

NATURE AND CHARACTERISTICS OF BUSINESS

- (i) **An Economic Activity :** Business as an economic activity, is related to money or money's worth. It is undertaken by the business to earn money or livelihood and not for love, affection, moral or sentimental reasons. These activities may be on a small scale or on a large scale.
- (ii) **Production or Assembling of Goods and Services :** Every business unit produces or procures the goods and services before they are offered for sale to the consumers. The goods may be manufactured or acquired from the producers for a consideration. Goods include consumer or industrial goods and services include banking, insurance, and transportation of both goods and passengers.
- (iii) **Sale or Exchange of Goods and Services :** Goods and services are sold or exchanged for value, to the consumers. Production of goods for self-use is not a business activity. A tailor stitching shirts for his customers is a business activity. But if he stitches a shirt for himself, it is not a business activity. In business goods and services have to be exchanged and transferred to consumers for a price. Similarly, exchanging gifts with friends and dear ones is not a business activity. There must be an exchange of goods and services between a seller and a buyer at a price.
- (iv) **Dealing in Goods and Services on a Regular basis :** A business is a going concern. It continues from year to year. It involves dealings in goods and services on a regular and continuous basis. A single transaction of a purchase and sale undertaken once a while does not constitute business. A person, selling his personal T.V. set at a profit is not doing business because it is an isolated transaction which is not on regular basis. If he has a shop and buys and sells T.V. sets on a regular basis, then this is a business.
- (v) **Profit Earning :** The main objective of business is profit earning. Buying goods and services at a lower price and selling them at a higher price to earn profit is business. A business can survive only if it earns profit. Every