



EDO UNIVERSITY IYAMHO,
Department of Business Administration
COURSE CODE: BUS 111
COURSE TITLE: Introduction to Business 1
NUMBER OF UNITS: 3 Units
COURSE DURATION: Three hours per week



Instructor: Dr. (Mrs.) Otsupius, Anthonia Ighiebemhe,
email: otsupius.anthonia@edouniverrcity.edu.ng Phone: (+234) 8056534456
Lectures: Tuesday: 11am-12pm, LC1, Wednesday: 8am-10am, LC1

General overview of lecture: This course is an introduction to the study of business and its administration. It is structured to develop the students' general perception on business. Topics to be covered includes the nature and scope of business, concept and types of businesses, explain different business environment, legal issues in business, the role of government in business, ethics and responsibilities of a business, character of business from social, legal and economic perspectives, forms of business ownership, Functions of organization and management, marketing, production, finance and accounting in business, the social responsibility of business, problems of Nigerian business enterprises, government and business, role of insurance in business.

Prerequisites: students are expected to know the objectives of the business enterprise, as well as its structure, understand business organization set up to exchange goods, services, and money in order to make a profit, know who a consumer is and how communication helps in the business.

INTENDED LEARNING OUTCOMES: At the end of this course, students should be able to:

- i. define the term 'business' and highlight its characteristics,
- ii. enumerate and discuss the beneficiaries of business to include the owners, employees, government, and the general public;
- iii. explain different business environment,
- iv. highlight various legal issues in business,
- v. explain the role of government in business
- vi. discuss the objectives of the business enterprise, as well as its structure;
- vii. list the stakeholders of the business enterprise.

COURSE DETAILS

Week 1: The Nature and Scope of Business Enterprise
Week 2: Basic Forms of Business Ownership
Week 3: The Environment and Types of Businesses
Week 4: Management in the Business Enterprise
Week 5: Finance in Business, Marketing in Business and Accounting in Business
Week 6: Communication in Business
Week 7: Entrepreneurship and the Business Enterprise

Week 8: Control and Regulation of Business

Week 9: Legal Issues in Business: Law of Contract, Sale of Goods

Week 10: Ethics and Social Responsibility of Business

Week 11: Role of Insurance in Business

Week 12: Revision

Week 13: Revision

Structure of the Programme:

Method of Grading; Grading method is organized into two basic parts namely:

Continuous assessment: 30% and end of Semester Examination: 70%. We will assign 10% of this to group assignment/term paper presentation, 5% for individual assignment, 5% for quizzes, 10% for the mid-term test and 70% for the final exam. The Final exam is comprehensive.

Attendance: Attending lectures is compulsory, as lectures will be interactive.

Assignments: We expect to have individual homework assignments throughout the course in addition to a Mid-Term Test and a Final Exam. Home works are due at the beginning of the class on the due date. Home works are organized and structured as preparation for the midterm and final exam, and are meant to be a studying material for both exams. There will also be individual quiz in the class. No late homework is accepted, all home works are due at the start of class, Turn in what you have at the time it's due and if you will be away, turn in the homework early.

Textbooks: the recommended textbooks for this course/class are as stated:

Title: Business in context: An introduction to business and its environment

Authors: David Needle

Publisher: Thomas Rennie, fifth Edition

ISBN: 978-1-84480-613-3

Title: The Business Environment

Authors: Adrian Palmer and Bob Hartley

Publisher: McGraw-Hill Higher Education, Sixth Edition

ISBN: 13 9780077119720

Title: *Contemporary Business*,

Authors: Boone, Louis and Kurtz, David (2001).

Publisher: Dreden *9th Edition*.

ISBN:

<http://kalyan-city.blogspot.com>

<http://www.businessdictionary.com>

NOUN (2008). *Course Material on Financial Accounting (ENT 222)*.

NOUN (2008). *Course Material on Financial Accounting (BHM 624)*.

