

WHAT IS BUSINESS?

Business is a word that is commonly used in many different languages. But exactly what does it mean? The concepts and activities of business have increased in modern times. Traditionally, business simply meant exchange or trade for things people wanted or needed. Today it has a more technical definition. One definition of business is the production, distribution, and sale of goods and services for a profit. To examine this definition, we will look at its various parts.

First, production is the creation of services or the changing of materials into products. One example is the conversion of iron ore into metal car parts. Next, these products need to be moved from the factory to the marketplace. This is known as distribution. A car might be moved from a factory in Detroit to a car dealership in Miami.

Third is the sale of goods and services. Sale is the exchange of a product or service for money. A car is sold to someone in exchange for money. Goods are products that people either need or want; for example, cars can be classified as goods. Services, on the other hand, are activities that a person or group performs for another person or organization. For instance, an auto mechanic performs a service when he repairs a car. A doctor also performs a service by taking care of people when they are sick.

Business, then, is a combination of all these activities: production, distribution, and sale. However, there is one other important factor. This factor is the creation of profit or economic surplus. A major goal in the functioning of an American business company is making a profit. Profit is the money that remains after all the expenses are paid. Creating an economic surplus or profit is, therefore, a primary goal of business activity.

Comprehension

- ★ A. Answer the following questions about the meaning of business. Question with asterisks (*) cannot be answered directly from the text.
1. What is one modern definition of business?
 2. *How does this modern meaning of business differ from the traditional one?
*What factors have brought about these changes?
 3. What does production involve?
 4. What example of distribution is given in the reading? *Can you think of another example?
 5. How do goods differ from services?
 6. In addition to production, distribution, and sale, what other factor is important in defining business?
 7. What is profit? *In general, what do companies do with their profits?
 8. Compare your definition of business with the one given in the reading. *How are they similar? *In what ways does your definition differ from the one presented in the text?