***Week three lesson***

***Subject: Commerce***

***Class: SS2B***

***Topic: Trade Associations and Other Enterprises***

***Subtopic: Other Enterprises.***

***CARTEL***: A Cartel is a monopolistic type of organization established originally by producers of similar product for the main purpose of restricting output of members in order to keep up the price of their product. It is an association of independent producers, formed mainly for the main purpose of regulating prices by controlling output. Members of a Cartel retain their separate identity and are independent.

Cartel has its origin in Germany. The producers are given certain quotas of the commodities to produce, and this can be increased or reduced depending on the market situation. Prices can be increased by cutting output while an increase in output will force the price down, e.g. Organization of Petroleum Exporting Countries'(OPEC) regulation of oil prices.

***TRUST***: This is an amalgamation of different competing firms in different lines of businesses under a single control. In Trust, the firm will retain their identity but the trustee will take over the management and control. It is vertically integrated in nature and the amalgamated firms are brought under a central control. Certificate will be issued to all members. Trust has its origin in America.

***CONSORTIUM***: A consortium is a group of independent firms formed to work on a particular project which requires large resources and is too complex for a single firm to undertake. A consortium is also an association of firms that pool their resources together to finance a project they cannot embark upon individually, because of its complexity or the capital outlay. A very good example is the consortium of banks that gave loan to African Independent Television (AIT).

***OTHER FORMS OF INDUSTRIAL COMBINATIONS***

***Holding Company***: In holding, one company acquires the whole or a large proportion of the issued share capital of other companies with the objective of actively controlling such companies. A holding Company is purely a financial concern which uses its capital to acquire controlling interest of over 51% in other firms. The parent company is called holding company while others whose shares are being acquired are its subsidiaries. The subsidiary companies will retain their identities and names.

***Price Rings***: price rings is an association of a number of competing firms who have agreed to operate a common price policy for their competing products. Price rings advocates uniform price but allows competition among the firms. The firms are loosely associated together.

***SYNDICATE***: Syndicate is an association of organizations who work together for a common aim while retaining their independence. It is voluntary, e.g. underwriters at Lloyds work in syndicates.

***MERGER/ AMALGAMATION***: Merger is the combination or coming together of two or more previously independent firms to form one large firm. It is the unification of two or more organizations to form a new one. The old firms will lose their identity in the new organization while the new firm can take a new name or adopt a combination of names of the old firms. Merger may arise from the desire to diversify or to buy out a competitor.

***ASSIGNMENT***:

(1). State five differences between Cartel and Trust.

(2). Explain four disadvantages of business merger.

(3). State four features of a Cartel.

***Submit the assignment on Monday 8th June. Submit to my WhatsApp page: 08062433021.***