002 - 2003 and from 2008 -2009?
- b. Explain one reason for your answer above.

## **2. Paragraph Writing**

“Climate change is happening, humans are causing it, and I think this is perhaps the most serious environmental issue facing us.” - Bill Nye

With reference to the above statement:

- Define climate change.
- Explain one cause of climate change.
- Explain one impact of climate change on agriculture.