



COURSE CODE: BUS 111

COURSE TITLE: INTRODUCTION TO BUSINESS I

NUMBER OF UNITS: 3 Units

COURSE DURATION: THREE HOURS PER WEEK

COURSE LECTURER: DR ODIWO WILLIAMS OMOKHUDU

INTENDED LEARNING OUTCOMES

At the completion of this course, students are expected to:

1. Define clearly the meaning of Business, linking between Business and Administration
2. Understand the stages and processes involved in identify and screening business opportunities to know how to access a range of possible market opportunities in a structured and systematic way.
3. Understand what constitutes Business and Administration
- 4 Analyse different business situations as a student
- 5 Generate, access and work with business idea

COURSE DETAILS:

Week 1-2: Nature and scope of business

Week 1-2: Concept of business and administration

Week 1-2: Types of business

Week 3: Business consumers

Week 3: Different business environment

Week 4: Various legal issues in business

Week 5: The role of government in business

Week 6:Ethics and responsibilities of a business

Week 6-7:The character of business from social ,legal and economic perspec

Week 8:Forms of ownership ,organization and management

Week 8Marketing, production, finance and accounting functions

Week 8 Government and business

Week 9The social responsibility of business, problems of Nigerian business enterprises

Week 10 Role of communication in business

Week 11 Role of insurance in business

Week 12 :REVISION

RESOURCES

- **Lecturer's Office Hours:**

- DR. Odiwo Williams Oomkhudu, Wednesdays 2-4pm,

- **Course lecture Notes:** <http://www.edouniversity.edu.ng/oer/Bus/BUS111.pdf>

- **Books:**

- An Introduction of the Principles of Management vol 2 by Ugbohmhe , O. Ugbohmhe , Osagie, N.G,Bestway publishers, Auchi.

- Principles of Management vol 2, by V.A Umoru, Prosper prints publishers Auchi.New Edo state. (recommended).

Class work:

- Multiple parts (2 or 3).

- Must be done in class

- Home works + class work: ~ 30% of final grade.

- **Exams:**

- Final, comprehensive (according to university schedule): ~ 70% of final grade

Assignments & Grading

- **Academic Honesty:** All class work should be done independently, unless explicitly stated otherwise on the assignment handout.

- You may discuss general solution strategies, but must write up the solutions yourself.

- If you discuss any problem with anyone else, you must write their name at the top of your assignment, labeling them “collaborators”.

- **NO LATE HOMEWORKS ACCEPTED**

- Turn in what you have at the time it's due.

- All home works are due at the start of class.

- If you will be away, turn in the homework early.

- Late Home work (Home work) will not be accepted, but penalized according to the percentages given on the syllabus.

PREAMBLE:

Nature and Scope of a business.

Definition

The word business actually is referring to a state of being busy. Businesses are ubiquitous, so to say that they are finding in every place performing functions. Every person is engaged in some kind of occupation. For example, a farmer works in the field, a worker who works in the factory. a clerk does his office work in an office, a teacher that teaches in the classroom, a salesman busy in the selling goods ,an entrepreneur is busy in running his factory and so others performing different activity. The primary aim of these entire people is to earn their livelihood while doing some work. On a general note businesses are all creative human activities relating to the production of goods or services for satisfying human wants which is in return receive value. Human activities may be categorized as economic and non economic.

Simple Meaning

Business includes all that legal activities which are related with earning profit.

Business includes all the economic activities which are related with earning wealth.

James Stephenson (2012) opines that business is every human activity which is engaged in for the sake of earning profit.

Haney, H.L (2012) also asserts that business is human activity directed towards producing and acquiring wealth through buying and selling goods.

Features/ characteristics of business

It is obvious that the following relevant features/ characteristics are derived;

1.Entrepreneur

There must be someone to take ideas for establishing a business. The person who provides the idea for starting a product or service is known as entrepreneur. The entrepreneur is a key figure in the process of economic growth.

2. Economic activities

People engage in one form of work or the other to earn a living, this is referring to economic activities.

3.Deals In Goods And Services.

Business always deals in goods and services .The goods include to both customers' goods like clothes, shoes, tooth paste, and industrial goods like, raw material, tools and machinery. The services efforts render which in return receive reward

4. Risk.

The business involves a greater element of risk and uncertainty .In fact, a business man tries to foresee the future uncertainties and plan his business activities accordingly.

5. Profit.

Profit is the most important character of business. Business is started for the purpose of earning a profit. Profit is the driving forces of every business activity that stair individual towards a business.