Main Lectures:

1: THE NATURE OF BUSINESS ENTERPRISE:

CONTENTS

- Introduction

- Objectives
- Meaning/Definition of Business
- Features/Characteristics of Business
- Beneficiaries of Business
- Meaning of Business Enterprise
- Objectives of the Business Enterprise
- Structure of the Business Enterprise
- Stakeholders of the Business Enterprise
- Conclusion
- Assignment

INTRODUCTION

In any organized society, several institutions exist to serve the needs of the people in that society. Business operates in all kinds of areas, such as manufacturing industries, retailing, banking and other financial services, transport, media and entertainment. Government creates several institutions to enable it carry out its function of providing law and order, security of life and property, regulation and control of the activities of individuals and groups in the society, development of infrastructure and promotion of the economic, social and cultural welfare of the nation. Institutions are also established to serve the needs of the people for goods and services. Such institutions engages in these activities of providing these goods and services to people with the aim of generating income, making profit for their owners and to finance future operations. These institutions are non-governmental in many societies, but there are quite a number of societies where government also engage in providing these goods and services.

OBJECTIVES

At the end of this topic, students are expected to be able to

- defined business
- explain the features/Characteristics of Business
- list the stakeholders of the business enterprise and
- discuss the structure of the business enterprise

DEFINITION OF BUSINESS

Business can be said to be an economic activity which is related with continuous and regular production and distribution of goods and services for satisfying human wants. Let us consider a few definitions:

- i. According to David Needle(2010) a business is the organized activity or effort of individual to produce and provide goods and services to meet the needs of the society.
- ii. Stephenson defines business as “The regular production or purchase and sale of goods undertaken with an objective of earning profit and acquiring wealth through the satisfaction of human wants.”
- iii. According to Dicksee, “Business refers to a form of activity conducted with an objective of earning profits for the benefit of those on whose behalf the activity is conducted.”
- iv. Lewis Henry defines business as “Human activity directed towards producing or acquiring wealth through buying and selling of goods.”

It is pertinent to note that the term ‘business’ can be used with different meaning being attached to it. It may be used to describe a variety of activities that an individual or group of persons may engage in. when individual engage themselves in a particular activity on a regular basis and earn their livelihood is known as occupation.

Specifically, however, business may be defined as any lawful activity engaged in by human which involves the regular production, purchase and distribution of goods or the rendering of services, transfer and exchange with an object for the purpose of making a profit.

FEATURES/CHARACTERISTICS OF BUSINESS

The main features or characteristics of business are as follows:

- (i) It is an occupation: an individual or group of persons can engage in manufacturing/production, buying and selling of goods (consumer or capital goods) and services (banking, transportation, insurance etc)
- (ii) It is directly or indirectly concerned with the exchange of goods and services for money or money's worth.
- (iii) Profit is the primary objective.
- (iv) The business activities are on regular bases.
- (v) The business activities are subject to risks and uncertainties.
- (vi) There is involvement of buyers and a sellers.
- (vii) the activity may be connected with production of goods and services (industrial activity)
- (viii) The activity may be concentrated on marketing or distribution of goods (commercial activity).

BENEFICIARIES OF BUSINESS

The following benefit from business activities:

(i) Business Owners: Apart from the profit that accrue to business owners (which is an opportunity to invest more and generate more income), business owners have the satisfaction of being their own bosses.

(ii) Employees: Workers are paid salaries and enjoy other benefits relating to loans, healthcare, vacation bonuses and retirement/compensation plans. Therefore, it means they (workers) earn income that enable them attend to their personal needs as well as the upkeep of their families. They are enabled to choose what to buy, and have the opportunity of making savings. Also, employees benefit from business training opportunities, in addition to gaining great experience on the job. At the right time, they can establish businesses of their own.

(iii) Government: Business pays, and government collects taxes to function as well as provides basic amenities to the general public.

(iv) General Society:The society benefits immensely from the activities of business under corporate social responsibility. Schools are built and equipped, access roads constructed, electricity provided, and so on.

MEANING OF BUSINESS ENTERPRISE

A business enterprise is an organization engaged in the trade of goods, services, or both to consumers. Miller and Farese (1992) refer to business enterprise as “any business organization set up to exchange goods, services, and money in order to make a profit.” It can be said to be a decision-making unit concerned with serving certain needs through the production and distribution of goods and rendering services at a profit for the owners.

