

Topic 2

Week 1
Class 1-2

Business

2025

Industrial Management

0413 02 BA 3151

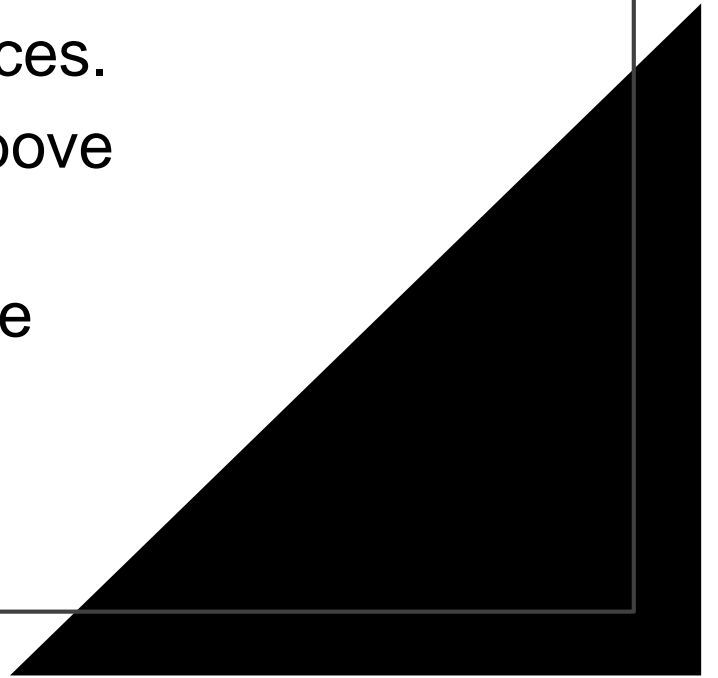
What Is Business?

- Activity seeking profit
- Provides goods/services
- Satisfy standard of living-quality of life
- *Nonprofit organizations*



Revenues, Profits, and Losses

- **Revenue** is the total amount of money a business takes in during a given period by selling goods and services.
- **Profit** is the amount of money a business earns above and beyond what it spends.
- **Loss** occurs when a business's expenses are more than its revenues



Matching Risk with Profit

- **Risk** is the chance an entrepreneur takes of losing time and money on a business that may not prove profitable.

*Big risk **can** mean big profits.
will*

Matching Risk with Profit

*A nation's businesses are part of an economic system that contributes to the **standard of living** and **quality of life** for everyone in the country (and, potentially, the world).*

standard of living

The amount of goods and services people can buy with the money they have.

Is it a Business?

Lemonade Stand Run by a Child: Is a child's lemonade stand a business?

LEMONADE



Is it a Business?

1. **Garage Sale:** Hosting a garage sale involves selling items for profit, but is it a business or a personal way to declutter and make some extra money?



Is it a Business?

Airbnb Hosting:

Renting out a room or property on Airbnb involves transactions and generating income





Is it a Business?

NASDAILY.

Social Media Influencer:

Individuals can make money by promoting products on social media, blurring the lines between personal activities and business endeavours.



Is it a Business?

Student Selling Notes:
When a student sells their class notes to peers, it involves an exchange of money for a service, but does it constitute a business or a study aid?

What Type of Business Is Appropriate for You?

Consider the following factors before starting a business –

- **Capital Requirements**– The amount of funds necessary to finance the operation
- **Risk**– The amount of personal property a person is willing to lose by starting the business
- **Control**– The amount of authority the owner exercises
- **Managerial Abilities**– The skills needed to plan, organize and control the business
- **Time Requirements**– The time needed to operate the business and provide guidance to the employees
- **Tax Liability**– What taxes a business must pay to various government organizations on earnings of the business

Basic Forms of Business Ownership

Sole proprietorship

A business that is owned, and usually managed, by one person.

Partnership

A legal form of business with two or more owners.

Joint Stock Company

A legal entity with authority to act and have liability separate from its owners.

A. Sole Proprietorship

A business owned and managed by one Individual.

Example – restaurant, roadside shop

The capital (money) needed to start and operate the business is normally provided by the owner through personal wealth or borrowed money.

The sole proprietor usually is an active manager

Controls the operation

Supervises the employees and

Makes decisions

The managerial ability of the owner usually accounts for the success or failure of the business.



Advantages of Proprietorship

- **Ease of starting** – it involves a minimum number of problems, No general laws.
- **Control** – as boss make final decisions
- **Retention of profits** – Owner is the sole profit taker
- Use of owner's abilities, managerial expertise for the success of the business
- **Leaving a legacy**- leave business for future generations
- **Tax breaks** – no income tax for the business organisation.
- **Secrecy** – no information to the public
- **Ease of dissolving**



Disadvantages of Proprietorship

- Unlimited liability—the risk of personal losses
- Limited financial resources
- Management difficulties
- Overwhelming time commitment
- Limited growth
- Limited life span

B. Partnerships

A business owned by two or more people.

A partnership can be based on written contract or a voluntary and legal oral agreement.

It is not compulsory to register.

