

Chapter 1

Overview of An Enterprise

Learning objectives

- Definition of enterprise.
- An enterprise is both a manufacturer and a distributor.
- Nature and characteristics of the enterprise system.
- Purpose and goals of the enterprise.
- Establishment, dissolution, and bankruptcy of enterprises.

1. Definition of enterprise

What is an enterprise?

“An enterprise is an economic organization established to carry out business activities, perform the functions of production, purchase, and sale of goods or services, absorb human and social demands, and provide information through useful activities to make a profit.”

What is an enterprise? (Cont.)

- “**Enterprise**” means an organization that has a proper name, assets, premises, is established or registered in accordance with law for business purposes.
- A “**Vietnamese enterprise**” means an enterprise that is registered in accordance with Vietnam’s law and has its headquarters located within Vietnam.

**2. An enterprise is
both a manufacturer and a distributor**

An enterprise is a production unit

- Businesses operating in different fields all have the same things in common:
 - ❖ Have production means, human resources, finance, techniques, and know-how.
 - ❖ Purchase raw materials, fuel, machinery, and equipment from suppliers.
 - ❖ Produce goods or services to sell to customers or provide to society.

An enterprise is a production unit (Cont.)

- Businesses must combine elements of the production process to produce a product or service.
- Businesses need to determine the selling price of their products and services, which allows them to offset their production and business costs.
- Businesses must confront this calculation.

An enterprise is a distribution unit

- Returns/Proceeds from selling products and services are used to pay many different expenses, including:
 - ❖ Payments to suppliers of raw materials, machinery, equipment, fuel, and energy.
 - ❖ Payment of salaries and bonuses to employees.
 - ❖ Expenses for repairing fixed assets.
 - ❖ Expenses for management: information, communication, stationery, customer conferences, reception, etc.
- Enterprises need to calculate and balance revenues and expenses so that production and business activities continuously develop.

3. Nature and characteristics of the enterprise system

The nature of the business system

- Enterprises differ from other organizations in that they produce goods or provide services to earn profits and further expand business activities.
- Business is a system of producing goods or services to satisfy human and social demands.
- Business itself can be considered an overall system consisting of smaller subordinate systems called business sectors.

The nature of the business system (Cont.)

- Each business sector is made up of many enterprises of different sizes, producing many types of businesses and different products.
- Each enterprise includes many subsystems such as production, finance, marketing, etc.

The characteristic of the business system

- ***Complexity and diversity***

- ❖ The modern business system is a very complex structure consisting of many regions. Each region is created by many industries. Each industry is made up of many business organizations that vary in terms of ownership form, business size, capital structure, management style, and scope of operations.
- ❖ For example, the manufacturing sector is made up of factories assembling cars, electrical appliances (kettles, rice cookers, refrigerators, etc.), and electronic products (recorders, etc.). , players and televisions, calculators, computers, etc.).

The characteristic of the business system (Cont.)

- ***Complexity and diversity***

- ❖ The service sector includes services such as transportation, banking, and professional services.
 - The transport company industry is made up of the following industries: railways, maritime transport, automobile transport, and aviation.
 - The service industry includes shipping agencies, hotels, restaurants, and national parks.
 - The professional services industry includes lawyers, architects, doctors, accountants, etc.
- ❖ Within each of these industries, some companies operate only locally scope. Meanwhile, many other companies have offices in many countries.

The characteristic of the business system (Cont.)

- ***Interdependence***

❖ Business organizations cooperate in business activities with each other. A company buys raw materials or parts from many other companies and then sells the finished products to wholesalers and retailers, who sell them to end users. In the process, all of these business organizations depend on the service provision of transportation companies, banks, and many other companies. Therefore, interdependence is a separate business system from the modern business system.

The characteristic of the business system (Cont.)

- ***Change and Innovation***

- ❖ To ensure success, business organizations must promptly respond to changing consumer tastes and demands. The inevitable consequence of technological advances is that many products quickly become obsolete and are replaced. Therefore, change and innovation are important features in modern business systems.

4. Purpose and goals of the enterprise

The purposes of an enterprise

- The purpose of an enterprise is to show its tendency to survive and develop. Enterprises have 3 basic purposes:
 - ❖ *Economic purpose*: Earning profit is the most important purpose of businesses operating in production and business activities.
 - ❖ *Social purpose*: providing goods and services that meet social needs. This is the most important purpose of public benefit enterprises.
 - ❖ *The purpose of satisfying*: meet the specific and diverse needs of everyone participating in the business.