What differentiates business enterprises from other institutions of society is the profit oriented concept. For example, a medical laboratory owned by the government may produce vaccines for controlling certain diseases, but will not engage in this activity for the purpose of making profit. Similarly, a non-profit and a non-government organization could also render some services without the aim of making a profit.

OBJECTIVES OF THE BUSINESS ENTERPRISE

Our definition of the business enterprise stresses that the primary objective of business is to make profit by identifying and effectively serving the needs of customers. It is also generally believed that a business has a single objective, that is, profit is the primary motive for establishing a business enterprise. This implies that profit is a reward for assuming the risk of establishing a business enterprise. Profit serves other functions as, the principal source of growth and continued existence of the business enterprise. Through re-investment of profit, the business enterprise can be expanded. Profit also serves as a measure of performance. It is an index by which the performance of one enterprise can be compared with that of another or the performance of the same enterprise can be evaluated over time. Consequently, it can be said that profit is an incentive for people to work harder and more efficiently. However, the objectives can also be classified as: Economic, Social, Human, National and Global objectives.

Economic Objectives: this refers to the objective of making or earning adequate profit.

Social Objectives: these are the benefits desired to be achieved for the benefits of the society, e.g; production and supply of quality goods and services, making goods available at reasonable prices.

Human: this is about the objective of safeguarding the interest of its employees and their welfare.e.g ensuring better working condition

National: this is concerned with fulfilling the national goals and aspirations, e.g creation of employment opportunities, promoting social justice and payment of taxes including other dues regularly.

Global objectives: this is the objective of meeting with the challenges of global standards,e.g making available globally competitive goods and service.

However, there are secondary objectives of business aimed at contributing to national goals which are related to, and dependent on the profitability objective. They include the following:

(i) Growth Objective

The expansion of the business enterprise is one of the objectives of business. This may take the form of increased sales turnover, market share, number of people employed, capital employed, and so on.

(ii) Innovation: Innovation is an important means of striving to satisfy the needs of customers better than competitors. It involves introduction of new products, new method of handling distribution, etc.

(iii) Productivity: It is very important that the business enterprise improves in productivity by utilizing the available resources to achieve the best possible result.

(iv) Employee Satisfaction: it is a clear fact that the much business enterprises provides, or enhances the satisfaction of the workers, the employees / workers will also optimize their contribution towards the growth and development of the enterprise.

(v) Shareholder Satisfaction: this is the desire to sustain the ability to improve on the returns to shareholders because, that is the only sure way to guarantee their continuous support.

(vi) Public Image: it is very important that the business enterprise project itself in an excellent and improved image. By doing so, it is an opportunity to leverage on and have access to resources.

STRUCTURE OF THE BUSINESS ENTERPRISE

The production and distribution of goods and services involve a large number of activities. The structure of a business enterprise is the pattern of grouping and allocation of these activities to people as well as the distribution of authority among them in order to achieve the objectives of the enterprise. The activities can be grouped in a large number of ways. Most often, they are grouped according to the basic functions they serve. These functions are: Marketing, Production, Finance, Accounting and Personnel activities.

Marketing includes activities involved in ascertaining the needs of customers, developing suitable goods to meet the needs, and distribution of the goods to customers.

Production function incorporates all activities through which raw materials are procured, and converted into needed products.

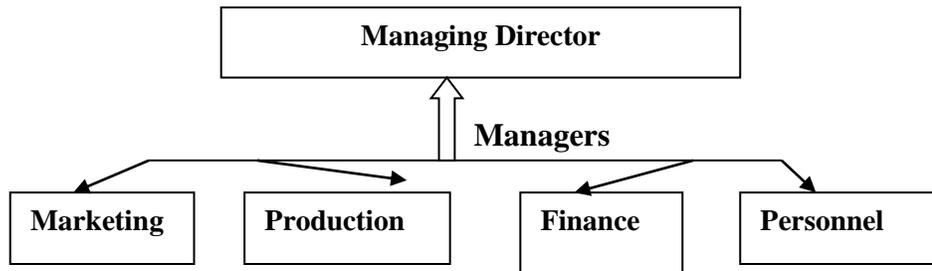
Finance involves activities needed to obtain the required funds, allocate and control the utilization of the funds.

