

## **Section 1**

### **Unit 1 : What is business activity?**

#### **Overview**

1. Understand the nature of business activity and the reasons why business exists
2. Understand the role played by different stakeholders
3. Understand that businesses operate in a changing business environment

#### **1. Business activity**

##### **1.1 Businesses provide a wide range of goods and services**

- **Consumer goods** : goods and services sold to ordinary people (consumers) rather than businesses
- **Producer goods** : goods and services produced by one business for another.

##### **1.2 Satisfying needs and wants**

- **Needs** : basic requirements for human survival  
For example : Food, accommodation etc.
- **Wants** : people's desires for goods and services  
For example : Entertainment , iPhone etc.

#### **2. The purpose of business activity**

: Each type of organisation has a different purpose.

##### **2.1 Private enterprise**

- **Meaning** : Most businesses are owned privately by individuals or groups of individuals.  
They are private sector of businesses.
- **Objectives** : Maximise profit

##### **2.2 Social Enterprise**

- **Meaning** : Some organisations are non-profit making. eg. Charities, pressure groups, clubs and societies exist for reasons other than profits
- **Objectives** : non-profit organisation
- **For example** : UNICEF

### 2.3 Public enterprise

- **Meaning** : Some goods and services are provided by organisations owned by central or local government. Eg. Healthcare, Education etc.
- **Objectives** : Better standard of living

### 3. Business stakeholders

- **Stakeholder** : an individual or group with an interest in the operation of a business
- **Shareholders** : People who invest and be part of business.



#### 3.1 Owners / Entrepreneur

- **Entrepreneur** : person who takes risks and sets up businesses; individual who organises the other factors of production and risks their own money in a business venture.
- **Or Shareholder** : Investor who invest money in business and get a share of profit called “dividend”
- **Objective** : Profits, Dividend etc.

#### 3.2 Customers

- **Consumers** : person buy the goods and services that businesses sell. Consumers could be individual or firms.
- **Objective** : Cheaper price , High quality products

### **3.3 Employees**

- **Employees** : person who work in businesses,
- **Objectives** : Salary, Training , Connection, Security etc.

### **3.4 Managers**

- **Managers** : person who help to run business. They are often employed to run the different departments in businesses such as marketing, production, finance and human resources.
- **Objective** : Promotion, Salary

### **3.5 Financiers**

- **Financiers** : Company / individual who lend money to the business.
- **Objective** : Interest / firms able to repay debt

### **3.6 Suppliers**

- **Suppliers** : Businesses that provide raw materials , parts, commercial services and utilities, such as electricity and water, to other businesses are called suppliers.
- **Objective** : Sales revenue , Good relationship, Prompt payment and regular orders

### **3.7 The local community**

- Most businesses are like to have an impact on the local community. There may be more jobs, more overtime and possibly higher pay

### **3.8 The government**

- Taxes from businesses and their employees are used to finance government spending.

## **4. The changing business environment**

- External factors that are likely to change overtime such as strength of competition, the economic climate, government legislation, population trends, demand patterns, world affairs and social factors.