However, it is advisable since the following rights are denied to an unregistered firm:

- A partner cannot file a suit in any court against the firm or other partners
- A right arising from a contract cannot be enforced in any Court

B. Partnerships

LIABILITY

- All the partners of a partnership are liable severally and **jointly** for the liability of the partnership
- The concept of Limited Liability Partnership does not exist in Bangladesh.

TAXATION

- Partnerships in Bangladesh are **not taxed** at the entity level

MEMBERS & MANAGEMENT

- Minimum of 2 partners and **maximum of 20 partners**

PARTNERSHIP – REGISTRATION PROCEDURE

- **Step 1- Choosing The Partnership Name**
- **Step 2 – Prepare A Partnership Deed**
- **Step 3- Register Partnership Deed With RJSC (Registrar of Joint Stock Company)**

Partnership Contract

A contractual agreement is called articles of partnership. A written partnership agreement includes the following main features –

- **Name** of the business partnership
- **Type** of business
- **Location** of the business
- Expected **life** of the partnership
- **List** of the partners and the amount of each one's **investment**
- Procedures for **distributing profits** and covering losses
- Amounts that partners will **get** for services
- **Procedure** for **withdrawal** of funds
- **Duties** of each partners
- Procedures for **dissolving** the partnership
- Procedures of **adding new partners**

Advantages of Partnerships

- More financial resources
- Shared management and pooled/complementary skills and knowledge
- Longer survival
- No special taxes



Disadvantages of Partnerships

- Unlimited liability—the risk of personal losses
- Potential disagreements
- Investment withdrawal difficulty
- Limited capital availability
- Instability

Corporation/ Joint Stock Company

A company can be created as a **legal person** so that the company itself has **limited liability**

Characteristics of company

- Created by law
 - Compulsory registration
 - Artificial Entity
 - Seal
 - Perpetual succession
 - Limited liability
 - Share
- Compulsory audit
-

Types of Company

Private Limited Company

- Restricted right to transfer its shares;
- Cannot issue IPO;
- Maximum members to 50.

Public Limited Company

- Can sell share to Public
- Minimum Shareholder: 07

One Person Company

- Only a natural person can form an OPC;
- Paid up capital: 25 lac to 05 Crore BDT
- preceding year's turnover: 01 – 50 Crore BDT

Corporation/ Company

Requirements of minimum shareholders & directors:

	Public Limited	Private Limited	OPC
Minimum Shareholder	7	2	1
Minimum Director	3	2	1

Authorized capital: The maximum amount of share capital that is mentioned in the Company's Memorandum of Association.

Paid-up capital: The total amount of money a company has received from shareholders in exchange for shares of stock. To increase paid up capital of a private.

Setting up a Company in Bangladesh





Certificate of Incorporation
(under Act XVIII of 1994)

No. C-136421/2017

*I hereby certify that **Fashion Atelier Limited** is this day incorporated under the Companies Act (Act XVIII) of 1994 and that the Company is Limited.*

*Given under my hand at Dhaka this **Sixth** day of **March** two thousand and **seventeen**.*

By order of
Registrar

Assistant Registrar
Registrar of Joint Stock Companies & Firms
Bangladesh



N.B. This certificate is digitally signed. Please find the soft copy to verify the signature.



Certificate for Commencement of Business

[Pursuant to section 150 of the Companies Act, 1994]

Turbo Power Ltd.

I hereby certify that the-----

Sixth
which was incorporated under the Companies Act, 1994 on the ----- day of
April -----20¹¹-----and which has this day filed a duly verified
declaration in the prescribed form that the conditions of section 150 (a) to (d) of
the said Act, have been complied with, is entitled to commence business.

Given under my hand at -----DHAKA-----this-----Sixth-----
April-----Eleven-----
day of -----two thousand and-----



Deputy Registrar of Joint Stock Companies & Firms,
Bangladesh.



Advantages of Corporations/ Companies

- Limited liability
- Ability to raise more money for investment
- Size
- Perpetual life
- Ease of ownership change
- Ease of attracting talented employees
- Separation of ownership from management



Types of Meetings a company needs to hold

Statutory Meeting

the first meeting of the shareholders of a public company and is held only once in the lifetime of a company.

Annual General Meeting

a mandatory annual assembly of a company's executives, directors, and interested shareholders.

Purpose:

- electing a board of directors,
- making important decisions regarding the organization, and
- informing the members of previous and future activities

Extraordinary General Meeting

Any meeting other than previous two meetings is called an extraordinary general meeting.



Disadvantages of Corporations/ Companies

- Double taxation
- Initial cost
- Extensive paperwork
- Size (Slow Decision making).
- Agency Conflict

Cooperatives

A business owned and controlled by the people who use it—

- producers,
- consumers, or
- workers

With similar needs who pool their resources for mutual gain.



Class Test 01

Topic: This Chapter

Assignment

Suppose you are to open a new business that will produce flour from wheat.

- What are the factors that you will consider before starting the business?
- What form of ownership will you choose? Why?

- Assignment should be between 600 to 800 words.

- Font: Times new roman/Book Antiqua

- Font size: 12

- Line spacing: 1.15

- Alignment: Justified

- There should be a Cover page