Basic business concepts

Business

Business: It is the act of manufacturing, producing or buying and selling of goods and services whose aim is to make profit. A product may be defined as the output which could be in terms of services or goods within the normal business transaction.

Generally, the fundamental goal of business if to make profit through optimization of its costs and revenue. However, business organizations are the entities that are ideally driven by the profit motive. Non profit making organizations does not aim atmaking profit. 2. Every business activity involves various participants/stakeholders.

They include producers/manufactures, distributors, consumers and legal entities (John, 2006). Producers/manufacturers make the goods and services for use in the business process. Consumers are involved in using the products that are manufactured and produced in business processes. Distributors create channels of goods and service transfers from the manufactures to the consumers. Legal entities/government creates the legal layout of conduct between the other three participants. Studying business in the today’s American society is ideally an important aspect that provides information on the aspects that ensure strong business functionality.

It provides the most rational knowledge that would help to succeed in any business process. However, business process is affected by various aspects such as international forces of demand and supply, income of the consumers, government regulation, availability of raw material, and economic systems (John, 2006). 3. Economics is the study of fundamentals of incorporating the scarce resources in processes that yield the highest benefit to the community. There are various economic systems which include;

Traditional economy is that characterized by techniques and models based on social foundations.

It involves resource inheritance and brings a passive sense of togetherness and community. It has lowtechnologyand no competition. Command economy is that which is controlled and planned by the central government. It is shaped by the will of the government. The means of economic production are owed by the people. It can be found in Vietnam. Market economy is controlled by forces of demand and supply. Government rarely fixes the prices. Private corporations govern the control of distribution and exchange. Example is United Kingdom.

Mixed economy compliments both market and command economy. There are both the hands of government and corporations. It is governed by high freedom in its activities. An example is in US (John, 2006). 4. Supply is the total amount of goods and services offered in the market by the produces. Demand id the total quantity of goods and services required for consumption in the market. Price is the single cost paid for a unit of goods or services. Competition refers to the interactive process between suppliers and consumers within the market to yield an equilibrium quantity and price.

In America, the competitive nature of the market ensures the interaction between the quantities of goods and services supplied and demanded to produce an equilibrium price and quantity for the supplies and demands levels (John, 2006). 5. There are four types of competitions. Perfect competition is where we have many suppliers and consumers who interact cohesively with one another to yield an equilibrium quantity and price. Example is the hotel industry. Monopoly competition is where there is one supplier against many consumers. He/she controls the pricing of the goods and services.

Example is the development in newcommunicationtechnology. Duopoly competition is the competition between two suppliers. It may include the development in mobile phone technology between two manufactures. Oligopoly competition is where there are few sellers and many buyers. It may include the market of electronics. 6. The government uses various attributes to measure the state of economic development. They include; Inflation: This is the subsequent increase in the price of commodities. GDP: It is the sum total of all goods and services produced within a country within one year.

Unemployment: It is the relationship between the workforce that is willing and also able to work and is in the process of finding a job compared to the number that is absorbed in the employment industry. Consumer Price Index: This is relative changes in the prices of consumer goods within the economy. The rate of unemployment is relative to the level of GDP. Higher unemployment implies lower GDP. This is because, there are low levels of income earned by the household and consequently law levels of aggregate demand within the economy. Economic fluctuations are usually desirable in the economic functionality theory.

This is ideally because such fluctuations are detrimental in clearing the various markets within the economy. The federal government in America performs the role of ensuring both strong fiscal and monetary policies which ensure a strong economy (John, 2006). 7. Service economy is the economy endowed with product output that is governed by services rather than goods.

In America, service economy refers to the economic domains implied by the supply and demand of services as product outputs. Reference John Robert (2006) Economic Theory: An Introduction. New York, Prentice Hall