MERRYLAND HIGH SCHOOLS ENTEBBE

KIGUNGU AND KATABI

S4 TERM ONE 2020 HOLIDAY WORK

COMMERCE

TRANSPORT

It's the movement of people with their goods and services from one place to another.

ELEMENTS OF TRNASPORT

These are essentials/qualities of a good transport system.

There are four elements of transport namely,

1. The way
2. The terminals
3. The unit of carriage
4. Method of propulsion

QTN explain the elements /essentials of good transport system. (08marks)

1. **THE WAY**

   This is a path along which goods and people move from one place to another.

   Examples

   Roads, water bodies, railway line, the air.

2. **UNIT OF CARRIAGE**

   This is something used to carry people with their goods.

   Examples

   Vehicles, trains, earoplanes and ships.

3. **TERMINALS**

These are places/points where people and goods are loaded on the unit of carriage.

Examples

Taxi park, bus park,, Railway station, Airport and ports.

4. **METHODS OF PROPULSION**

This is the force or power which drives/moves the unit of carriage.

Examples

Disel engine, petrol station, jet engine and electric motors.

FUNCTIONS/ IMPORTANCE / ROLE OF TRANSPORT

QTN Explain the role of transport in trade in the economic development of Uganda

Transport is important in the following ways;

1. It helps in the movement of goods from the production unit to the place of consumption.
2. It helps in the movement of commercial documents like letters, orders from one person to another.
3. It facilitates advertising of goods and services which creates market for them.
4. It facilitates the movement of labour and other fop to where they are needed like people to places of work.
5. It avails people with a variety of goods and services from various producers which widen their choice.
6. It creates market for surplus goods because surplus can't be taken to areas of scarcity.
7. It makes it easy to exploit new and distant rises like minerals.
8. It encourages urbanization because transport makes remote area open for development.
9. It encourages industrialization through movement of raw materials and finished goods from one region to another.
10. It encourages agriculture which leads to commercialization of agriculture because famers can easily transport their produce to the market.
11. It creates employment opportunities to many people like drivers and conductors who earn income.

12. It’s a source of incomes the transport firm who provides the services.
13. It promotes tourisms hence more income to the government.
14. It promotes tourists hence more income to the government.
15. It promotes specialization and exchange because countries can specialize in particular fields and then transport what they can’t produce from other counties.

FACTORS WHICH DETERMINE THE FORM OF TRANSPORT TO BE USED

Before a businessman selects a mode of transport for delivering his/her goods he can consider the following factors;

1. The nature of goods
2. The weight of goods
3. The cost of using the means of transport
4. Speed and urgency
5. The distance to be covered
6. The terminals
7. The value of goods
8. Flexibility of the means of transport
9. Bulkiness of the goods
10. Safety of the means of transport

QTN. Explain the factors considered before choosing a means of transport.

1. **The nature of goods**

   If goods to be transported are perishable one can use a faster means like air but if goods are fragile one can use air and water transport.

2. **The weight of goods**

   For heavy goods use water and railway transport and for light goods use air and road transport.

3. The cost of using the means of transport

   The cost of transport should be relatively low compared to the value of goods transported so as to maximize profits.

4. **Speed and urgency**

   If goods are urgently required one can use fast means like air and road transport.

5. The distance to be covered

   If the distance to be covered is short, road is the best but if the distance is long, one can use, water and railway transport.

6. **The terminals**

   If goods or people are to be transported by any means of transport, there should be terminals for loading off loading.

7. **The value of goods**

   Goods of high value like gold can be transport by air transport to ensure their safety but for low value goods one can use road, sea and railway transport.

8. **Flexibility of the means of transport**

   The means of transport chosen should be flexibility so as to allow easy connection from one route to another.

   Road transport is the most flexibility because it can serve door to door service in distribution.

9. **Bulkiness of the goods**

   Goods which are bulky in large quantities can be well transported by railway and water transport while smaller cargo can be transported by road or air.

10. Safety of the means of transport.

    The means of transport chosen should be safe from theft, damaged and loss

    Air transport is the safest means of transport.

QN. WHAT ARE THE BENEFITS OF TRANSPORT TO CONSUMERS/PUBLIC.