The incentive of earning profits keeps a person in business and is also necessary for the continuity of business .This does not mean that there will be no chances of losses in business.

6. Production.

Business always deals on production of goods and services. The object of business is to provide goods and services to society for the purpose of earning profit. The goods must be produced or manufactured .So that these can be sold in market. It is the activities that involved human labour leading to the satisfaction of human wants or needs

7.Sales.

Sales are related with the transfer of values .The production for personal use does not come under the scope of business for example if a shoe maker makes a pair of shoes and wear himself his act is not treated as business. If a person makes a pair of shoes for the purpose of selling now his act is treated as business.

8. Finance.

Finance is another important character of business .No businessman can start business without money. It is the lifeblood of every business organization.

9. Management.

Every enterprise needs an organization for its successful working. Various business activities are divided into departments, sections and jobs .and organization creates the framework for managerial performance and helps in coordinating various business activities.

10. Regularity.

In business, only those transactions are included which have regularity and continuity and isolated transaction will not be called business, even if the person earns profit from that deal. A person builds house for himself but later on sell it on profit.

11. Creation of utility.

The goods are provided to the consumer as per their liking and requirements. Business creates various types of utilities in goods so that consumer may use them.

12. Consumer Satisfaction.

The ultimate aim of business is to supply goods to the consumers. The goods are produced for the consumers. If a consumer is satisfied, he will purchase the same thing often. Otherwise he will go for an alternative commodity.

14. Planning.

Planning is the most important character of business .Planning is related with all the activities of business .planning are always based on past experience which could be short or long term.

Objectives of business.

According to Peter Drucker, the following objectives hold:

Profit Earning.

It cannot be denied that business is started for earning profits. Profit is basic incentive to business pursuits. Profits are needed to face various uncertainties like trade cycle, change in demand pattern, fluctuations in money markets. A business needs profits not only for its existence but also for expansion and diversification. The investors want an adequate return on their investments, worker wants higher wages and the entrepreneur needs money for reinvesting.

Production of goods.

The profit can be earned only when some exchange of goods and services takes place. So the next objective is to produce more goods and sell them to the consumer.

Creating Markets.

The aim of the businessman is to sell products. Marketing consists of these efforts which effect transfer in ownership of goods and care for their physical distribution.

Technological improvement.

A businessman should always strive to use latest methods of production. In the world of competition everybody tries to sell his products by offering goods quality products at lower prices.

Human Objectives.

Human objective of business requires that a workable balance should be maintained among the claims of various interested groups like employees, shareholders and consumers. These objectives can be discussed as follow.

THE CONCEPT OF BUSINESS ADMINISTRATION

The question one needs to ask is what business administration does?

Business administration is a wide area that incorporates many types of management positions. From major corporations to independent businesses, every operation needs qualified administrators in order to succeed. Motivated, organized personalities will thrive in business, where environments are often favorable.

The definition of administration refers to the group of individuals who are in charge of creating and enforcing rules and regulations, or those in leadership positions who complete important tasks. Administration: as a term may be adopted to refer to four major phenomena. These are a discipline, a regime, e.g. Buhari Administration, a categorical group of job holders and as the functions of the executive... Examples of administration are the President of Nigeria and the individuals he appoints to support him; the University Vice Chancellor and his team of Management (Azelama, 2012)

When a company goes into administration it means your company is being taken under the management of a legally appointed administrator.

The roles of business administration.

1. Business Administrators handle the operational, organizational, and managerial responsibilities of a company.
2. They are known by many job titles including CEO, general manager, and operations manager..

Business Administration is a highly competitive field. Those who practice it should possess a degree in business administration, a Masters in business administration and a Professional qualification to be attractive to employers.

The Role of Government in the Nigerian Environment

The government as we know it in modern times has a broad spectrum of functions and roles it plays in the society. It functions mainly in the form of providing coordination, organization, management and leadership to the affairs of

both human and material resources in the society. Here, we will be looking at the role that the government plays in the business environment in Nigeria (Chibuzor Mbah.2016) .

Nigeria has continuously operating a capitalist system of economy but in the time of military intervention and government switch to planned economy system with the increased direct involvement of the government in business activities. However, in recent times the government has started playing more of a regulatory role in the economic activities of the country. All the activities of these sectors are regulated by the government .The Federal Government of Nigeria use both decrees and acts to regulate business activities. Examples are petroleum decree of 1969 and Banking decree of the year in which licensing was introduced to regulate entry into certain business. Also income Tax relief acts 1958, which was later amended by decree no 23 of 71 which provided certain legal muscles and incentives for younger industries in Nigeria

This can be proved by the previous privatization done by former administration-run organization and institutions .Nigeria as a capitalist economy perform two major roles vizs regulating the activities of businesses and providing a conducive environment for businesses to expand mainly small and medium businesses.

