

Part I

Business

Chapter 1

Introduction to Business

1.1 What is Business

Business is the activity performed by an individual or a group of people with a view to earn profit within the government rules and regulations. Main purpose of business is to earn profit.

1.2 Elements of Business

Three (3) main components of business:

Trade: is the final stage of business activity and it involves sales and purchase of goods. It can be divided into two types such as:

- (a) Home trade: when trade takes place within the national boundaries.
- (b) Foreign trade: when trade takes place across the national boundaries.

Commerce: It is the process of buying, selling and other activities which facilitate trade such as storing, packaging, transportation, insurance, banking, finance and marketing promotion. The principle function of commerce is to remove the hindrances of person, place, time, exchange and knowledge.

Industry: Industry refers to that part of business activity which is engaged in rising, producing, processing, fabrication, extracting and conversion of goods.

1.3 Features/Characteristics of Business

- Profit
- Risk, it is possible that there may be loss instead of gain. There is no business activity which is not subject to loss.
- Legality, illegal business is not be considered as business.
- Creation of utilities
- Exchange of goods and services is the foundation function of business. before its existence, business doesn't formed.
- Forecasting
- Rendering service to the society, the responsibility of businessman is to deliver the goods and services in way that is beneficial to the society.

1.4 Objective of business

Success in business cannot be achieved without setting right objectives. Some objectives are social welfare oriented and some of are profit oriented.

- Profit, the main objective of business to earn it.
- Business Profit = Expenses - Revenue
- Economic Profit
- Survival, prime objective of business.
- Growth, is inevitable for a firm to be successful.
- Social Responsibility: the responsibility of a businessmen is to supply goods and services in that way which are not harmful to the society. Only profit earning cannot be the sole motive of business activity. Another responsibility of a businessman is to supply goods and services at a fair price.

1.5 Plant, Firm & Industry

1.5.1 Plant

The term plant refers to a place or establishment where goods are produced. This includes not only building and machinery but also the workers employed therein.

1.5.2 Firm

1.6 Business Input and Output

Input:

- Human resource
- Capital
- Managerial resource
- Technological resource

Output:

- Product
- Service
- Profit
- Satisfaction
- Goal

Chapter 2

Sole Proprietorship

“Sole” means single and “proprietorship” means ownership. So, the business organization in which a single person owns, manages and controls all the activities of the business is known as sole proprietorship form of business organization. Or, a business enterprise exclusively owned, managed and controlled by a single person with all authority, responsibility and risk is called a sole proprietorship business.

Characteristics or Features of sole proprietorship business:

- Easy formation
- Single ownership
- No sharing of profit-loss
- Limited capital
- Full controlling power only goes to the sole.
- Unlimited liability
- Limited area of operation
- Freedom in selection of trade
- Secrecy
- Personal relations