1. It enables consumers to get a wide range of goods services which enables them to make a better choice.

2. It provides employment opportunities to people who work in the transport sector like the drivers and conductors.
3. It encourages the development of industries and agriculture where goods are produced which people consume and improve their sol.
4. It brings goods and services nearer to consumers which makes it convenient for the consumers to get them.
5. It ensures a constant supply of goods to the market by transporting goods from areas of plenty to areas of scarcity.
6. It helps to stabilize prices of goods which people buy through constant supply of goods.

FORMS /MODES OF TRANSPORT.

QN: State the types of transport (5 marks)

1. Road transport.
2. Air transport.
3. Railway Transport.
4. Water /sea transport.
5. Pipeline transport.

ROAD TRANSPORT

It's the movement of goods and people on roads

It's the most common and flexible form of transport in East Africa

Advantages of road transport

1. It's cheaper and affordable to use over short distances.
2. It's more flexible because door to door delivery of goods is possible.
3. It makes it to sell goods while on the route which is not possible with other modes of transport.
4. It's convenient because it does not follow a regular time table.
5. It has low insurance charges compared to other modes of transport.
6. There are less risks of damage to the goods because the goods are closely supervised by the driver or owner.
7. It's readily available which facilitates business transactions throughout the year.

8. It’s easy to buy and maintain and car than other modes of transport.
9. Traders can use vehicles to advertise their products which increase sales.
10. Road transport is easy to set up because constructing a road is easy compared to other modes of transport.

Disadvantages of road transport

1. It’s affected by traffic jam and congestion which leads to delay in delivery of goods and services.
2. It’s characterized by high rates of accidents which lead to loss of goods in transit and life.
3. It’s expensive to use over long distances due to high rate of fuel consumption.
4. Road transport is relatively slow over long distances.
5. It’s much affected by weather conditions affects the delivery of goods and services.
6. It’s affected by high way robberies which lead to loss of goods and life.
7. It’s not suitable for carrying fragile or delicate goods which lead to loss.
8. It does not follow a time table therefore it’s difficult to arrange return for journey.
9. It’s not suitable for delivering very heavy and bulky goods because of limited space.
10. Roads require routine maintenance which makes them expensive to maintain.
11. Goods may be damaged while in transit due to constant and poor handling.

Challenges /problems facing road transport in Uganda.

1. Capital is not enough to construct and maintain all roads in the country
2. Limited technology used to construct and maintain roads.
3. Political instability which interferes which destruction of roads.
4. Competition by traffic officers who can enforce traffic laws.
5. High costs of fuel have led to increasing transport fares by drivers.
6. Bad weather like rainfall which leads to destruction of some roads making them impassable.
7. High way robbery in some less populated areas which makes people lose their goods, money and life.
8. Traffic jam especially in major towns which leads to delay in delivery of goods.
9. Accidents in roads caused by reckless driving which leads to loss of lives and property.
10. High transport charges especially for long journeys with bulky goods.

11. Most roads are murram roads with a lot of pot holes which makes them not fit for transportation of goods and business peoples.

RAILWAY TRANSPORT

It's the movement of people and services by train.

Advantages of railway transport

- It's cheap o use over a long distance.
- It follows a regular time table that allows delivery of goods without delay
- Its suitable and cheap for carrying bulky goods over long distance
- It carries a lot of goods plus passengers at ago in different wagons.
- It has a low rate of accidents compared to road transport.
- It's less effective by weather changes compared to other modes of transport.
- It's not affected by traffic jam because trains operate in turns.
- Special wagons can be constructed to carry special goods and people.
- It has a low maintenance costs because railway lines are wagons take a long time to be damaged.

Disadvantages

- It's not flexible because it can't take goods and people to their final destination.\
- It is not continent to some travelers because it follows a fixed timetable.
- It's very expensive to establish the way and to buy the wagons.
- It involves high insurance premium because railway lines are expensive to construct.
- It's a slow means of transport especially over a short distance thus not suitable for perishable goods.
- It involves clearance procedures to be followed.
- There is greater risk of damage to the goods while in transit due to too much handling at stations.
- Railway transport is usually state owned therefore it offers por quality services to businessmen.
- It only serves those areas with railway stations.

- It’s not economical to be used over short distances.
- Goods loaded on a train are outside the control of the owner which increases the risks.

AIR TRANSPORT

It’s the movement of goods and people by aero planes.

It’s the most convenient and fastest form of transport.

