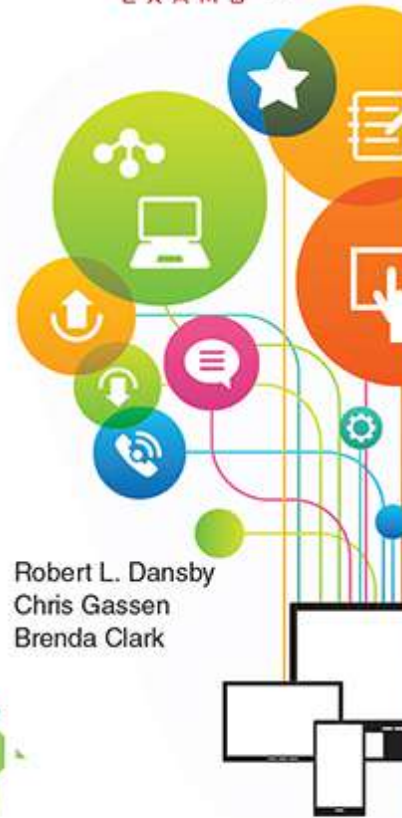


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# Principles of Business, Marketing, and Finance

PRECISION  
EXAMS



Robert L. Dansby  
Chris Gassen  
Brenda Clark

*Presentations for PowerPoint*

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# **Introduction to Business and Economics**

# Section 1.1

## **Introduction to Business**

# Objectives

- **Define** business and its benefits.
- **Describe** the four functions of business.

# Key Terms

- business
- product
- good
- service
- customer
- consumer
- need
- want
- utility
- market
- profit
- wages
- standard of living



# Essential Question

What does it mean to be in business?

# Impact of Business

- **Business** is the term for all the activities involved in developing and exchanging products
- **Product** is anything that can be bought or sold; includes **goods** and **services**
- Good is a physical item that can be touched
- Service is an action or task that is performed, usually for a fee

# Impact of Business

- **Customer** is an individual or group who buys products; referred to as a client in service businesses
- Customers who purchase goods and services for their own use are **consumers**
  - Consumer market
  - Business market



# Impact of Business

- Business provides products to meet a need or want
  - **Need** is something a person must have in order to survive
  - **Want** is something that a person desires but can survive without
- **Utility** describes the characteristics of a product that satisfy wants and needs
  - Form utility
  - Place utility
  - Time utility
  - Information utility
  - Possession utility

# Impact of Business

Examples of Utility	
<b>Form</b>	Smartphones are designed to be ergonomic, compatible with popular apps, and have high enough capacity to be useful.
<b>Place</b>	Shopping malls make a wide variety of stores available in one convenient location.
<b>Time</b>	Banks offer early morning teller services to meet the needs of businesses that are open in the morning, as well.
<b>Information</b>	Many electronics manufacturers have digital versions of installation and troubleshooting guides that are accessible anytime on their websites.
<b>Possession</b>	Convenience stores and drive-thru pharmacies offer quick product access.

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# Impact of Business

- **Market** is anywhere buyers and sellers meet to buy and sell goods and services
  - Marketplace
  - Not necessarily a physical location

# Impact of Business

- Businesses operate to earn profits
  - **Profit** is the difference between the income earned and expenses incurred by a business during a specific period of time
- Employing workers provides wages
  - **Wages** are money earned in exchange for work
- **Standard of living** is a level of material comfort measured by the goods, services, and luxuries available
- Business profits are taxed by local, state, and federal governments

# Functions of Business

- *Production*: Activity related to making a product
- *Finance*: Activities involving money
- *Marketing*: Activities that identify, anticipate, and satisfy customer demand while making a profit
- *Management*: Controlling and making decisions about a business



# Section 1.1 Review

1. What is the difference between the consumer market and the business market?

The consumer market includes customers who buy products for their own use. The business market consists of customers who buy products for use in a business.

2. List the five types of utility provided by business.

The five types of utility are form, place, time, information, and possession.

# Section 1.1 Review

3. What is the main reason a business operates?

The main reason a business operates is to earn a profit.

4. What are three economic benefits generated by businesses in an economy?

Three economic benefits generated by businesses in an economy are employment, standard of living, and taxes.

5. List the four functions of business.

The functions of business are production, finance, marketing, and management.

## **Section 1.2**

# **Introduction to Economics**



# Objectives

- **Explain** the importance of economics.
- **Describe** the four economic systems.
- **Discuss** the impact of market forces on businesses.

# Key Terms

- economics
- factors of production
- labor
- capital
- capital goods
- entrepreneurship
- entrepreneur
- scarcity
- trade-off
- opportunity cost
- systematic decision-making
- economic system
- traditional economy
- command economy
- market economy
- capitalism
- mixed economy
- law of supply and demand
- competition



# Essential Question

How do the principles of economics apply to business?

