Fundamentals

1. Business Administration is where we investigate the economic activities in a company, here we discover rules and laws. We also learn about the different management approaches that can be used to solve a company’s economic problems
2. Economics on the other hand is about the overall economy. The aim is to understand the overall structure of economic life with its laws and regularities
3. Consumption Economies
   * Is about fulfilling their own needs, the examples would be private and public households
4. Production Economies
   * Is about creating to fulfill other’s needs, examples would be private and public businesses
5. What is a Business
   * The business is a systematically organized economic unit in which goods and services are produced and sold to customers
6. Added Value
   * Added value means that the total output price is greater than the sum of the value of the purchased and consumed material inputs
7. What is a Business
   * Business is a systematically organized economic unit in which goods and services are produced and sold to the customers
   * Key Characteristics of a Business
     + It has three main inputs
       - Human Labor
       - Operating Resources, such as tools, buildings, machines
       - Current Input such as materials and energy
     + A business must be financially sustainable
       - That means it only exist in the long term, if it can meet its obligations such as payments. It must be able to pay bills, employees, suppliers, etc or it won’t survive
     + It must follow the economic principles
       - That means maximizing the output with minimum input (efficiency)
       - Getting the best value for resources used
8. What is maximum principle
   * It means getting the most output from a fixed amount of input
     + Example: A driver with a delivery van delivers to as many customers as possible
       - This example tells us that you have a set input (one driver and one van) and you try to maximize the number of deliveries
9. What is minimum principle
   * It means using the least input to achieve a set output
     + Example: A few drivers and delivery vehicles as possible to deliver to a given number of customers
       - This example tells us that you have a fixed goal (server a specific number of customers and try to minimize resources used)
10. What is an organization
    * Its a structured group of people working together towards a common goal, whether its to make money, provide a service or to solve a problem
11. Organizations are businesses if they fulfill three core principles
    * Principle of autonomy
      + The company can make its own decisions based on market conditions
    * Private Property
      + The owner controls the production facilities and bears all risk (profits and losses)
    * Profit maximization
      + The goal is to earn profit by producing/selling goods or services
12. Organization vs Business vs Company

|  |  |  |  |
| --- | --- | --- | --- |
| Term | Definition | Key Characteristics | Example |
| Organization | Any structured group working towards a goal (profit or non- profit) | Can be a business, non-profit, or governmental entity. Broader than a business | UNICEF (non-profit), Google (corporate organization) |
| Business | Any activity involving the exchange of goods or service | May or may not be legally registered. Can be small or large, informal or formal | A freelancer, a local bakery, a tech startup |
| Company | A legally registered business entity that conducts business | Has a formal structure, legal identity, and liabilities. Can own assets and enter contracts | Apple Inc., Tesla, Microsoft |

1. How to differentiate different companies
   * Types of goods
   * Economic Sector
   * Predominant production factor
   * Size
2. What is a Economic Sector
   * An economic sector is a category of the economy that groups businesses based on the type of activity they preform. It helps us to understand what kind of work companies do and how they contribute to the economy
   * Types of Economic Sectors
     + Primary Sector – Raw Materials
       - Activities: Agriculture, Forestry, Mining
       - Extracts natural resources directly from nature
     + Secondary Sector – Manufacturing Industry
       - Activities: Industry, Construction, Building trade
       - Turns raw materials into finished products
     + Teritary Services – Services
       - Activities: Trade, Finance, Transportation, Hospitality, Education, Healthcare, etc.
       - Provides services instead goods
     + A screenshot of a black screen

       AI-generated content may be incorrect.
     + A screenshot of a computer

       AI-generated content may be incorrect.