Advantages of air transport

- It’s the fastest means of transport thus suitable for perishable and urgently needed goods.
- It involves low insurance premium because it’s less affected by risks of theft or damage to the goods.
- It’s not affected by traffic jam thus no delay in delivering goods.
- The way of air transport is free therefore no construction and maintenance costs are incurred.
- It’s a safe means for delivering expensive and valuable goods because of minimum handling of goods.
- It follows a fixed time table which enables travelers to plan for their journey.
- It’s the most comfortable means of transport provided to passengers.
- It’s less affected by accidents compared to road transport.
- It’s less affected by weather conditions.

Disadvantages of Air transport

- It’s the most expensive means of transport which makes it un affordable to low income earners.
- It’s not flexible because goods and passengers can’t be taken to their final destination.
- It follows a fixed time table which conveniences some travelers and leads to delay.
- In case of an accident there is always a total loss of goods and human beings.
- It’s much affected by change in weather conditions like heavy storms which may cause accidents.
- It’s not suitable for transporting bulky goods due to limited space and weight.
- Some items are not accepted on planes, like explosives, petrol and irregular shaped goods.
- Insurance company charge higher premiums for air transport as compared to other firms of transport.

- It faces risks of hijack, flight delays and cancellations.

Documents used in air transport

AIRWAY BILL

It's a document which acts as a contract of carriage between the airline company and the businessman or exporter.

It gives details of goods loaded on the plane

b- The terms and conditions of carriage.

c- Freight charges

It's similar in all ways which a Bill of lading except that an air way bill is used under air transport.

Function of an Airway Bill

i) It's an agreement of carriage by the airline company
ii) It's a receipt of the goods by the airline company
iii) It's a document of title to the goods when they reach their destination that is to say shows the owner of the goods
iv) It shows the freight charges and the terms of conditions of carriage.

PIPELINE TRANSPORT

It's the movement of gases or liquids through pipes from one point to another.

Examples of items transported by pipeline include the following

- Water
- Petroleum
- Sewage disposal
- Gas
- Beverages like soda
- Bio gas

Advantages of pipeline transport

1. It's a safe method of transporting liquids which are dangerous like sewage, gases and petrol because it's not exposed.
2. It allows the transportation of large volumes of products within a short time.
3. It's cheap and easy to maintain once it is established because it's not attended to by human labour.
4. It's not affected by weather conditions because the pipes pass under grounds.
5. It's convenient and reliable because loses due to accidents are rare.
6. It's not affected by problems of traffic jam because goods are delivered within the short time /speed.
7. It allows extensions to be made so as to serve other areas.
8. It reduces congestion on roads because the pipes pass underground and roads remain free for other users.

Disadvantages of pipeline transport

- It requires a high initial cost to install the pipes.
- It's not flexible because once installed it remains in one position.
- Repairs of pipes are expensive and difficult to locate.
- Leakages on the pipes may occur and result into heavy losses.
- The system can't be used to transport living things and other solid goods.
- Soil erosion may expose the underground pipes which may cause losses.
- It may lead to environmental destruction in case of leakage like population.
- Pipes are not cleared inside therefore incase of water, it's not safe for human use.

WATER/SEA TRANSPORT

It's the movement of people and goods along water bodies.

TYPES OF WATER VESSELS

1. LINERS/ OCEANS LINERS

These are ships which follow a fixed time table and fixed/regular routes.

There are two types of liners namely;

a) Passenger liners

These are ships which carry only passengers following a fixed timetable and regular route.

b) Cargo liners

These are ships which only carry goods following a fixed timetable and regular routes

2. TRAMPS /TRAMP STEAMERS

These are ships which don't follow a fixed timetable and a specific route.

These ships operate anywhere in the world where there are goods to transport.

3. BULK CARRIERS.

These are ships which are constructed to carry specific bulky goods like minerals, timber etc.

4. OIL TANKERS

These are ships which are mainly owned by large petroleum because to carry petroleum products.

5. ROLL ON-ROLL OFF OR FERRIES.

These are large ships which are used to carry vehicles from one point to another across water bodies.

Advantages of water /sea transport

1. The way is free therefore no country pays for using the sea.
2. It is the most suitable and cheap mode for carrying bulky goods likes timber.
3. Special ships can be constructed to carry special type of goods like oil tankers.
4. It is the cheapest form of transport especially over a long distance.
5. It operates on a fixed timetable therefore return cargo and passengers can be arranged.
6. It is inter-continental therefore it is good for foreign trade because it handles a lot of goods.
7. It is not affected by traffic congestion compared to road transport thus no delay.
8. It makes it possible the use of containers which reduces the risk of damage and loss.
9. There are fewer risks of accidents as compared to other forms of transport.
10. Tonnage is high which reduces the carriage costs as more goods are transported.

