

Ch. 1: Introducing the Contemporary Business World

- Business: organization seeking to earn profit by providing products (may be tangible or service).
 - Profit: money that remains after a business' expenses (money spent in production and running the business) are subtracted from its revenues (money earned through sale of products).
- Economic system: way which nation allocates resources among citizens. Differ in terms of resource ownership and resource control.
 - These resources are call "Factors of Production" (5):
 - Labour (human resources) and the skills of a workforce
 - Capital (financial resources) needed to start and run an enterprise.
 - Natural Resources: all physical resources.
 - Information Resources (specialized knowledge): market forecasts, demographics, help to achieve business goals.
 - Entrepreneurs: accept risks and opportunities; manage all other factors of production in the firm.
 - Types of Economic systems:
 - Command Economies (centralized government, government owns most industries), "communism" (government owns all industries), socialism (only some major industries are controlled).
 - Market Economies (individuals make decisions about factors of production): "market" (mechanism for exchange), freedom of choice widely enjoyed.
 - Capitalism: Political idea with private ownership and encouragement of entrepreneurship.
 - Mixed-Market Economies: most economic systems, elements of both command and market. Current trend towards "privatization" (transfer of government activities to public sector because government-managed industries are inefficient) and deregulation (reducing laws that affect business activities).
 - Governments influence business as 6 things:
 - Customers (Eg: office supplies, military supplies)
 - Competitors (Eg: Crown corporations owned by government compete with private sector)
 - Regulator:
 - Protecting Competition: Eg: ensuring healthy competition, protecting smaller firms
 - Protecting Consumers: Eg: safety standards, warning labels
 - Achieving Social Goals: Eg: safe workplaces, employment insurance
 - Protecting Environment: Eg: laws governing emissions and waste
 - Taxation Agent: Revenue taxes fund government programs, either Progressive (higher tax rate for higher incomes) or Regressive (lower incomes pay higher percentage of income). Restrictive taxes to control certain activities (Eg: alcohol).
 - Provider of Incentives: Eg: subsidies, data on Stats Canada, export insurance
 - Provider of Essential Services: Eg: healthcare, highways, economic stability plans
- Demand and Supply:
 - Demand: willingness and ability for buyer to purchase product
 - Law of Demand: buyer purchases more when price drops
 - Supply: willingness and ability for producer to offer product
 - Law of Supply: sellers offer more (more supply) when price increases
 - Demand and Supply Schedule: relationships between demand and supply at different price levels.
 - Demand Curve: how many units bought at different prices
 - Supply Curve: how many units offered at different prices
 - Market price/equilibrium price: intersection of both curves, profit is maximized.
 - Surplus: supply exceeds demand, money lost on unsold product
 - Shortage: demand exceeds supply, money lost on potentially sold product. (Increase in criminal behaviour also occurs).
- Market economies rely on the Private Enterprise System characterized by 4 things:
 - Private property rights (individuals own resources used to create wealth)
 - Freedom of Choice (Eg: choosing who to hire, when and what to sell)
 - Profits (primary motivation for risk-taking entrepreneurs)
 - Competition (creates a push for efficiency and differentiation to gain advantage)