(2) Government can also function as a planner in the environment through monetary and fiscal policies

In a capitalist economy like Nigeria, the government performs two major roles which include regulating the activities of businesses; and shoring up the economy by providing an enabling environment for businesses to grow, especially small and medium scale businesses. The government can also function as a planner in the business environment through monetary and fiscal policies.

Regulatory Role of Government

The capitalist system of economy allows and promotes individualistic ownership of means of production and distribution of goods and services. In the long-run this usually leads to a distortion of the market, this is because everything is driven by a motive to make profits.

This profit-driven mentality leads to an over-exploitation of resources in the society, both human and material; and underutilization of certain areas of the economy. This phenomenon can lead to a market failure. This is the main reason for government intervention in the business environment to bring about an equilibrating and balancing effect in the economy.

The government adopts different measures and approaches in the regulations of business enterprises in Nigeria. This includes but not limited to the following measures:

Permission: The government mandates new businesses to be registered. The different kinds of businesses have different kinds of registration. This measure serves the purpose of letting the government know the number and kind of businesses that are in existence, for different purposes such as tax purposes, and to be able to call them to order should they overstep their boundaries. The function of this registration is usually to define the financial liability the owners of the company have. It limits their risk to the amount they have invested in that particular organization. Registration also allows the government to monitor companies to execute its other functions in the business world.

Consumer Protection: The government also tries to check the exploitative tendencies of businesses by creating laws that protects the rights of consumers. This is usually done through agencies that set minimum standards that businesses must abide by in the process of producing their goods or rendering services. When businesses go against these, or tries to undermine the rights of their consumers, the government, through these agencies place sanctions on such offending companies. Some of such agencies in Nigeria includes: NAFDAC, that regulates food and drug related products to protect the consumer from low quality food products and fake drugs; we also have NCC that regulates the activities if telecommunication companies. Labeling is another requirement the

government imposes on marketers. Many foods, for example must display nutritional content on the packaging.

Contract Enforcement: The government also functions as a kind of police to businesses especially in the area of contract enforcement. Businesses interact with each other, these interactions usually leads to the establishment of contracts and agreements with other business. These contracts may be complex, such as mergers, or they may be as simple as a warranty on supplies purchased.

So to maintain law and order in the business environment and among businesses the government enforces these contracts and agreements between companies. Companies bring one another to court just as individuals do. An oral agreement can constitution a contract, but usually only a written agreement is provable in court of law. If one party fails or refuses to meet its obligation under a contract, a company can turn to the legal system for enforcement.

Employee Protection: The government also regulates how employees are treated by businesses. Here, many state and federal agencies work to protect the rights of employees. In some countries, the occupational health and safety administration becomes an agency under the labour department.

Its mission is to ensure a safe and healthful work environment. There are laws that control how workers are employed, and also protect workers from unfair treatment from their employers. While the equal opportunity commission protects employees from discrimination in the case of Nigeria we have the public complains commission otherwise known as (Ombudsman).

Taxation: One major and very important source of income to the government is from taxes. Governments at all levels tax businesses and the resulting revenue also forms part of government budgets. The government collects corporate taxes from businesses. Other form of taxes that these businesses pay to the government includes tariffs, import duties, excise duties, and levies.

Some companies that produce a certain form of negative externality are made to pay a special kind of tax as a way of offsetting the negative externality. These kinds of taxes are called Pigouvian taxes. This serves as a kind of balancing tool.

Environmental Protection: The government also plays a huge role in regulating the level of pollution that might be caused by the activities of businesses. In economic terms, the issue of pollution as a result of activities of industries can be described as a negative externality. An externality is a situation whereby a marketing transaction impacts a third party, that is others besides the marketer and purchaser the effect is called an externality. It could be positive or negative.

In some cases this third party that is affected could be the environment. Thus it is the role of government to regulate the activities of industries and thereby protect the public from environmental externalities such as different kinds of pollution. Whether the Nigerian government is effective in this role or not is a different issue for another day.

Investor Protection: Government also mandates that companies make certain financial information public, thereby protecting the rights of investors and facilitating further investment. This is generally done through with the Securities and Exchange Commission.