11. Loading and off-loading of goods is easy because automatic cranes are used.
12. It is suitable for transporting fragile and delicate goods because the way is smooth.

DISADVANTAGES OF WATER/SEA TRANSPORT.

1) It is slow therefore it is not suitable for transporting perishable and urgently required goods.
2) It is only limited to countries which have access to the sea therefore landlocked countries are affected.
3) It has high insurance costs because it is expensive to buy the water vessels.
4) It is expensive to set up port facilities.
5) It is not flexible because goods cannot be delivered to their final destination.
6) In case of an accident on the sea, this may lead to total loss of passengers and goods.
7) It is much affected by bad weather conditions like heavy storms which may cause accidents.
8) It follows a fixed time table which is an inconvenience to some traders.
9) There is too much congestion at the port which leads to delay in delivery of goods and services.
10) It is much affected by sea pirates.

Under what conditions may sea transport be preferred to other forms of transport?

1. Incase goods are bulky they are more fit to be transported on water.
2. In case goods to be transported are not urgently needed.
3. Incase the goods to be transported are fragile like glass.
4. In case the water body to be used is navigable with no barriers.
5. Incase of special type of goods that require special type of ship.

COMMON TERMS USED IN WATER TRANSPORT

1) BILL OF LADING.

- It is a contract of carriage between the businessman and the shipping too.

- It shows the details of goods to be loaded on the ship and the terms and conditions of carriage as accepted by the two parties.

Functions of a bill of lading.

a. It is an agreement of carriage between the businessman /importers and the shipping company.
b. It is a receipt that goods have been received by the shipping company.
c. It shows the freight/ transport charges.
d. It is a document which shows the ownership of the goods.

2) CHARTER PARTY

- It is a document which acts as an agreement between the ship owner and a trader for hiring a ship for a given journey and time.
- It has the following information.
  a. Date when goods are loaded.
  b. Name of the transporting company.
  c. Terms of payment.
  d. Amount of transport charged.
  e. Place where the ship is to go.
  f. The goods to be carried.

Types of charters party.

There are two types of charters party namely:

a. Voyage charter party.

- It is when a ship is hired for a particular journey. e.g.from Kalangala to Nakiwogo in Entebbe.

b. Time charter party

- It is when a ship is hired for a particular period of time e.g.for 2 days a week, a month etc.

3) DOCK

- It is a point at the harbor where a ship is put to load and off load the goods.

4) DOCK DUES

- It is money paid by ship owners to the owners of the due for using the water terminals.

5) DOCK WARRANT

- It is a document given to the owner of goods stored at the doers ware house to show his ownership to the goods.

6) STEVE DORES

- These are people employed to load off load goods on /from the ship.

7) LAY DAYS

- These are days a ship is allowed to stay at the dock for loading and off-loading goods.

8) DEMURAGE

- It is a fine on extra charge to a business man who hired a ship but fail to off load it with in the agreed number of days.

9) RUMAGING

- It is a search by customs officers for the goods to be taxed on the ship.

10)DRY PORT

- It is an in land container port where goods are collected, packed and inspected before they are expected.

OR

- It is an inland containers post where exporters in the country tale their goods to be packed and sealed in containers ready for export. I.e. all clearances and documentations are done at the dry port.

11)LINER CONFERANES /SHIPPING CONFERENCE

It is a document which contains the terms and conditions under which goods are accepted for transportation.

12)CONSIGNMENT

These are goods to be transported.

13)CONSIGNOR

It is a person or organ or exporter who sends the goods.

14)CONSIGNEE

It is a person/organ/importer to whom the goods are being sent.

CONTAINERIZATION.

- It is the transportation of goods in standardized sealed containers by exporters to the importers.
- It is done to making handling and transportation of goods easy.

NOTE.

FULL CONTAINER LOAD

- It is where the ships load the container s which his own cargo belonging to one person or trades or importers.

OR

- It is where a businessman fills the whole container with his own goods.

LESS THAN FULL CONTAINER LOAD

- It is where goods packed in a container belong to many traders.
  OR
- It is where different traders their goods in one container.

Question. What are the advantages of containerization?

