

Fundamentals of Business and Economics

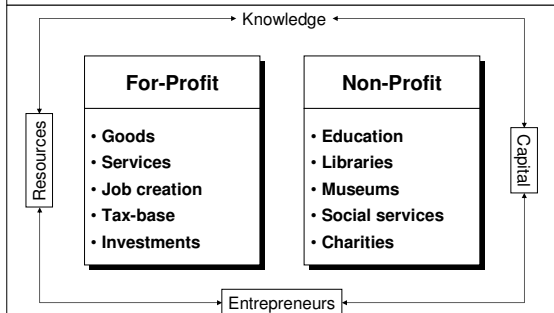
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Why Study Business?

- ✓ Learn what it takes to run a business
- ✓ Build your business vocabulary
- ✓ Develop your workplace skills
- ✓ Learn about various occupations
- ✓ Appreciate today's business careers

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What is a Business?



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Categories of Business

Producing Goods



Capital Intensive

Providing Services



Labor Intensive

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Service Sector Growth

- More disposable income
- Lifestyle and demographic changes
- Complex goods and technologies
- Need for professional advice
- Low barriers to entry

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What is Economics?

Microeconomics

Macroeconomics

Economic System



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Factors of Production



✓ Resources

✓ Capital

✓ Entrepreneurs

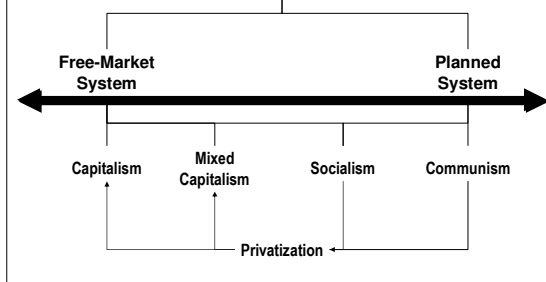
✓ Knowledge

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Economic Systems



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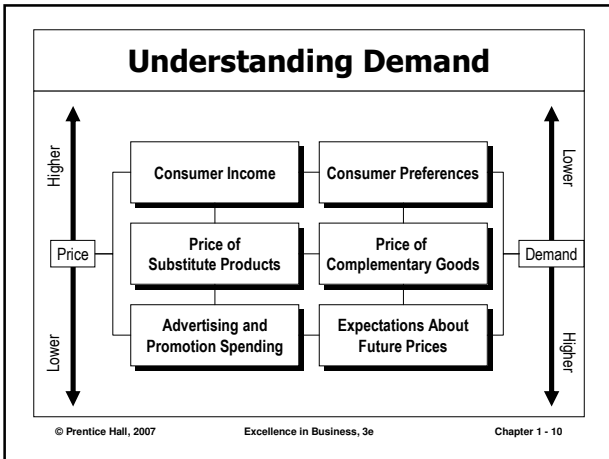
Microeconomics

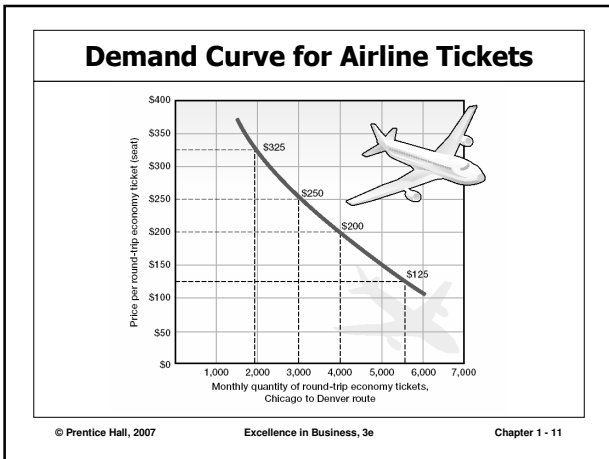
The Forces of Supply and Demand

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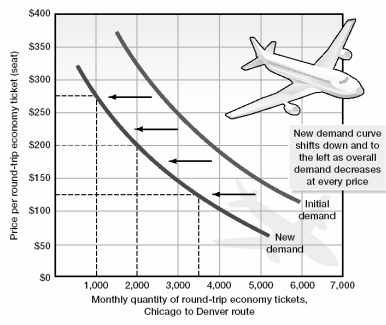


Expected Shifts in Demand Curve

Variable	<i>Shifts Right When:</i>	<i>Shifts Left When:</i>
Consumer Income	Increases	Decreases
Consumer Preferences	More Favorable	Less Favorable
Price of Substitutes	Increases	Decreases
Price of Complementary Goods	Decreases	Increases
Advertising-Promotion	Increases	Decreases
Consumer Expectations	Optimistic	Pessimistic
Number of Buyers	Increases	Decreases