The goals of an enterprise

- Goals are an expression of the business's purpose and are specific milestones that are developed step by step.
- A goal is a question that needs to be answered within a certain period.
- The goal must be achieved to satisfy both quantity and quality and identify means of implementation.
- The goals of an enterprise must always follow each stage of its development.

5. Establishment, dissolution, and bankruptcy of enterprises

Enterprise establishment

- Based on Article 17 of Law on Enterprise, the rights to establish, contribute capital, buy shares/stakes and manage enterprises:
 - ❖ 1. Organizations and individuals have the right to establish and manage enterprises in Vietnam in accordance with this Law, except for the cases specified in Clause 2 of this Article.
 - ❖ 2. The following organizations and individuals do not have the right to establish and manage enterprises in Vietnam:
 - a) State authorities, People's armed forces using state-owned assets to establish enterprises to serve their own interests;

Enterprise establishment (Cont.)

- Based on Article 17 of Law on Enterprise, the rights to establish, contribute capital, buy shares/stakes and manage enterprises:
 - ❖ 2. The following organizations and individuals do not have the right to establish and manage enterprises in Vietnam:
 - b) Officials and public employees defined by the Law on Officials and the Law on Public Employees;
 - c) Commissioned officers, non-commissioned officers, career military personnel, military workers and public employees in agencies and units of Vietnam People's Army; commissioned officers, non-commissioned officers and police workers in police authorities and units, except for those designated and authorized representatives to manage state-owned stakes in enterprises or to manage state-owned enterprises;
 - Etc.

Dissolution of Enterprises

- Based on Article 207 of Law on Enterprise, Cases of and conditions for dissolution of enterprises.
 - ❖ 1. An enterprise shall be dissolved in the following cases:
 - a) The operating period specified in the company's charter expires without an extension decision;
 - b) The enterprise is dissolved under a resolution or decision of the owner (for sole proprietorships), the Board of Partners (for partnerships), the Board of Members and the owner (for limited liability companies) or the GMS (for joint stock companies);
 - c) The enterprise fails to maintain the adequate number of members prescribed in this Law for 06 consecutive months without converting into another type of business;
 - d) The Certificate of Enterprise Registration is revoked (Article 212), unless otherwise prescribed by the Law on Tax administration.

Dissolution of Enterprises (Cont.)

- Based on Article 207 of Law on Enterprise, Cases of and conditions for dissolution of enterprises.
 - ❖ 2. An enterprise may only be dissolved after all of its debts and liabilities are fully paid and it is not involved in any dispute at the court or arbitration. Relevant executives and the enterprise mentioned in Point d Clause 1 of this Article are jointly responsible for the enterprise's debts.

Dissolution of Enterprises (Cont.)

- In addition, to carry out the dissolution process, enterprises must comply with the following articles:
 - ❖ Article 208. Dissolution procedures.
 - 1. A resolution or decision on the dissolution is issued.
 - ✓ a) The enterprise's name and headquarters address;
 - ✓ b) Reasons for dissolution;
 - ✓ c) Time limit and procedures for finalization of contracts and payment of the enterprise's debts;
 - ✓ d) Plan for settlement of obligations under employment contracts;
 - Etc.

Dissolution of Enterprises (Cont.)

- In addition, to carry out the dissolution process, enterprises must comply with the following articles:
 - ❖ Article 209. Dissolution upon revocation of the Certificate of Enterprise Registration or under court.
 - ❖ Article 210. Application for dissolution.
 - ❖ Article 211. Actions prohibited from the issuance date of the dissolution decision.

Bankruptcy of Enterprises

- Article 214. Bankruptcy of enterprises
 - ❖ Bankruptcy laws shall apply to bankruptcy of enterprises.

In conclusion

- Definition of enterprise.
- An enterprise is both a manufacturer and a distributor.
- Nature and characteristics of the enterprise system.
- Purpose and goals of the enterprise.
- Establishment, dissolution, and bankruptcy of enterprises.

Understand



**THANK YOU
FOR YOUR ATTENTION**

Q&A