1. It enables the use of modern handling cargo machines for loading and off-loading which saves time.
2. Containers can carry large quantities of goods.
3. Containers take up a small space compared to space taken by small individual packages.
4. It is charged low insurance premiums because goods are not left exposed to damage.
5. Special containers can be built to carry special goods like petroleum products to reduce damages.
6. Goods are protected from damage contamination because they are sealed in containers.
7. It reduces the problem of theft because the goods are sealed in the container by the exporter.
8. In case of an accident, damages may not be much because goods are sealed in the containers by the exporter.
9. It reduces the cost of constructing warehouses because goods are safely kept in containers.
10. The container can be used to serve other purposes like shops after removing the goods.

11. It helps road transport because it is easy to transport containers.

Question:

Outline the disadvantages of containerization.

1. It is not suitable for small quantities of goods which cannot fill the container because they may get lost.
2. It involves loading and off-loading of goods using cranes which are expensive to buy and maintain.
3. Containers are not suitable for transporting living things like livestock.
4. It increases the cost of goods to the importers because containers are expensive to buy.
5. It reduces employment opportunities because machines are used to handle containers.
6. Containers are not suitable for carrying perishable goods because they are transported by a slow means of transport.
7. Containerization requires a large space therefore it is not suitable for small ports and harbours.
8. Containerization brings about congestion and delays at the harbour.
9. In case of an accident under water transport, the whole container may get drawn in the sea.

MARKET RESEARCH

- It is a service which is aimed at finding out public opinion about a particular good or service

OR

- It is a process by which a business man gets useful information from the public about his goods and services.

Why do traders carryout market research?

1) To find out the type of goods consumers want.
2) To find out the market prospects of a new product.
3) To find out the quantity of the products which would be brought by consumers?
4) To establish the cost of production for the total marketing expenses.
5) To find out the best advertising media to use.
6) To find out the best price at which goods can be sold.

7) To enable the producer to choose appropriate channels of distribution of his goods and services.
8) To avoid wastage or under production of goods.
9) To find out areas where demand is high and distribute accordingly.

OUTLINE THE IMPORTANCE OF MARKET RESEARCH TO PRODUCERS.

1. It increases the profits and sales of the producer.
2. It helps the producer to make better market decisions and future process.
3. It helps the producer to test the effectiveness of the advertisement media to be used.
4. It helps the producer to determine the competition of the business in relation to other businesses.
5. It helps the producer to introduce a new product on the market.
6. It helps the producer to know consumers ideas about the product and test them at a low cost.
7. It helps the producer to identify the opportunities for the product i.e.Will it be liked or disliked by the consumers.

WHAT IS THE IMPORTANCE OF MARKET RESEARCH TO CONSUMERS?

1) It helps consumers to pass on their product ideas to the producers.
2) It makes consumers to buy quality goods because producers will produce according to consumer's tastes and preferences.
3) It makes consumers aware of the new goods on the market.
4) It makes consumers aware of the features of a new product which reduces consumer exploitation.

QUESTION:

STATE AND EXPLAIN THE METHODS USED TO CARRY OUT MARKET RESEARCH

The following are the methods which are used to collect data or information while carrying out market research;

Consumer surveys
Consumer behavior
Internal research
Area retail test/ experimental method
Observation method

Contact/questionnaire method
Statistical data.

1. INTERNAL RESEARCH

- Its where figures from past records are compared to the present situation so as to determined the trend of the market.
- The trend of the market can be determined by comparing sales of one branch to another.

2. CONSUMER BEHAVIOUR

- Its done by watching the behavior of consumers towards a product.
- It includes seeing how they make their choices and the time they take while studying the product and the quality one buys.

3. CONSUMER SURVEYS

It's a form of market research intended to find out how consumers generally feel about the product.

Information is got by interviewing a selected number of people called a sample who answer question.

It's the recommendations of these selected consumers who determine the market of the product.

4. AREA RETAIL TEST/ EXPERIMENT METHOD

It's a method where a small area is selected to represent the whole market and is given to test a product.

People in a small area consume the product and the recommendations they make help in determining the market of the product.

5. OBSERVATION METHOD

- Its where the producer to be first to observes the possible market of a particular good before he enters the production process.

- The producer may first observe how the related products are being demanded.

COCTACT/QUESTIONAIRE METHODS

- It's a method where a producer designs structured or multiple choice questions which are circulated to prospective customers.
- - Questions are circulated through the post office, telephone or face to face talks.

