

The Concept of Business and Profit o Business– organization that provides goods or services to earn profits o Profits– difference between a business's revenues and its expenses Copyright (C) 2023 Pearson Education, Ltd 1–6 The External Environment of Business o External Environment– everything outside an organization's boundaries that might affect it Copyright (C) 2023 Pearson Education, Ltd 1–7 Dimensions of the External Environment Copyright (C) 2023 Pearson Education, Ltd 1–8 The External Environments of Business (1 of 2) o Domestic Business Environment – the environment in which a firm conducts operations and derives revenues o Global Business Environment – international forces that affect a business and includes international trade agreements, international economic conditions, and political unrest o Technological Environment – ways by which firms create value for their constituents o Political–Legal Environment – the relationship between business and government o Sociocultural Environment – includes the customs, mores, values, and demographic characteristics of the society and determines the business standards that a society is likely to value and accept o The Economic Environment – includes relevant conditions that exist in the economic system in which a company operates Copyright (C) 2023 Pearson Education, Ltd 1–10 Economic Systems o Economic system– a nation's system for allocating its resources among its citizens, both individuals and organizations Copyright (C) 2023 Pearson Education, Ltd 1–11 Factors of Production (1 of 2) o Labor (Human Resources) includes the physical and intellectual contributions people make while engaged in economic production and is also called human resources or human capital.o An Entrepreneur is a person who accepts the risks and opportunities entailed in creating and operating a new business venture.Both buyers and sellers know the prices that others are paying and receiving in the marketplace.Private enterprise system– ownership of the resources used to create wealth is in the hands of individuals 2.the number of firms in the industry must be large Copyright (C) 2023 Pearson Education, Ltd 1–25 Perfect Competition 1.The products of each firm are so similar that buyers view them as identical to those of other firms.Going prices are set exclusively by supply and demand and accepted by both sellers and .buyers.all firms in an industry must be small, and 2.2.3.4