

UNIT 01

BUSINESS ACTIVITY



LEARNING OUTCOMES

- i. Business Entity
- ii. Trade
- iii. Types of economic systems
- iv. Types of business organisations
 - a. Private sector
 - b. Public sector
- v. Privatisation and Nationalisation

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Figure 1.1

BUSINESS ENTITY

Business – Organisations that earn profits by selling goods / services to their customers.

- ◆ A business creates goods and services which satisfy people's needs and wants.
- ◆ It provides employment to people and pay them salaries/wages.

Needs and Wants

Needs: Basic requirements for survival.

Needs are limited

E.g. Food, Water, Clothes and Shelter

Wants: Desire for goods and services we would like to have, but not essential.
Wants are unlimited.



Figure 1.2

Importance of a Business Entity

1. Goods and services required for survival are produced by businesses.
2. Businesses help to increase the quality of life.
3. They generate profits for the investors.
4. Businesses develop creativity and innovation.

What is “Economic Problem”?

Not having enough factors of production in the quantities that countries expect to have, to satisfy the needs and wants of people. This leads to the problem of “Scarcity”.

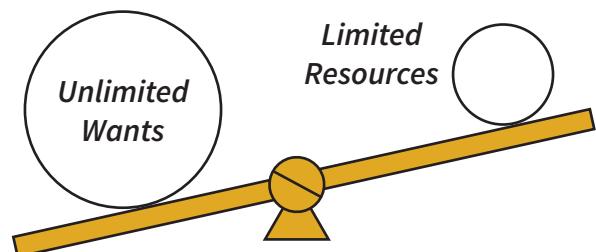


Figure 1.3

Scarcity - the lack of sufficient resources to fulfil the total wants of the population of a country.

Due to having limited resources to fulfil unlimited wants of the people, each country must decide what they can make best with their limited resources. This is known as “Specialisation”.

TRADE

When one party exchanges goods and services for money or for other goods and services with another party, it is known as “Trade”.

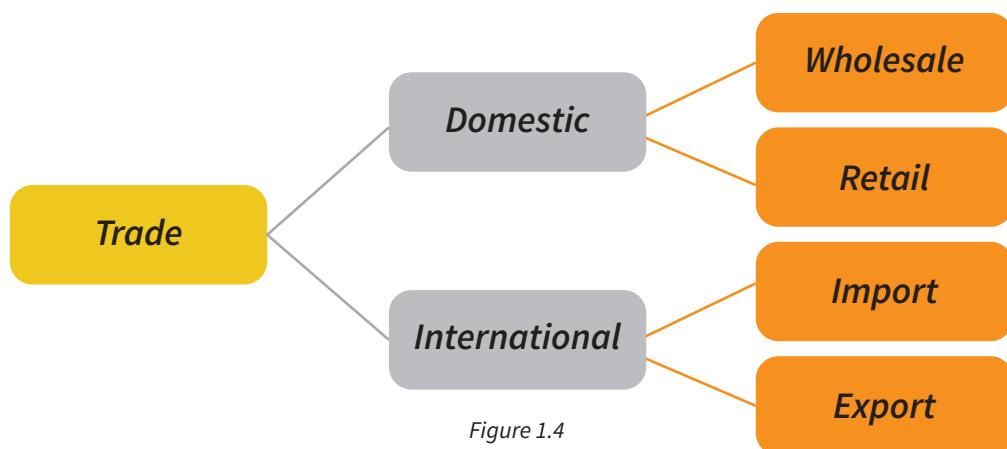


Figure 1.4

Domestic Trade

When people exchange goods and services within the borders of a country, it is called “Domestic Trade”.

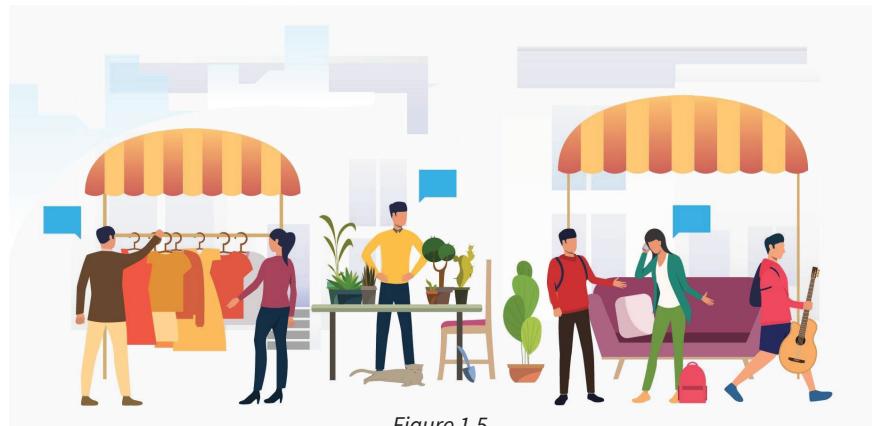


Figure 1.5



Figure 1.6

Wholesale: Those who are involved in selling goods for re-sale are known as wholesalers.



Figure 1.7

Retail: Those who sell goods and services to the end consumer are known as retailers.

International Trade

When countries trade or exchange goods and services with each other across the borders, it is called “International/ Foreign Trade”.

Export: When a country sells what it produces to other countries.

e.g. Sri Lanka exports tea to China.

Import: When a country purchases products from other countries.

e.g. Sri Lanka imports motor vehicles from Japan.



Figure 1.8