Tertiary sector of the economy finance essay

Finance

Introduction

Primary Sector

Secondary Sector

Tertiary Sector

Quaternary Sector

Quinary Sector

Channels of distribution

Chapter2: Money

Chapter3: Weights and Measures

Chapter4: office equipments

Chapter5: Commercial Correspondence

Chapter6: Business Organization.

Chapter7: English texts and vocabulary for specific options : (Banking, Insurance, transport, Marketing, Telecommunication, Stock Exchange, Trade, Accounting)

Structure and grammar component: (See Top in English, l'Anglais au Bac ...)

Writing

- Building paragraphs

-Writing essays

Course features

Make effective presentationsMaster the language of negotiationsCommunicate effectively in international meetingsAcquire specialist vocabulary and colloquial 'business jargon'Handle a wide range of telephone calls effectivelyMaximise progress and minimise time out of the office.

Chapter 1

Sectors of the Economy

Introduction

A nation's economy is divided into various sectors to identify the size of the population dealing in the activity sector. This distinction is seen as a continuum of distance from the natural environment. The primary sector is the starting point of the continuum, which concerns with the use of raw materials made available by nature as agriculture and mining.

Primary Sector

The primary sector of the economy extracts or harvests products from the earth. The primary sector includes the production of raw material and basic foods. Activities associated with the primary sector include agriculture (both subsistence and commercial), mining, forestry, farming, grazing, hunting and gathering, fishing, and quarrying. The packaging and processing of the raw material associated with this sector is also considered to be part of this sector. In developed and developing countries, a decreasing proportion of workers are involved in the primary sector. About 3% of the U. S. labor force is engaged in primary sector activity today, while more than two-thirds of the labor force were primary sector workers in the mid-nineteenth century.

Secondary Sector

The secondary sector of the economy manufactures finished goods. All of manufacturing, processing, and construction lies within the secondary sector. Activities associated with the secondary sector include metal working and smelting, automobile production, textile production, chemical and engineering industries, aerospace manufacturing, energy utilities, engineering, breweries and bottlers, construction, and shipbuilding.

Tertiary Sector

The tertiary sector of the economy is the service industry. This sector provides services to the general population and to businesses. Activities associated with this sector include retail and wholesale sales, transportation and distribution, entertainment (movies, television, radio, music, theater, etc.), restaurants, clerical services, media, tourism, insurance, banking, healthcare, and law. In most developed and developing countries, a growing proportion of workers are devoted to the tertiary sector. In the U. S., more than 80% of the laborforce are tertiary workers.

Quaternary Sector

The quaternary sector of the economy consists of intellectual activities. Activities associated with this sector include government, culture, libraries, scientific research, education, and information technology.

Quinary Sector

Some consider there to be a branch of the quaternary sector called the quinary sector, which includes the highest levels of decision making in a society or economy. This sector would include the top executives or officials in such fields as government, science, universities, nonprofit, healthcare, culture, and the media. An Australian source relates that the quinary sector in Australia refers to domestic activities such as those performed by stay-at-home parents or homemakers. These activities are typically not measured by monetary amounts but it is important to recognize these activities in contribution to the economy.

Tertiary sector of the economy

The tertiary sector of the economy (also known as the service sector or the service industry) is one of the three economic sectors, the others being the secondary sector (approximately the same as manufacturing) and the primary sector (agriculture, fishing, and extraction such as mining). The service sector consists of the " soft" parts of the economy, i. e. activities where people offer their knowledge and time to improve productivity, performance, potential, and sustainability. The basic characteristic of this sector is the production of services instead of end products. Services (also known as " intangible goods") include attention, advice, experience, and discussion. The production of information is generally also regarded as a service, but some economists now attribute it to a fourth sector, the quaternary sector. The tertiary sector of industry involves the provision of services to other businesses as well as final consumers. Services may involve the transport, distribution and sale of goods from producer to a consumer, as may happen in wholesaling and retailing, or may involve the provision of a service, such as in pest control or entertainment. The goods may be transformed in the process of providing the service, as happens in the restaurant industry. However, the focus is on people interacting with people and serving the customer rather than transforming physical goods. For the last 30 years, there has been a substantial shift from the primary and secondary sectors to the tertiary sector in industrialised countries. This shift is called tertiarisation. The tertiary sector is now the largest sector of the economy in the Western world, and is also the fastest-growing sector.

Service economy

The term service economy refers to a model wherein as much economic activity as possible is treated as a service. For example, IBM treats its business as a service business. Although it still manufactures high-end computers, it treats the physical goods as a small part of the " business solutions" industry, and has found that the price elasticity of demand for " business solutions" is much less than that for hardware. There has been a corresponding shift to a subscription pricing model. Rather than receiving a single payment for a piece of manufactured equipment, many manufacturers are now receiving a steady stream of revenue for ongoing contracts. Another example is the banking industry, which has gone through enormous changes in recent years. Using information and communication technology, banks have vastly reduced the number of staff they need. Many banks and building societies have merged to form much " leaner" businesses capable of extracting more profit from a wider customer base.