Accounting, all activities by which financial transactions are recorded, summarized, analyzed and interpreted for business decision-making, are included.

Personnel function encompasses all activities by which human resources are procured and utilized in the business enterprise. In this process, people performing different duties/ functions/ assignment within the enterprise are assigned or given various authorities but with un-even level of authority and responsibility. The un-even level of authority and responsibility is de to the fact that higher responsibility requires more authority which can enable the employee to perform adequately.

Hence, there is a hierarchy of authority in the business enterprise as shown in the following diagram:

Figure 1



Structure of a Business Enterprise

Looking at the diagram, it shows that the managing director has or occupies the highest level of authority in this business enterprise. The functional managers have or operate at the same level of authority over the duties assigned to them, but they have higher authority over their subordinates.

STAKEHOLDERS OF THE BUSINESS ENTERPRISE

Stakeholders are regarded as the persons or group of individuals that have committed one thing or the other into the business enterprise and, therefore, have expectations from it. We can also refer to stakeholders as all those involved in, affected by, or able to influence the business enterprise in one way or the other. Such can include among the following:

- • Owners, shareholders, and creditors
- • Customers and consumers
- • Employees and agents
- • Suppliers
- • Competitors
- • Media and advocacy groups
- • Government
- • Families
- • Communities
- • Society

CONCLUSION

Relative to other institutions, a business enterprise is regarded as such if it is established to serve certain needs through the production and distribution of goods and rendering of services at profit for the owners.

SELF ASSESSMENT EXERCISE /ASSIGNMENT

1. In your own words, define 'Business'.
2. Highlight the essential features of business.
3. What do you mean by 'business enterprise'?
4. List and discuss the objectives of the business enterprise.

LECTURE 2: BASIC FORMS OF BUSINESS OWNERSHIP

Outline

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
 - 3.1 Sole Proprietorship
 - 3.2 Partnership
 - 3.3 Limited Liability Company
 - 3.4 Companies and Partnerships Contrasted
- 4.0 Conclusion

INTRODUCTION

One of the first and crucial decisions that must be made when embarking on a new business is the form in which the business will operate. There are basically three legal forms of business organizations. These are, the Sole proprietorship, the Partnership, and the Limited Liability Company. Each of these has its own distinguishing characteristics, merits and demerits.

It is imperative to understand the differences between them because, which ever that is found appropriate to be formed will be influenced by tax, legal issues, financial and human resources concerns in relation to the business.

OBJECTIVES

After studying this topic, students should be able to: list and discuss the features/ characteristics of each of the three basic forms of business organizations (Sole Proprietorship, Partnership, and Limited Liability Company).

SOLE PROPRIETORSHIP

A Sole proprietorship: this is a one – man business just like the name implies, is a business concern owned by one person who often is also engaged actively in the running of the business. The sole owner subscribes to all of the equity capital of the business which in most cases are raised from personal savings or soft loans obtained from relations and friends. All incomes also accrue to the owner.

The characteristics/features of one – man business a sole proprietorship includes the following:

- (i) A sole proprietorship has no distinct legal entity. Even when it is registered by the Corporate Affairs Commission under the Companies and Allied Matters Act, as required by the law, the owner and the business cannot be separated;
- (ii) Freedom of assets disposal: The owner has freedom to deal with the organization’s assets without any restrictions imposed by law;
- (iii) Easy to control and recognized: Because of the limited amount of assets which a sole proprietorship business controls, it is often small and can be recognized easily;
- (iv) Limited access to loan: Its capacity to borrow (especially from banks) is limited by the asset base;
- (v) It has very high risk because of the inseparability of the owner with the business;
- (vi) The business outfit often goes by the name of the owner, and operates within a confined location, usually, not more than two branches;
- (vii) The structure is fairly simplistic in nature.