# Economics

- **Economics** is a science that examines how goods and services are produced, sold, and used
- All economic resources are limited; needs and wants are unlimited
- **Factors of production** are the economic resources a nation uses to make goods and supply services for its population
  - Land, labor, capital, and entrepreneurship

# Economics

- *Land* includes all of a nation's natural resources; raw materials found in nature
- **Labor** is the work performed by people in organizations; *human resources*
- **Capital** is all the tools, equipment, and machinery used to produce goods or provide services
  - **Capital goods** are products businesses use to produce final products for consumers
- **Entrepreneurship** is the willingness and ability to start a new business
  - People who start new businesses are **entrepreneurs**

# Economics

- Economic problem: Unlimited wants cannot be filled with limited resources
- **Scarcity** develops when demand is higher than the available resources
- **Trade-off** is when something is given up in order to gain something else
- **Opportunity cost** is the value of the next best option that was not selected
  - *Value* is the relative worth of something

# Economics



# Economics

- **Systematic decision-making** is a process of choosing an option after evaluating the available information and weighing the costs and benefits of the alternatives

## Steps in the Decision-Making Process





# Economic Systems

- **Economic system** is an organized way in which a nation chooses to use its resources to create goods and services
- Scarcity leads to three economic questions:
  - What should we produce?
  - How should we produce it?
  - For whom should we produce it?

# Economic Systems

- In a **traditional economy**, economic decisions are based on a society's values, culture, and customs
  - Large rural populations that rely on farming and hunting activities to meet needs
  - Little or no manufacturing
  - People barter for goods or services

# Economic Systems

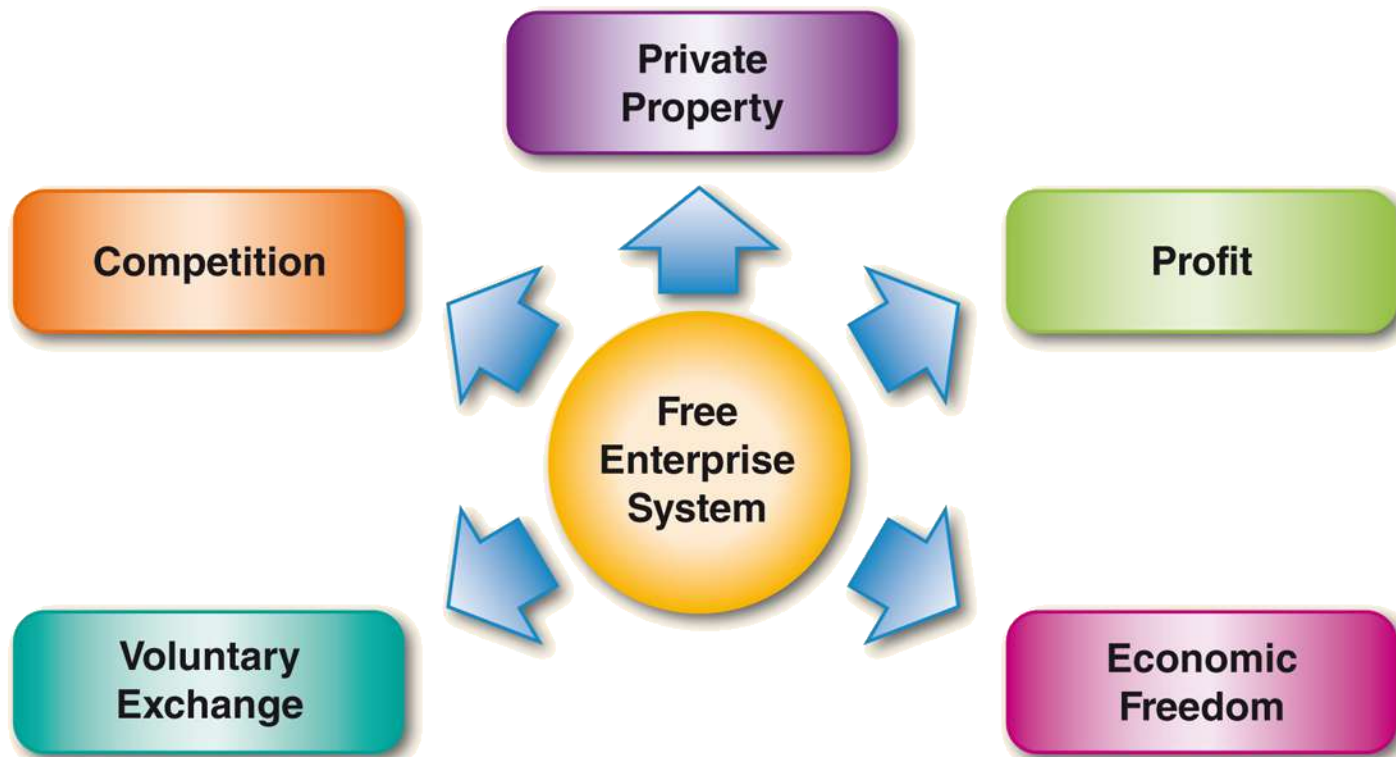
- In a **command economy**, government makes all economic decisions for its citizens
  - *Centrally-planned economy*
  - Found in communist or socialist societies
  - Government owns and controls all factors of production, decides quantity of production, and sets prices