Promotional Role of Government

The government also plays a very vital role of providing an enabling environment that will promote the growth of businesses. This promotional role of the government also serves to increase the social and economic overhead capital that will further drive the growth of an economy.

The economic overhead can be increased by building developmental structure, some of which includes: creation and development of adequate and functional transport and communication facilities to facilitate easy distribution of goods and services; construction of irrigation facilities, such as dams, canals, and tube wells to serve and promote agricultural businesses; production of, and appropriate distribution of electricity and various other resources of energy, such as coal and natural gas; expansion of businesses and industries having strategic importance; and also the development and implementation of advanced technology.

The building and development of infrastructure helps private businesses by producing overheads socially and economically, which, in turn, increases the

production and economic growth. The growth of the economy automatically results in the expansion of private businesses. In addition economic growth increases the size of market, which further increases the total demand for goods and services.

This provides a major advantage to private businesses. Apart from this, economic and social overhead capital results in the creation of external economies and reduction in capital-output ratio and production cost. Another promotional role of the government in relation to industries can be seen as providing finance to industry, in granting various incentives and in creating infrastructure facilities for industrial growth and investment.

Government as an Entrepreneur

Like many developing countries of the world, Nigeria has become very involved in the acceleration of the economic and industrial development of her economy. The Nigerian government has also become actively involved in the establishment of public enterprises.

Although some scholars are against government ownership to some businesses because according to them the objective of government business is to subsidize services at the expense of profitability and despite that they do not achieve these objectives due to unprofessional management corruption and low output.

There are still justifications why government should involve in business. This is because public enterprise which is established by government according to one school of thought is an institution which has responsibility for either general or some specific areas of a country's economic development.

The responsibility includes industrial and agricultural development. The contributions of public enterprises to economic development provision of cheap services and equitable distribution of product and services.

Types of business structures

LEARNING OUTCOMES:

Students should be able to know:

- the types and nature of business,
- Characteristics and practices involved in indentifying business opportunities.
- analyse the various forms of Business through the relevant examples.

Introduction

There are many types of business organizations, each being distinguishable from the other by size, name and nature of business. However, four major types would be discussed here in terms of their formation, registration and legal status. These include sole proprietorship, partnership, co-operative societies and incorporated companies.

Sole Proprietorship

A Sole Proprietorship is one individual or married couple in business alone. Sole proprietorships are the most common form of business structure. This type of business is simple to form and operate, and may enjoy greater flexibility of management, fewer legal controls, and fewer taxes. However, the business owner is personally liable for all debts incurred by the business.

Features:

- i) Owned by one person
- ii) Fund requirement is usually small
- iii) Control, supervision and management of sole proprietorship are personally under taken by the proprietor thereby saving some cost.

Examples: retail shops outlets, Hawkers, bakeries, poultry, business centres, mechanical workshops, carpentry or sculpturing etc.

Advantages:

- 1 It is easy to established as no formal documents is required (fee or taxes) before formation.
- 2) It is subjected to very little governmental regulations.

- 3) There is enjoyment as a result of personal involvement and satisfaction of being one's own boss.
- 4) Less legal restriction. There is no margin and financial strength are not required by law to be published.
- 5) Simplicity in dissolving: The owner of the business may decided to discontinue with the business, he may do so without consulting anybody.

Disadvantages

It has unlimited liability

It has a great difficulties in raising fund

Lack continuity especially after the death of the owner.

General Partnership

A General Partnership is composed of 2 or more persons (usually not a married couple) who agree to contribute money, labor, or skill to a business. Each partner shares the profits, losses, and management of the business and each partner is personally and equally liable for debts of the partnership. Formal terms of the partnership are usually contained in a written partnership agreement.

Limited Partnership

A Limited Partnership is composed of one or more general partners and one or more limited partners. The general partners manage the business and share fully in its profits and losses. Limited partners share in the profits of the business, but their losses are limited to the extent of their investment. Limited partners are usually not involved in the day-to-day operations of the business.

Limited Liability Partnership (LLP)

A Limited Liability Partnership (LLP) is similar to a General Partnership except that normally a partner doesn't have personal liability for the negligence of another partner. This business structure is used most by professionals, such as accountants and lawyers.

Limited Liability Limited Partnership (LLLP)

A Limited Liability Limited Partnership is a Limited Partnership that chooses to become an LLLP by including a statement to that effect in its certificate of limited partnership. This type of business structure may shield general partners from liability for obligations of the LLLP.

