



Unit 6- Organizing Business and Entrepreneurial Finance

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Introduction:

Business means a state of being busy; business includes economic activities which satisfy the human wants. These activities can either be manufacturing or selling goods or rendering of services. All activities carried out to supply goods and services, activities adding utilities to production, satisfying human needs and earning profit are called business.

Business is a broad term and covers a wide range of activities, it includes trade, commerce and industry and may be owned by few persons privately or by public at large.



The term business has been defined by various experts in following way:

- 1) **Bayard O wheeler**: “Business is an institution organized and operated to provide goods and services to society under the incentive of private gain”
- 2) **L.H, Haney**, “Business may be defined as human activities directed towards providing or acquiring wealth through buying and selling of goods”.
- 3) **Louis E. Boone and L. Kurtz** said, “Business consists of all profit seeking activities and enterprises that provides goods and services necessary to an economic system.”
- 4) **Skinner and Ivancevich** said, “Business is the exchange of goods, services or money for mutual benefit or profit.”
- 5) According to **James Stephenson**, “Economic activities performed for earning profits are termed as the business.”



Nature and Scope of business:

Scope is divided into two-

- 1) Industry and**
- 2) Commerce.**



1) Industry is further classified into following types as under:-

- **Extractive Industry:**
- **Genetic Industries:**
- **Constructive Industries:**
- **Manufacturing Industries:**



2) Commerce

Commerce is the second branch of business. It is a very important component of business and is concerned with the buying and selling of goods. It includes all the activities which are connected with the exchange of goods from the place of production to the ultimate consumers. Commerce includes all those activities which facilitate trade.

According to James Stephenson. “Commerce embraces all those processes which help to break the barrier between producers and consumers. It is the sum total of those processes which are engaged in removal of hindrance of person, place and time **in exchange of commodities**”



Commerce is further classified into following types :

a) TRADE

and

b) AIDS TO TRADE

TRADE is classified into two types

Internal Trade: Wholesale Trade. And Retail Trade

External Trade: Import Trade, Export Trade and Entrepot



AID TO TRADE:

Banking

Insurance

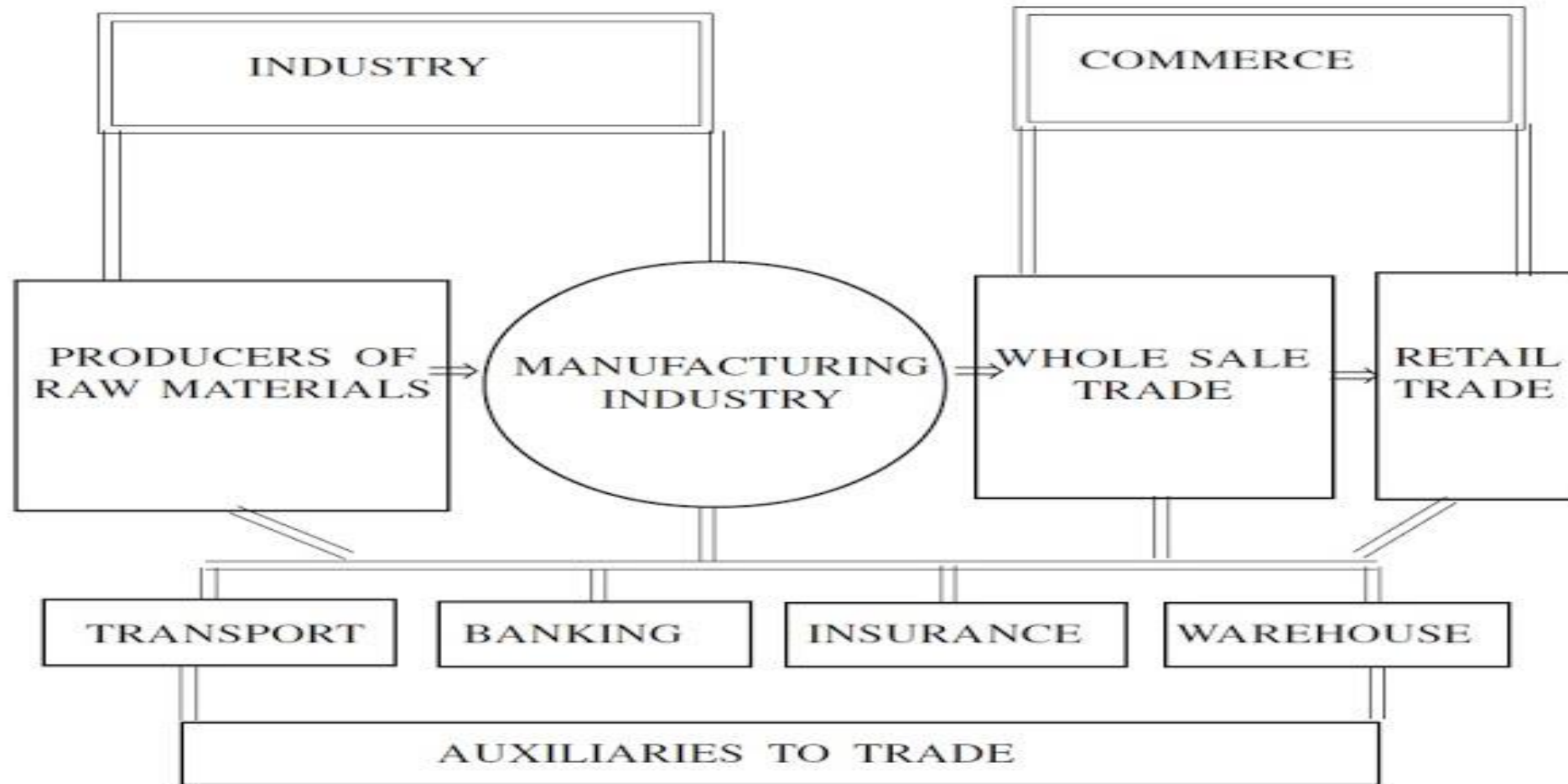
Transport

Warehousing

Advertisement



FIG. RELATIONSHIP OF INDUSTRY, COMMERCE AND TRADE





Introduction To Various Forms Of Ownership:

Sole Proprietorship

Partnerships

Corporation

A Cooperative Business



Factors Affecting Choices Of an Ideal Form Of Ownership

Ease in formation

Nature of business activity

Scale of operations

Capital requirements

Degree of control and management

Degree of risk and liability



Factors Affecting Choices Of an Ideal Form Of Ownership

Stability of business

Flexibility of administration

Division of profit

Costs, procedure and government regulation

Tax liability

Geographical mobility

Scope of expansion



Conclusion:

The various characteristics of an ideal form discussed are not to be considered in isolation from each other. The choice will actually be dictated by the requirements which guide the enterprise proposed to be studied



THANK YOU