# Economic Systems

- In a **market economy**, individuals are free to make their own economic decisions
  - *Free enterprise or private enterprise*
  - **Capitalism** is an economic system where the economic resources are privately owned by individuals rather than the government

# Economic Systems

- Characteristics of a free enterprise system



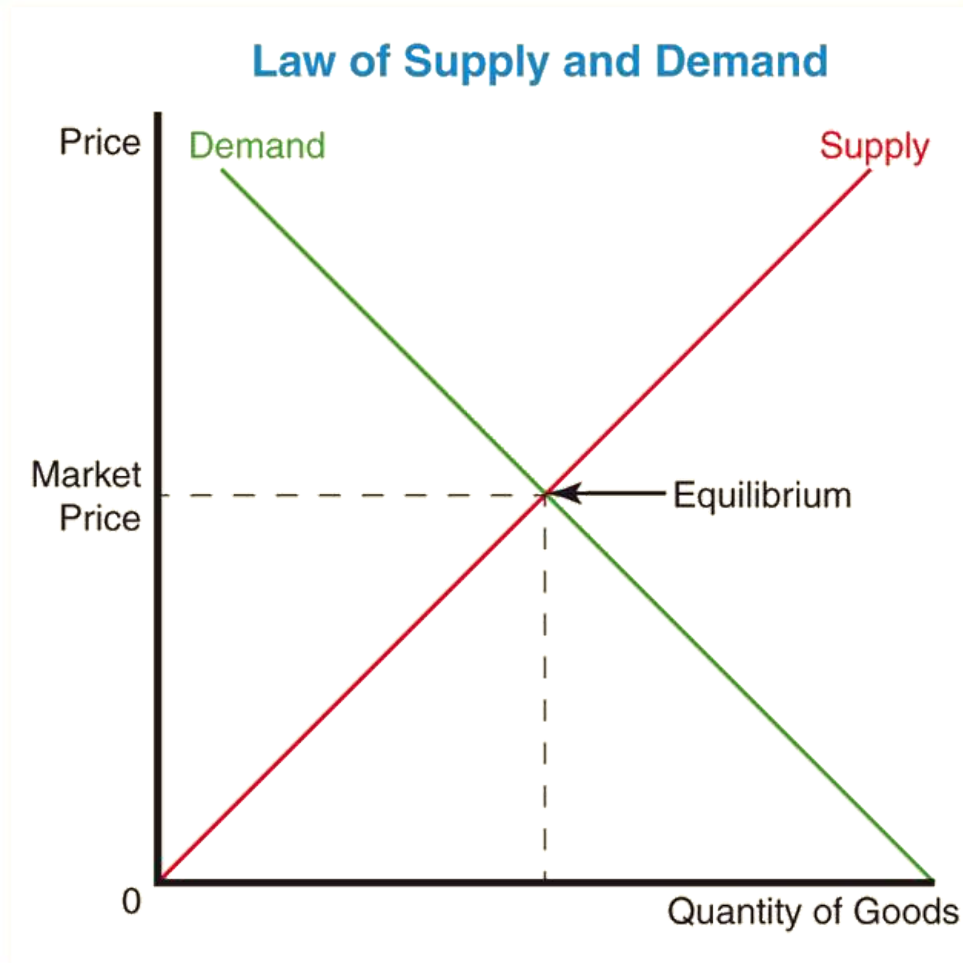
# Economic Systems

- In a **mixed economy**, both government and individuals make decisions about economic resources
  - Level of government involvement in mixed economies can vary

# Market Forces

- *Market forces* are economic factors that affect the price, demand, and availability of a good or service
  - Include supply and demand, the profit motive, and competition
- **Law of supply and demand**
  - Price of a product is determined by the relationship of the supply of a product and the demand for the product
- *Market price* is determined at the point where supply equals demand for a product; this point is called *equilibrium*

# Market Forces





# Market Forces

- *Supply curve*
  - Producers supply greater quantity at higher prices
- *Demand curve*
  - Consumers buy fewer goods at higher prices
- When demand is greater than supply, a *shortage* develops
- When demand is less than supply, a *surplus* develops

# Market Forces

- *Profit motive* is one reason people choose to start and expand businesses
  - Profit is the difference between income earned and expenses incurred by a business
  - Driving force of creating a business
- **Competition** is the action taken by two or more businesses attempting to attract the same customers
- Consumers are free to choose the goods and services they buy

# Section 1.2 Review

1. What is the basic economic problem?

Consumers, businesses, and governments constantly make choices about using limited resources to satisfy unlimited wants.

2. List the four factors of production a nation uses to make goods and supply services for its population.

The four factors are land, labor, capital, and entrepreneurship.

3. What are the four economic systems?

The four economic systems are traditional economy, command economy, market economy, and mixed economy.

# Section 1.2 Review

## 4. What are market forces?

Market forces are economic factors that affect the price, demand, and availability of a product or service.

## 5. Identify three market forces that impact business.

The market forces include supply and demand, the profit motive, and competition.