This consist two or more (but not exceeding) 20 individuals coming together to carry out a business with the intension of making a profit. The word “partnership” appears synonymous with the word ‘firm’ as used in section 672 of the Act which provides as follows: firms means an un- incorporated body of two but not more than twenty coming together into agreement. Examples general partnership limited partnership, limited liability partnership.

Formation of partnership

Partnership can be formed in any of the following ways:

- By written agreement
- By conduct
- By oral agreement.

Features of Partnership

- i. The existence of a business
- ii. The business activity must be permissible by law.
- iii. The membership must not be more than twenty.
- iv. The members must have the legal capacity to enter into contractual relationship i.e. must not be mentally retarded who cannot effectively co-ordinate or comprehend the nature, intricacies and implication of partnership.

Duties of Partnership

1. Every partner must ensure that his interest must not conflict with other partners.
2. Every partner must not receive remuneration from the firm by reason of his being a partner to the business organization.
3. Every partner must ensure that the firm's property is being protected.
4. Every partner must render true accounts and full information of all things done in the firm.

Advantages:

- ❖ Synergies as two heads are better than one.
- ❖ Partnership may be subject to fewer Regulations and corporation, (Tax advantages)
- ❖ More capital is available to the firm.
- ❖ It is easy to start.

Disadvantages:

- ❖ Unlimited liability
- ❖ Conflicts, disputes may arise between partners as may end the business.
- ❖ Limited life as any death may end the business
- ❖ Difficulties in finding agreeable partners.

Corporation

A Corporation is a more complex business structure which has certain rights, privileges, and liabilities beyond those of an individual. Doing business as a corporation may yield tax or financial benefits, but these can be offset by other

considerations, such as increased licensing fees or decreased personal control. Corporations may be formed for profit or nonprofit purposes but mainly to render social services to the people.

Nonprofit Corporation

A Nonprofit Corporation is a legal entity and is typically run to provide for the social life of the people or goal rather than in the interests of profit. Many nonprofits serve the public interest, but some engage in private sector activities. If the nonprofit organization is, or plans to, raise funds from the public, it may also be required to register with the Charitable. Charitable activities may require additional registration. Students should reach the Office of the Secretary of State for more information. Orphanage homes are good example.

Limited Liability Company (LLC)

A Limited Liability Company (LLC) is formed by 1 or more individuals or entities through a special written agreement. The agreement must give details of the organization, including provisions for management, assign ability of interests, and distribution of profits and losses. These businesses are permitted to engage in any lawful, for-profit business or activity. Examples are banking or insurance businesses which are form by incorporating them in accordance with the provisions of companies and Allied matter Act, 1990. Examples, Ltd, Plc authorities, Corporation.

Types of Companies

1. Company limited by shares e.g Ltd, Plc
2. Company limited by guarantee e,g Ltd Gte, Plc Gte.
3. Unlimited company e.g ultd.

Features of Private Company

This includes the following features:

1. The memorandum of Association must clearly state that the company is a private company.
2. The Articles of Association must restrict the transfer of shares.
3. The total number of members of the company must not exceed 50
4. The company cannot write the public to subscribe for any of its shares or debentures.
5. It cannot write the public to make fixed deposits with it.
6. Its authorized share capital must not be less than N10,000.00

Features of a Public Company

Features of public company include:

1. Its shares are transferable
2. The total number of members can be more than 50. There is no maximum limit to the number of shareholders.
3. The minimum authorized share capital is N500,000.00.
4. It can invite the public to subscribe for its shares or debentures.

Advantages:

1. It is a limited liability venture
2. Life of corporation is almost perpetual
3. Ease to transferring ownership
4. Easy to expand size
5. Basic needs or amenities are provided by the government through corporations
6. Offers employment.

Disadvantage:

1. Numerous government regulations
2. Lack of secrecy
3. Tax burden
4. Corruption/embezzlement
5. Nepotism, Tribalism and religion sentiments.

Trust

A Trust is a legal relationship in which one person, called the trustee, holds property for the benefit of another person, called the beneficiary. The trustees are considered employees since they work for the trust. Examples are the estate agents and so on.

Joint Venture

A Joint Venture is formed for a limited length of time to carry out a business transaction or operation after which the business will come to end.

Tenants in Common

A Tenant in Common allows 2 or more person to occupy the same business while retaining separate identities in regard to assets or liabilities resulting from business activities.

Municipality

A Municipality is a public corporation established as a subdivision of a state for local governmental purposes. Eg Abuja Municipal Council and so on.

Association

An Association is an organized group of people who share in a common interest, activity, or purpose and are register with the corporate affairs commission. They are operated under the limited liability power to sue and to be sue.

