

UNIT-1 CONCEPT AND CHARACTERISTICS OF BUSINESS

❖ DEFINITION OF BUSINESS

Business is defined as an organised economic activity, wherein the exchange of goods and services takes place, for adequate consideration. It is nothing but a method of making money, from commercial transactions. It includes all those activities whose sole aim is to make available the desired goods and services to the society, in an effective manner.

❖ CHARACTERISTICS OF BUSINESS



- 1) **Economic Activity:** Business is an economic activity, as it is conducted with the primary objective of earning money, i.e. for an economic motive.
- 2) **Production/purchase of goods and services:** Goods and services are produced or procured by business entities, so as to add value and sell them to the consumer. Goods are either manufactured by the company or procured from the supplier, with the aim of selling it further to the consumer, for profit.
- 3) **Selling of goods and services:** Business must involve the transfer of goods to the customer for value, through selling, meaning that if the goods are acquired for personal consumption, then the transaction will not amount to business activity.
- 4) **Continuity in dealings:** Every business requires regularity in transactions, i.e. an isolated transaction of exchange of goods or services will not be considered as business. So, to constitute business, the dealings must be carried out on a regular basis.
- 5) **Profit earning:** The basic purpose of business is to make the profit from its activities. It is the spine of business, which keeps the business going, in the long term.
- 6) **Element of risk:** Risk is the key element of every business, concerned with exposure to loss. Efforts are made to forecast future events and plan the business strategies accordingly. However, the factors that affect business are uncertain and so does the business opportunities, which can be a shift in demand, floods, fall in prices, strikes, lockout, money market fluctuation, etc.
- 7) **Uncertain return:** In business, the return is never predictable and guaranteed, i.e. the amount of money which the business is going to reap is not certain. It may be possible that the business earns a huge profit or suffer heavy losses.
- 8) **Legal and Lawful:** No matter, in which type of business the company is engaged, it should be legal in the eyes of the law, or else it will not be considered as business.
- 9) **Consumer satisfaction:** The aim of business is to supply goods and services to consumers, so as to satisfy their wants, as when the consumer (final user) is satisfied, he/she will purchase the goods or services. But, if they are not, there are chances that they will look for substitutes.

The consumer is regarded as the king, and so all the activities of the business are aligned towards the satisfaction of consumers. This can be done by making available quality- riched goods easily available to them, at reasonable prices.