Theory of progression

Economies tend to follow a developmental progression that takes them from a heavy reliance on agriculture and mining, toward the development of manufacturing (e. g. automobiles, textiles, shipbuilding, steel) and finally toward a more service-based structure. The first economy to follow this path in the modern world was the United Kingdom. The speed at which other economies have made the transition to service-based (or " post-industrial") economies has increased over time. Historically, manufacturing tended to be more open to international trade and competition than services. However, with dramatic cost reduction and speed and reliability improvements in the transportation of people and the communication of information, the service sector now includes some of the most intensive international competition, despite residual protectionism.

Issues for service providers

Service providers face obstacles selling services that goods-sellers rarely face. Services are not tangible, making it difficult for potential customers to understand what they will receive and what value it will hold for them. Indeed some, such as consultants and providers of investment services, offer no guarantees of the value for price paid. Since the quality of most services depends largely on the quality of the individuals providing the services, it is true that " people costs" are a high component of service costs. Whereas a manufacturer may use technology, simplification, and other techniques to lower the cost of goods sold, the service provider often faces an unrelenting pattern of increasing costs. Differentiation is often difficult. For example, how does one choose one investment adviser over another, since they often seem to provide identical services? Charging a premium for services is usually an option only for the most established firms, who charge extra based upon brand recognition.

Channels of distribution

Definition of a Channel of Distribution

A channel of distribution can be defined as the collection of organizational units, institutions, or agencies within or external to the manufacturer, which perform the functions that support product marketing. The marketing functions are pervasive: they include buying, selling, transporting, storing, grading, financing, bearing market risk, and providing marketing information. Any organizational unit, institution, or agency that performs one or more of the marketing functions is a member of a channel of distribution. The structure of a distribution channel is determined by the marketing functions that specific organizations perform. Some channel members perform single functions-carriers transport products, and public warehousers store them. Others, such as third party logistics providers and wholesalers, perform multiple functions. Channel structure affects (1) control over the performance of functions, (2) the speed of delivery and communication, and (3) the cost of operations. While a direct manufacturer-to-user channel usually gives management greater control over the performance of marketing functions, distribution costs normally are higher, making it necessary for the firm to have substantial sales volume or market concentration. With indirect channels, the external institutions or agencies (e. g. carriers, warehousers, wholesalers, retailers) assume much of the cost burden and risk, so the manufacturer receives less revenue per unit. Most distribution channels are loosely structured networks of vertically aligned firms. The specific structure depends to a large extent on the nature of the product and the firm's target market. There is no " best" channel structure, for all firms producing similar products. Management must determine channel structure within the framework of the firm's corporate and marketing objectives, its operating philosophy, its strengths and weaknesses, and its infrastructure of manufacturing facilities and warehouses. If the firm has targeted multiple market segments, management may have to develop multiple channels to service these markets efficiently.

Chapter2:

MONEY

Money is any object or record that is generally accepted as payment for goods and services and repayment of debts in a given country or socio-economic context.[1][2][3] The main functions of money are distinguished as: a medium of exchange; a unit of account; a store of value; and, occasionally in the past, a standard of deferred payment Any kind of object or secure verifiable record that fulfills these functions can serve as money. Money originated as commodity money, but nearly all contemporary money systems are based on fiat money.[4] Fiat money is without intrinsic use value as a physical commodity, and derives its value by being declared by a government to be legal tender; that is, it must be accepted as a form of payment within the boundaries of the country, for " all debts, public and private". The money supply of a country consists of currency (banknotes and coins) and bank money (the balance held in checking accounts and savings accounts). Bank money usually forms by far the largest part of the money supply.

Functions

In the past, money was generally considered to have the following four main functions, which are summed up in a rhyme found in older economics textbooks: " Money is a matter of functions four, a medium, a measure, a standard, a store." That is, money functions as a medium of exchange, a unit of account, a standard of deferred payment, and a store of value.[5] However, modern textbooks now list only three functions, that of medium of exchange, unit of account, and store of value, not considering a standard of deferred payment as a distinguished function, but rather subsuming it in the others.[4][16][17]There have been many historical disputes regarding the combination of money's functions, some arguing that they need more separation and that a single unit is insufficient to deal with them all. One of these arguments is that the role of money as a medium of exchange is in conflict with its role as a store of value: its role as a store of value requires holding it without spending, whereas its role as a medium of exchange requires it to circulate.[5] Others argue that storing of value is just deferral of the exchange, but does not diminish the fact that money is a medium of exchange that can be transported both across space and time.[18] The term 'financial capital' is a more general and inclusive term for all liquid instruments, whether or not they are a uniformly recognized tender.

