



# **TYPES OF BUSINESS**

## **FIFTH LESSON**

2<sup>nd</sup> Semester - Undergraduate Degree

# TYPES OF BUSINESS

**Business** involves industry and commerce. Where Industry is concerned with the production or processing of goods and materials. However, commerce includes all those activities, which are necessary for facilitating the exchange of goods and services.

## **B**usiness characteristics

At first, In order to appreciate how business activity is different from other activities, the business characteristics are stated as follows:

- **An economic activity:** because it is undertaken with the objective of earning money.
- **Production or procurement of goods and services:** Before goods are offered to people for consumption, these must be either produced or procured by business enterprises.
- **Sale or exchange of goods and services:** Directly or indirectly, business involves transfer or exchange of goods and services for value. Cooking food at home for the family is not business.
- **Dealings in goods and services on a regular basis:** One single transaction of sale or purchase does not constitute business.
- **Profit earning:** One of the main purpose of business is to earn income by way of profit. No business can survive for long without profit.
- **Uncertainty of return:** Uncertainty of return refers to the lack of knowledge relating to the amount of money that the business is going to earn in a given period.
- **Element of risk:** Risk is the uncertainty associated with an exposure to loss.

### **Business involves:**

- **Industry.**
- **Commerce.**

### **Business characteristics:**

- economic activity.
- It is a production exchange procurement of goods and services.
- Deals on a regular basis.
- Profit earning.
- Uncertainty of return.
- Exposure to loss.

### Objectives of Business

- Source of income.
- Financing the expansion.
- Society approval of its utility.
- Builds the reputation.

### Classification of Business Activities

- **Industry.**
- **Commerce.**

**Industry:** it is connected with conversion of resources into useful goods.

#### The industry includes:

- **Primary industries.**
- **Secondary industries.**
- **Manufacturing industries.**
- **Construction industries.**
- **Tertiary industries.**

**Primary industries:** the extraction and production, reproduction and development of living organisms, plants.

## Objectives of Business

An objective is the starting point of business. Every business is directed to the achievement of certain objectives.

Objectives refer to all that the business people want to get in return for what they do.

Profit may be regarded as an essential objective of business for various reasons:

- **It is a source of income** for business persons,
- **It can be a source** of finance for meeting expansion requirements of business,
- **It can be taken as** the society's approval of the utility of business,
- **It builds the reputation** of a business enterprise. The enterprises might lose business and may be unable to earn profit. This is essential for its own survival and prosperity.

## Classification of Business Activities

Various business activities may be classified into two broad categories industry and commerce.

**I**ndustry refers to economic activities, which are connected with conversion of resources into useful goods. Generally, the term industry is used for activities in which mechanical appliances and technical skills are involved.

Industries may be divided into three broad categories namely primary, secondary and tertiary.

- **Primary industries:** These include all those activities which are concerned with the extraction and production of natural resources and reproduction and development of living organisms, plants, etc. These are divided as follows.

### **Secondary industries**

produce goods for final consumption or for further processing.

### **Manufacturing industries**

producing goods through processing of raw materials.

### **Construction industries**

construction of buildings, dams, bridges.

### **Tertiary industries**

providing support services to primary and secondary industries.

### **Commerce includes:**

- **Trade.**
- **Auxiliaries.**

**Trade:** It refers to sale, transfer or exchange of goods.

**Auxiliaries to trade:** It facilitates the purchase and sale of goods warehousing

- **Secondary industries:** These are concerned with using materials, which have already been extracted at the primary sector. These industries process such materials to produce goods for final consumption or for further processing by other industrial units. For example, mining of iron ore is a primary industry, but manufacturing of steel by way of further processing of raw irons is a secondary industry. Secondary industries may be further divided as follows:

- **Manufacturing industries:** These industries are engaged in producing goods through processing of raw materials and, thus, creating form utilities.

- **Construction industries:** These industries are involved in the construction of buildings, dams, bridges, roads as well as tunnels and canals. Engineering and architectural skills are an important part in construction industries.

- **Tertiary industries:** These are concerned with providing support services to primary and secondary industries as well as activities relating to trade. These industries provide service facilities, such as transport, warehousing.

**C**ommerce: commerce includes two types of activities: **trade and auxiliaries**

- **Trade:** refers to sale, transfer or exchange of goods either physical or virtual. It helps in making the goods produced available to the consumers or users. In the absence of trade, it would not be possible to undertake production activities on a large scale.

- **Auxiliaries to trade:** there are a lot of activities that are required to facilitate the purchase and sale of goods. These activities are generally referred to as services because these are in the nature of facilitating the activities relating to industry and trade. Transport, banking, warehousing, and advertisement, packaging are regarded as auxiliaries to trade, i.e., activities playing a supportive role.