STATISTICAL DATA

- Its where a producer may approach a research organization which has some statistical information regarding the product or related products
- Information is got by paying some money.

LIMITATIONS/PROBLEMS FACED IN MARKET RESEARCH.

1. Some of the methods used may not be reliable like interviewers where some consumers may give wrong answers or no answers at all.
2. Its expensive because it has to be carried out regularly as new customers join the market.
3. In most cases, researchers select a sample from a large group which may not be a good representation of the whole country.
4. Its tiresome time consuming because it has to be done irregularly.
5. Poor transport and communication facilities make it hard to reach many parts of the country.
6. Diversity of languages in Uganda which creates problems in getting information from people in some areas.
7. Illiteracy also makes it hard for some to answer the questions.
8. There is lack of information because many businesses do not keep proper records to be used for reference.
9. Political instability in some parts of the country discourages business men to carry out market research effectively.
10. There are few trained people to carry out market research effectively.

11. Many businesses operate on a small scale therefore they do not have enough money to carry out market research effectively.

STUDY QUESTIONS

1. a) Define market research

   b) Give reasons why traders carry out market research

2. Explain the importance of market research to

   i) Producer

   ii) Consumer`

3. a) What problems do market research experience when carrying out their work?

   b) Describe the market research methods

STOCK EXHANGE MARKET/SECURITY EXCHANGES

Stock exchange is a market where already issued shares and stock are bought and sold.

MEMBERSHIP OF THE STOCK EXCHANGE MARKET

QUESTION:

Explain the membership of the stock exchange market

- Its only members who are allowed to buy or sell shares at the stock exchange.
- It's the members who make up a market
- Any member in the public who wish to buy or sell shares must do so through a member of the stock exchange.
- Members choose a council among themselves which run the affairs of the stock exchange.
- Each member pays a fee which is used to pay the expenses used in the running of the stock exchange.
- Members of the stock exchange are mainly jobbers and brokers.

1. BROKERS

These are people who buy and sell shares on behalf of other people in the public.

- He is an agent who earns a commission called brokerage on each sale or purchase he arranges.
- They brief people on matters concerning the buying and selling of shares.
- People who wish to buy or sell shares approach the brokers for the transaction.
- They buy and sell shares on behalf of other and are given commission.

2. JOBBERS

- They are people who buy and sell shares on a large scale under their own names.
- They are like wholesalers
- They don't deal with the public but they sell shares to other jobbers or brokers
- They buy shares when the price is law and sell them at higher prices.
- Therefore the difference between the price he pays for the shares and the price he sales them is called "JOBBERS TURN" which is his profit.

Describe the role functions of jobbers on the stock exchange market

i) They buy and sell shares on their account and get a jobber's turn.
ii) They help avail shares to brokers so that they can get them for the public
iii) They act as speculators about the likely price changes of shares.
iv) They deal in new shares of the companies

TYPES OF JOBBERY

There are 3 types of jobbery namely:

a) Bulls
b) Bears
c) Stags

Bulls:

Therese are jobbers who buy shares when they are cheap expecting to sell them at a higher price at a profit.

Bears:

These are jobbers who sell shares at high prices expecting their prices to fall soon they buy them back at a lower price.

Stags:

These are jobbers who specialize in buying and selling newly issued shares of new commodities.

They buy these new shares expecting that their prices will soon rise and make profits.

NB: Specialization:

It is the act of buying shares when the prices are low with the hope of selling them when the price is high.

Functions / roles of the stock exchange / Security exchange market:

QUESTION;

Explain the importance of stock exchange to a country.

1. It provides market for those who want to buy and sell shares.
2. It is a measure of the country's economic progress based on the number of shares bought and sold.
3. It provides information on various commodities and helps tp guide the investors.
4. It's a source of employment opportunities to many people like brokers and jobbers
5. It's a source of revenue to the government through taxation.
6. It facilitates the transfer of shares so that inventory can easily shift their investment from one company to another.
7. It's the quickest means of getting cash through the sale of shares.
8. It ensures safety of public money it its invested in shares.
9. It connects the country with foreign investors and rises capital inflow.
10. It encourages savings among people through investment in shares.

COMMON TERMS USED AT THE STOCK EXCHANGE MARKET.

1. BLUE CHIPS

These are high class shares with a good reputation.

- They are on a high demand on the stock exchange because they earn high dividends and they are assured of the dividends e.g. preference shares.
- They are on a high demand on the stock exchange because they earn high dividends and they are assured of the dividends e.g. preference shares.