Medium of exchange

When money is used to intermediate the exchange of goods and services, it is performing a function as a medium of exchange. It thereby avoids the inefficiencies of a barter system, such as the 'double coincidence of wants' problem.

Unit of account

A unit of account is a standard numerical unit of measurement of the market value of goods, services, and other transactions. Also known as a " measure" or " standard" of relative worth and deferred payment, a unit of account is a necessary prerequisite for the formulation of commercial agreements that involve debt. To function as a 'unit of account', whatever is being used as money must be: Divisible into smaller units without loss of value; precious metals can be coined from bars, or melted down into bars again. Fungible: that is, one unit or piece must be perceived as equivalent to any other, which is why diamonds, works of art or real estate are not suitable as money. A specific weight, or measure, or size to be verifiably countable. For instance, coins are often milled with a reeded edge, so that any removal of material from the coin (lowering its commodity value) will be easy to detect.

Store of value

To act as a store of value, a money must be able to be reliably saved, stored, and retrieved – and be predictably usable as a medium of exchange when it is retrieved. The value of the money must also remain stable over time. Some have argued that inflation, by reducing the value of money, diminishes the ability of the money to function as a store of value.[4]

Standard of deferred payment

While standard of deferred payment is distinguished by some texts, particularly older ones, other texts subsume this under other functions. A " standard of deferred payment" is an accepted way to settle a debt – a unit in which debts are denominated, and the status of money as legal tender, in those jurisdictions which have this concept, states that it may function for the discharge of debts. When debts are denominated in money, the real value of debts may change due to inflation and deflation, and for sovereign and international debts via debasement and devaluation.

Types of money

Currently, most modern monetary systems are based on fiat money. However, for most of history, almost all money was commodity money, such as gold and silver coins. As economies developed, commodity money was eventually replaced by representative money, such as the gold standard, as traders found the physical transportation of gold and silver burdensome. Fiat currencies gradually took over in the last hundred years, especially since the breakup of the Bretton Woods system in the early 1970s.

Commodity money

Many items have been used as commodity money such as naturally scarce precious metals, conch shells, barley, beads etc., as well as many other things that are thought of as having value. Commodity money value comes from the commodity out of which it is made. The commodity itself constitutes the money, and the money is the commodity.[19] Examples of commodities that have been used as mediums of exchange include gold, silver, copper, rice, salt, peppercorns, large stones, decorated belts, shells, alcohol, cigarettes, cannabis, candy, etc. These items were sometimes used in a metric of perceived value in conjunction to one another, in various commodity valuation or Price System economies. Use of commodity money is similar to barter, but a commodity money provides a simple and automatic unit of account for the commodity which is being used as money. Although some gold coins such as the Krugerrand are considered legal tender, there is no record of their face value on either side of the coin. The rationale for this is that emphasis is laid on their direct link to the prevailing value of their fine gold content. American Eagles are imprinted with their gold content and legal tender face value.

Commercial bank money

Commercial bank money or demand deposits are claims against financial institutions that can be used for the purchase of goods and services. A demand deposit account is an account from which funds can be withdrawn at any time by check or cash withdrawal without giving the bank or financial institution any prior notice. Banks have the legal obligation to return funds held in demand deposits immediately upon demand (or 'at call'). Demand deposit withdrawals can be performed in person, via checks or bank drafts, using automatic teller machines (ATMs), or through online banking. Commercial bank money is created through fractional-reserve banking, the banking practice where banks keep only a fraction of their deposits in reserve (as cash and other highly liquid assets) and lend out the remainder, while maintaining the simultaneous obligation to redeem all these deposits upon demand. Commercial bank money differs from commodity and fiat money in two ways, firstly it is non-physical, as its existence is only reflected in the account ledgers of banks and other financial institutions, and secondly, there is some element of risk that the claim will not be fulfilled if the financial institution becomes insolvent. The process of fractional-reserve banking has a cumulative effect of money creation by commercial banks, as it expands money supply (cash and demand deposits) beyond what it would otherwise be. Because of the prevalence of fractional reserve banking, the broad money supply of most countries is a multiple larger than the amount of base money created by the country's central bank. That multiple (called the money multiplier) is determined by the reserve requirement or other financial ratio requirements imposed by financial regulators. The money supply of a country is usually held to be the total amount of currency in circulation plus the total amount of checking and savings deposits in the commercial banks in the country. In modern economies, relatively little of the money supply is in physical currency. For example, in December 2010 in the U. S., of the $8853. 4 billion in broad money supply (M2), only $915. 7 billion (about 10%) consisted of physical coins and paper money.