Advantages:

- i. Low start-up cost
- ii. No sharing of profits or ownership of all profits
- iii. Subject to fewer regulations

Disadvantages:

- i. Limited life: the death of the business owner affects the business.
- ii. Difficult to raise find or capital

PARTNERSHIP

A partnership is generally defined as a legal relationship between two or more persons where each person contributes something in order to carry on a lawful business with a view of earning profit which is to be shared between the partners in a proportion agreed upon by them. Therefore, for a partnership to exist: there must be an agreement to be engaged in a business activity which can be a trade or a profession, the trade or the profession must be conducted in an agreed terms for the benefit of all the partners; and there must be an objective or intention to make and earn profit. These description is what differentiate a partnership business from a the political, the religious, the social clubs. A partnership agreement that will govern the relationships between the partners should include the following:

- i. name of organization, the type of business, and duration;
- ii. capital to be introduced by partners;
- iii. sharing of profits between parties, including salaries since not all the partners may be
- iv. employed by the partnership on a full-time basis. Such salaries will be normal operating expenses;
- v. drawings limits by partners;
- vi. arrangements for dissolution, or on the death or retirement of partners;
- vii. settling of disputes;
- viii. preparation and audit of accounts.

At this point it is necessary to note that, although the partnership agreement creates a legal relationship between the partners, but the partnership itself is not a legal entity.

We can highlight the essential features of a partnership as follows:

- (i) Partnership is not separated from the partners.
- (ii) Setting-up cost is low and it is easy to form.

- (iii) Life of partnership is limited because it is not a legal entity.
- (iv) Regarding liability, the partners must risk all their personal assets, even those not invested in the business, for under the partnership each partner is for the business' debts.
- (v) Partners share in the profits of the business according to their individual financial contributions to the business.
- (vi) The death of a partner can dissolve the partnership.

Advantages:

There is potential to access high amount of money
 It may be subject to fewer regulations

Disadvantages:

There is true possibility of disputes
 Limited life. This can be due to withdrawer or death of a partner.

LIMITED LIABILITY COMPANY

A limited liability company (or company) is a legal entity doing business, but distinct from the individual owners. It can be regarded as an artificial thing, i.e not visible, but existing only in the eye of the legal law as a person. It can enter into a agreement / contract, it can sue and also be sued, it can get involved in alliance or can affiliation with other company(ies). Uyi technical limited, is an examples of big Nigerian companies.

A company can only be formed when it has met the all the legal requirements or the conditions outlined in the Companies and Allied Matters Act (Decree), 1990. There must be an application for registration at the Corporate Affairs Commission, together with Memorandum and Articles of Association.

Some of the following basic information must be contained in the Memorandum of Association:

- i. name of the company,
- ii. objects for forming the company
- iii. amount or volume of the share capital that the company wish to register and the limit
- iv. the registered office address
- v. meetings proceedings
- vi. mode of appointing directors;
- vii. borrowing limits or powers of directors;
- viii. the mode of transfer or transmission of shares;
- ix. the procedure for winding-p, and so on.

Listed below are the features that distinguished a limited liability company from other forms of business;

- i. Owners are liable to the tune or limit of your shares, both paid and unpaid.
- ii. It has a perpetual life span because; the death of any shareholder does not affect the continuity. and the existence of the company except through bankruptcy or it is legally wound-up.
- iii. Owners can sue or be sued as well
- iv. There is perpetual succession, i.e. it does not cease to exist upon the death of any or all of the owners
- v. The company has the right to borrow on its own (company's) account
- vi. External auditing of accounting records is compulsory;
- vii. The statutory and annual obligations such as returns or dues to the Corporate Affairs Commission (CAC) is mandatory.

CONCLUSION

The form a business enterprise takes depends on various factors, among which are the nature of

the commodities to be produced, the way in which capital is to be raised, and most importantly, the probable size of the new enterprise. Although the sole proprietorship and partnership are the oldest forms of business ownership, Limited Liability Company is the most influential.

ASSIGNMENT

1. Distinguish between a sole proprietorship business and a partnership. In which ways are they similar, if any?
2. Define a Company and explain how it is different from a Partnership.