2. DIVIDENDS:
- Its part of the company's profits which are distributed to the shareholders.

3. BEARER SECUTITIES:
- Therese are securities which can be transferred by just delivery without a transfer form being made by the issuing company.

4. GILT EDGES SECURITIES:
- These are securities which are sold by the government to enable it get money from the public.

5. BONDS:
- These are loan securities issued by the government, corporation or company and carry ….. out of interest and refund on capital.
- Company bonds are also called debentures.

6. PAR VALUE OF SHARES:
- It's the face of value of a share
- Its printed on the face of the share certificate.

7. MARKET VALUE OF SHARES:
- It's the value at which a share is sold at the stock exchange market.
- It's the price of shares at the stock exchange markets.
- It depends on the care of company's profits, financial position and dividend payments.

8. BONUS SHARES:
- This is undistributed profits which can be converted into capital.

9. STOCK:

- It’s a block of shares which can be bought or sold by different shareholders to get share capital.
- Its from this that the word joint stock ….. is derived.

10. TO GO PUBLIC:
- It’s the act of converting a private limited company into a public limited company so that it can sell its shares on the stock exchange.

11. UNDER WRITING:
- It’s a process where an institution or person gives a guarantee to a company dealing in new shares that all its shares will be sold.
- This institution can be a bank, insurance company or a broker and it can be called an underwriter.

12. UN QUOTED COMPANIES:
- These are companies whose shares are not allowed to be traded on the stock exchange market.
- E.g. Private limited companies are examples of unquated companies because they don’t sell their shares through the stock exchange.

13. QUATED COMPANIES:
- These are companies whose shares are bought and sold through the stock exchange.
- E.g. Public limited companies are quoted companies because they sell their shares through the stock exchange.
- Only public companies can be quoted at the stock exchange because their shares are freely transferable.

14. ISSUING HOUSE:
- It’s a bank which deals in new shares on behalf of public limited companies.

15. CUM – DIV / WITH DIVIDENDS / CUMMULATIVE DIVIDENDS:
- It’s when the seller sells his shares and the buyer becomes entitled to the dividends that have already been declared by the company.

16. EX-DIV / WITHOUT DIVIDENDS
- It means that the buyer is not entitled to receive the dividends.
- Its when the seller sells his shares and the buyer becomes entitled only to upcoming dividends but not the already declared dividends by the company before the date of purchase.

17. EX-RIGHTS / WITHOUT RIGHTS

- It is when the seller offers to sell his shares without right to buy shares out of the new shares issued by the company.
- In other words after selling your shares, one is not allowed to buy any more shares from that company even if new shares are issued by the company.

18. CUM RIGHTS/WITHOUT RIGHTS

- Its when a seller offers to sell his shares with the rights to buy shares out of the new shares issued by company.

19. PORTFOLIO

- It's a group or set of shares which are owned by one investors or organizations.

CHALLENGES/ PROBLEMS OF STOCK EXCHANGE IN UGANDA

QUESTION:

Why is stock exchange not developed in Uganda?

1. Ignorance of the public about stock exchange services because many people do not know the importance of stock exchange.
2. Uganda is dominated with small scale enterprises which are unquoted like sole trade, partnership, and private limited companies.
3. Many people are not aware of the middlemen at the stock exchange like the brokers therefore they can't easily make orders for shares.
4. Limited government support because government has not given enough support to allow grow of the stock exchange because of high taxes.
5. The public lacks confidence to invest their savings which some companies in form of shares because of completion.
6. Political instability in some parts of the country scares away some investors.
7. Poverty leads to low savings and this reduces investment in shares.
8. Low interest rates offered on securities/shares discourage people to buy shares.
9. Limited skilled man power like brokers and jobbers to accelerate the activities of stock exchange.
10. Poor transport and communication systems retards the growth of stock exchange.
11. High fluctuation prices of shares makes it hard for people to make investment decisions.

SOLUTIONS TO PROBLEMS OF STOCK EXCHANGE MARKETS

1. Liberalization of the economy.

   This has given people liberty to trade without government controls.

2. Government promoted investment through encouraging local and foreign investors to invest in Uganda.
3. Improvement in the banking sector to increase stock trading.
4. Transport and communication services have been promoted and improved.
5. Government is fighting competition by promoting a high degree of accountability.

Staff has been trained in the stock exchange market dealings.