**Overview of Business**

**Why people engaged in business?**

Over the year people have become more and more dependent on others. We can’t produce all we need to live in this society. Once people exchange the surplus goods that they have after their own consumption. This is called Barter System.

**BARTER:** It is the direct exchange of one goods for another without using anything as money or as a medium of exchange.

Barter is a type of trade where goods or services are exchanged for a certain amount of other goods or services; no money is involved in the transaction.

**BUSINESS:** Business means being busy with any work. Business is the exchange of goods, services or money for the mutual benefit or profit. Who will produce what? He who has skills and ability or specialization in specific job will produce or serve or involve in that task. International Opportunities. As the shortage of resources and as they are not distributed equally all over the world, people will go across the border for international business.

**Characteristics of business**

**Economic activity:**

Business is an economic activity of production and distribution of goods and services. It provides employment opportunities in different sectors like banking, insurance, transport, industries, trade etc. it is an economic activity corned with creation of utilities for the satisfaction of human wants.

**Legally permitted:** Business must be legal. Illegal activities are not business even if they earn lot of money.

#### Buying and Selling:

The basic activity of any business is trading. The business involves buying of raw material, plants and machinery, stationary, property etc. On the other hand, it sells the finished products to the consumers, wholesaler, retailer etc. Business makes available various goods and services to the different sections of the society.

#### Continuous process:

Business is not a single time activity. It is a continuous process of production and distribution of goods and services. A single transaction of trade cannot be termed as a business. A business should be conducted regularly in order to grow and gain regular returns.

#### Profit Motive:

Profit is an indicator of success and failure of business. It is the difference between income and expenses of the business. The primary goal of a business is usually to obtain the highest possible level of profit through the production and sale of goods and services. It is a return on investment. Profit acts as a driving force behind all business activities. Profit is required for survival, growth and expansion of the business. It is clear that every business operates to earn profit. Business has many goals but profit making is the primary goal of every business. It is required to create economic growth.

#### Risk and Uncertainties:

Risk is defined as the effect of uncertainty arising on the objectives of the business. Risk is associated with every business. Business is exposed to two types of risk, Insurable and Non-insurable. Insurable risk is predictable.

#### Creative and Dynamic:

Modern business is creative and dynamic in nature. Business firm has to come out with creative ideas, approaches and concepts for production and distribution of goods and services. It means to bring things in fresh, new and inventive way.

#### Customer satisfaction:

The phase of business has changed from traditional concept to modern concept. Now a day, business adopts a consumer-oriented approach. Customer satisfaction is the ultimate aim of all economic activities.

#### Government control:

Business organizations are subject to government control. They have to follow certain rules and regulations enacted by the government. Government ensures that the business is conducted for social good by keeping effective supervision and control by enacting and amending laws and rules from time to time.

#### Optimum utilization of resources:

Business facilitates optimum utilization of countries material and non-material resources and achieves economic progress. The scarce resources are brought to its fullest use for concentrating economic wealth and satisfying the needs and wants of the consumers.

**Social activity (CSR)**

Business is a socio-economic activity. Both business and society are interdependent. Modern business runs in the area of social responsibility. Business has some responsibility towards the society and in turn it needs the support of various social groups like investors, employees, customers, creditors etc. by making goods available to various sections of the society, business performs an important social function and meets social needs. Business needs support of different section of the society for its proper functioning.

#### Objectives of business

#### Economic Objectives

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which include, creation of customers, regular innovations and best possible use of available resources. Earning profit is the main economic objective. Profit help businesses to grow and sustain.

**Social objectives:**

Creating employment, executing CSR, not doing harmful activities.

**Production and Supply of Quality Goods and Services:** Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business he objective of business should be to produce better quality goods and supply them at the right time and at a right price It is not desirable on the part of the businessman to supply adulterated or inferior goods which cause injuries to the customers. They should charge the price according to the quality of e goods and services provided to the society. Again, the customers also expect timely supply of all their requirements. So it is important for every business to supply those goods and services on a regular basis.

**Forms of Business**

### **Sole Proprietorship**

The simplest and most common form of business ownership, sole proprietorship is a business owned and run by someone for their own benefit. The business’ existence is entirely dependent on the owner’s decisions, so when the owner dies, so does the business.

**Advantages of sole proprietorship:**

1. All profits are subject to the owner
2. There is very little regulation for proprietorships
3. Owners have total flexibility when running the business
4. Very few requirements for starting—often only a business license

**Disadvantages:**

1. Owner is 100% liable for business debts/loss
2. Equity is limited to the owner’s personal resources
3. Ownership of proprietorship is difficult to transfer
4. No distinction between personal and business income

### **Partnership**

These come in two types: general and limited. In general partnerships, both owners invest their money, property, labor, etc. to the business and are both 100% liable for business debts. In other words, even if you invest a little into a general partnership, you are still potentially responsible for all its debt. General partnerships do not require a formal agreement—partnerships can be verbal or even implied between the two business owners.

Limited partnerships require a formal agreement between the partners. They must also file a certificate of partnership with the state. Limited partnerships allow partners to limit their own liability for business debts according to their portion of ownership or investment.

**Advantages of partnerships:**

1. Shared resources provides more capital for the business
2. Each partner shares the total profits of the company
3. Similar flexibility and simple design of a proprietorship
4. Inexpensive to establish a business partnership, formal or informal

**Disadvantages:**

1. Each partner is 100% responsible for debts and losses
2. Selling the business is difficult—requires finding new partner
3. Partnership ends when any partner decides to end it

### **Corporation**

Corporations are, for tax purposes, separate entities and are considered a legal person. This means, among other things, that the profits generated by a corporation are taxed as the “personal income” of the company. Then, any income distributed to the shareholders as dividends or profits are taxed again as the personal income of the owners.

**Advantages of a corporation:**

1. Limits liability of the owner to debts or losses
2. Profits and losses belong to the corporation
3. Can be transferred to new owners fairly easily
4. Personal assets cannot be seized to pay for business debts

**Disadvantages:**

1. Corporate operations are costly
2. Establishing a corporation is costly
3. Start a corporate business requires complex paperwork
4. With some exceptions, corporate income is taxed twice

**Corporations are of two types:**

Private limited company: Maximum shareholder 2-50 person.

Public limited company: maximum shareholder: 7- unlimited

Share market: