

Define business? What are the characteristics / Features of a business?

A business should have the following characteristics

1. **D**eals in goods and services
2. **E**conomic activities
3. **P**rofit motive
4. **R**egular transactions
5. **E**lement of competition
6. **S**ize
7. **M**anagement
8. **I**nnovation
9. **C**apital
10. **S**ocial process
11. **B**usiness is a system
12. **A**rt as well as science
13. **R**egistration of business
14. **T**ransfer of title
15. **E**lement of risk
16. **R**eliability

Note

To remember headings easily, focus on the first letter of every heading it is forming a specific name and in this question it is

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1. Deals in goods and services

Business always deals in goods and services. Goods include consumer () goods and industrial goods. Such as cloth, shoes, sugar, raw material etc. services include insurance companies, teachers, lawyers, doctors etc.

2. Economic activities

Economic activities mean exchange of goods and services for the purpose of earning money. Purpose of every business is to perform some economic activities. If a business is not performing economic activities it cannot be called business.

3. Profit motive

Business must be formed to earn profit. If an organization is formed to serve the nation and its primary motive is not to earn profit it cannot be called business

4. Regular transactions

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There must be regularity () in transactions of business. Only one or fewer transactions cannot be called business. For example if a student sold his books to his friend or at book shop it cannot be called business because of irregularity

5. Element of competition

Competition exists in every kind of business. There should be a healthy competition between the businesses for good quality at reasonable prices.

6. Size of business

Business may be started at different levels it can be of small or large size (national and international level). There is no restriction () on the size of business.

7. Management

Management is a backbone () of every business, without management business cannot achieve its objectives or aims. So manager can control affairs of business to achieve its objectives

8. Innovation

Business can be successful only when it introduces new and innovative product. Innovative and new products increase consumer satisfaction.

9. Capital

Capital means the investment made by the owner in the business. Business cannot be started without the help of capital. More the capital is more the larger scale of business is. Owner can provide capital from his personal sources or he can borrow it from his friends, family or Banks.

10. Social process

Business is a social process, because owner runs business with the help of persons of society such as customers, employees and professionals.

11. Business is a system

System means a proper plan to achieve the objectives of business. To run the business successfully, businessman should perform activities according to well established plan.

12. Art as well as science

Business is an art because experience and skills are required to run business. It is a science because it is also based on laws and principles.

13. Registration of business

Registration of business depends upon the size and nature of business.

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- In sole proprietorship registration is not required
- In partnership registration is optional.
- In case of Joint Stock Company it is compulsory.

14. Transfer of title (ownership)

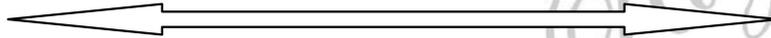
Transfer of title means that the change of ownership from one hand to another. In business goods are purchased with intention to sale them. When goods are sold, ownership transfers form seller to buyer.

15. Element of risk

Risk means the possibility of loss. The business may suffer losses due to change in customer taste and fashion.

16. Reliability

The goods and services produced by the business should be reliable, so that business can achieve goodwill.



Q#1 what are the components/ divisions/ branches of business?

Or

Explain the scope of business

Or

Explain the industry, commerce and trade

Components of business

Business includes the following components

- Industry
- Commerce

Industry

Industry is a part of business in which goods & services are produced. Industries convert raw material into finished and semi finished goods. Industry has two types.

- 1) Primary industry
- 2) Secondary industry

1) Primary industry

Primary industry is engaged in the production and extraction () of natural sources from earth which are used in the secondary industry. Primary industry can be divided into two parts.

- i. Extractive industry
- ii. Genetic industry

i. Extractive industry

Extractive industries are those which raise or produce natural sources from below the surface of earth. Such as fishery, extraction of oil, gas and coal.

ii. Genetic industries

Genetic industries are those that are engaged in reproducing and multiplying the certain species of animals and plants. Such as poultry farm, fishing farm, nursery.

2) Secondary industry

These industries use finished goods of primary industries as raw material. Secondary industries manufacture the products that can be used by the consumer. Secondary industry has three types.

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- a. Constructive industry
- b. Manufacturing industry
- c. Services industry

a. Constructive industry

These industries are engaged in the construction of dams, bridges and roads

b. Manufacturing industry

These industries convert raw material into finished or semi finished goods. Such as textile mills, sugar mills, flour mills.

c. Services industry

These industries are engaged in providing the services of professionals according to their expertise. Such as lawyer, doctors, teachers, accountants.

Commerce

Commerce includes all those activities that facilitate transferring goods from place of production to final customer.

Components of commerce

1. Trade
2. Aids to trade

1. Trade

Trade is the process of transferring goods from industries and persons to their final customers. In other words trade is the process of buying and selling.

Trade has two types:

- i. Home trade
- ii. Foreign trade

i. Home trade

The purchase and sale of goods inside the country is called home trade. Home trade can be of two types.

a. Whole sale trade

Selling of goods at large scale to the shopkeepers is called wholesale trade. Shopkeepers resale those products to customers.

b. Retail trade

Selling of goods at small scale to customers is called retail trade

ii. Foreign trade

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The purchase and sale of goods between two or more countries is called foreign trade. It is also called international trade. Foreign trade has three types.

a. Import trade

When goods or services are purchased from other countries it is called import trade.

b. Export trade

When goods or services are sold to other country it is called export trade.

c. Enter port trade

When goods are imported from one country with a view to export them in other country.

2. Aids to trade

Aids to trade include all those activities that support trade. Following are the common aids to trade.

1. Advertisement

It is an easy way to inform large number of customers about the availability of product. Advertisement can be made through, news papers, radio T.V

2. Agents

Agents are those persons who buy or sale goods for their principal.

3. Banking

Bank facilitates the buyer and seller for the settlement of payments both in home trade and foreign trade. They also grant loans to businessmen.

4. Insurance

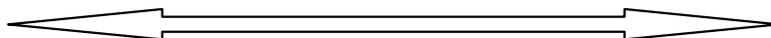
Insurance companies help trader in transferring goods from one place to another safely.

5. Transportations / Logistics

Means of transportation transfer the goods from factory to customer. Examples of transportation are: railway, by road, by air, by sea,

6. Warehousing

Warehousing the process of storing goods that are produced by the manufacturers



Q#2 what are the qualities of good businessman?

A good businessman should have the following qualities to run business successfully

- 17. Professional qualities
- 18. Personal qualities

Professional qualities

- 1. **M**arket information
- 2. **I**nnovative
- 3. **T**echnical skills
- 4. **A**bility to plan
- 5. **C**oordination
- 6. **M**otivating power
- 7. **A**nalysis power
- 8. **F**inancial soundness
- 9. **A**bility to take decisions
- 10. **T**ime management

Note

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1. Market information

A business man should have the complete information about likings, disliking, taste and fashion of his customer. A good businessman always keeps an eye on the trends and demand of market.

2. Innovative

A good businessman should have the quality to manufacture new products according to the taste and demand of customer. If a businessman ignores () the taste and trend () of customer he may suffer great lose.

3. Technical skills

A businessman can run business successfully only, when he have adequate () technical skills and command over specialized knowledge.

4. Ability to plan

Plan is a set of predetermined actions. Businessman should have the ability to plan the activities of business. More the plans are strong, more the business is profitable

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5. Coordination

A businessman should have the cooperation with his employees and customers. Coordination helps businessman to make business more profitable and successful.

6. Motivating power

A good businessman should have the ability to inspire his customers and employees. If employees are motivated they will work with more devotion ()

7. Analysis

A businessman should have the quality to analyze the performance of business, so that he can improve the management of business.

8. Financial soundness

Finance or cash is an important factor in the success of business. A business should have enough cash to meet the day to day requirements.

9. Ability to take decisions

A businessman should have the ability to take quick and wise decisions. If he fails to decide or he has low decision making power he may lose growth opportunities.

10. Time management

Time management is an art of scheduling and arranging business activities. Time management is not only important in business life it is also important in social life.

Personal qualities

Following are the personal qualities of a businessman.

1. **H**onesty
2. **A**ttitude
3. **P**atients
4. **I**ntelligent
5. **H**ardworking
6. **A**bility to forecast
7. **P**ersonality
8. **I**nitiative

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1. Honesty

A businessman should be honest with his employees and customers. If a business shows dishonesty to his customers and employees, than he may lose the goodwill of business.

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2. Attitude

The attitude of businessman should be ethical. Ethical attitude means that there should not be cheating and fraud. Cheating and fraud in business affairs results in loss of customer. Incomes earned by cheating and fraud are illegal.

3. Patients

Patients mean controlling temper at the time of anger of problem. A businessman should show patients in daily affairs of business. If he loses his temper he suffer lose.

4. Intelligent

Intelligent means taking right decision at the right time. An intelligent businessman can handle his affairs at the right time in the right way.

5. Hardworking

Another quality of good businessman is that he should be hardworking. A lazy man cannot run his business successfully.

6. Ability to forecast

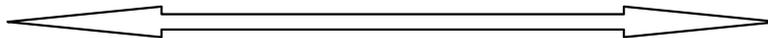
A good businessman should have the ability to anticipate the future circumstances to take correct action. For example if he is forecasting increase in demand then he may increase level of production.

7. Personality

Personality of businessman should be cheerful & smiling face. A cheerful greeting may help him to attract customers.

8. Initiative

Initiative means the ability to start and complete the work. A business man should have the ability to initiate.



Q#3

Explain the importance of business

Business

Any legal activity undertaken to earn profit is called profit.

Importance of business

Business is playing a vital role in the economic development of company. Business is organized and run by the entrepreneurs to earn profit. They make the best use of available resources and provide goods and services to the people. Importance of business can be juggled from the following points.

1. Variety of products and services

Businesses are producing variety of products. Customer may choose those products that are suitable to his taste and choice and purchasing power.

2. Better living standard

Business improves the living standard of the people by providing quality products at low rates.

3. Source of employment

Business provides employment to large number of people. It is not possible for the government to provide jobs to whole population, business helps government in solving the problem of unemployment.

4. Investment opportunities

Business provides investment opportunities to the general public. People can invest their idle savings in any profitable business to earn profit on it.

5. Innovation

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Business introduces new and innovative products that may best suit their life style. Research and development process of business helps consumers by providing innovative products

6. Mobility of labour

The labour can move from one place to another place in search of work better pay and promotion. Mobility of labor is possible with the help of business.

7. International relationship

Imports and exports of goods bring two countries closer by creating strong relationship with each other. Due to close relationship countries may share ideas and new techniques of production with each other

8. Use of resources

It makes possible to use idle resources of country with the help of business. In the absence of business the natural goods like crude oil, gas, coal, and iron etc. remain idle.

9. Creation of customers

The business of today is creating markets for its markets all over the world by introducing new products and new methods of products

10. Change in consumer mind

Business is going to change the mind of customer with the passage of time. The products which are used now are quite different from those of thirty years back

11. Increase in national income

Business is providing revenues in form of taxes to the government that is used on the welfare of the society.

12. Indicates rate of development

Production level indicates the rate of economic development. More the production is made in an economy more the developed country would be. Business plays vital role in the economic development.

Q#4

Explain the different forms / types of business

1. Sole proprietorship

Sole tradership is the oldest form of business organization which is managed owned and controlled by a single person. This form of business can be easily formed without any legal formality. One man invests his capital in the business. He alone is responsible for the profit and loss of business. He manages business by using his skills. Sole proprietor has unlimited liability which means that personal property of the owner can be sold for the payment of debts.

2. Partnership

When two or more person carries on business for the purpose of earning profit is called partnership. Such types of business can be formed easily without any legal formality. Each partner invests his money in business. Profit and losses of the business are distributed between the partners. Partners are responsible for the management of business. They use their skills to run business. Liability of partners in partnership is unlimited which means that their personal property can be sold for the payment of debts.

3. Joint stock company

A joint stock company is voluntary association of different persons created by law. A company is formed under company's ordinance 1984. company issue shares for the accumulation of capital. General public and other financial institutions invest in company.

Company has many kinds but most popular form of company is public limited. Liability of members is limited to the value of their share in company. Joint Stock Company is managed by the skilled and experienced directors.

4. Cooperative society

A cooperative society is a voluntary association of individuals for the common interest of its members. It is form in various sectors like trading, commerce, industrial and technical. Its

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capital is generally divided into numbers of share shares of equal value. In such form of organization all the members have the equal right of ownership and management

It is formed under cooperative society's act 1925. It can be formed with limited and unlimited liability.

5. Business combination

When two or more business units combine to carry on business together for the economic benefit, combination take place. if object of business is against public interest it would be considered unlawful. Combination can be temporary and permanent.

6. Joint Hindu family business

When a business is run by the persons of same family and they run the business as family business, it is called joint Hindu family business. Such business is run only in India. Joint Hindu family business is governed under Hindu law.

7. Public corporation

Public corporation is formed under the act of parliament. The acts define the powers, objects and limits of corporation. Pakistan air lines and state life insurance are the examples of public corporation