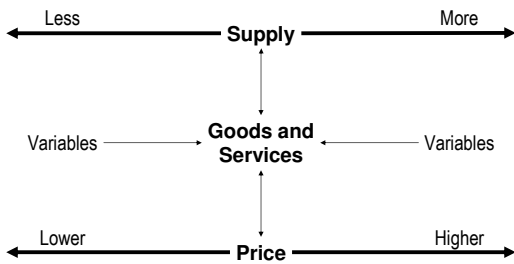
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Demand Curve for Airline Tickets



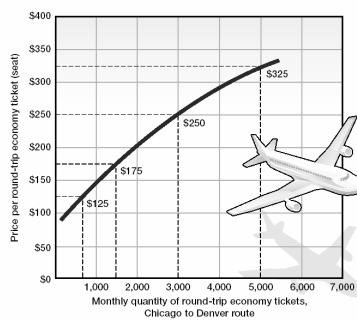
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Understanding Supply



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Supply Curve for Airline Tickets



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Expected Shifts in Supply Curve

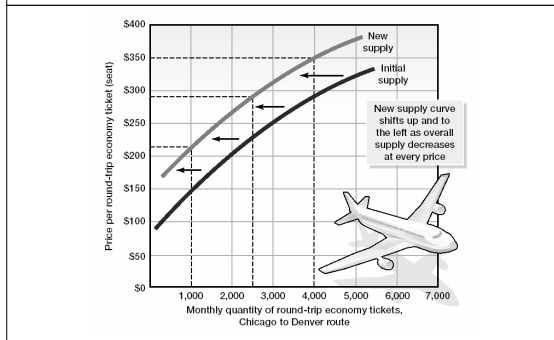
Variable	Shifts Right When:	Shifts Left When:
Costs of Inputs	Decreases	Increases
Number of Competitors	Decreases	Increases
New Technology	Decreases Production Costs	Increases Production Costs
Suppliers Expect That Future Sales Prices	Will Decline	Will Increase

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Supply Curve for Airline Tickets



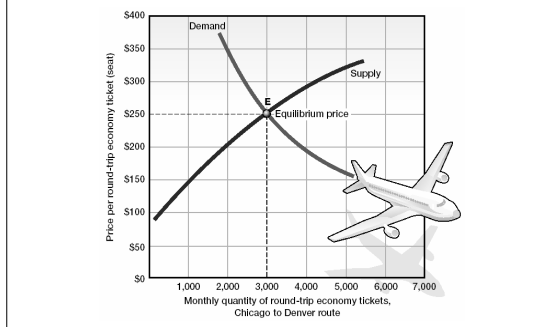
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How Demand and Supply Interact

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Macroeconomics

Issues for the Entire Economy

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Free-Market Competition

Pure
Competition

Monopoly

Oligopoly

Monopolistic
Competition

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Competitive Advantage



- Price
- Speed
- Quality
- Service
- Innovation

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The Role of Government

- Fostering competition
- Regulating industries
- Deregulating industries
- Protecting stakeholders' rights
- Contributing to economic stability

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Fostering Competition



**Antitrust
Legislation**

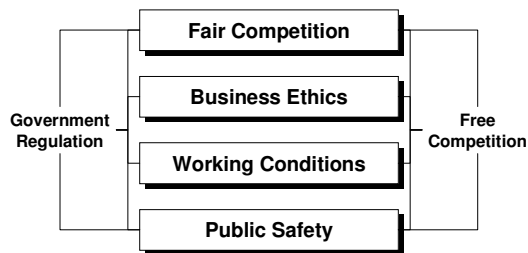
**Mergers and
Acquisitions**

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Regulating and Deregulating Industries

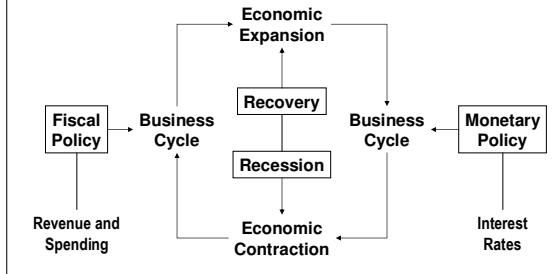


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Contributing to Economic Stability



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Major Economic Indicators

The illustration shows a cheerful cartoon character with glasses, wearing a suit and tie, holding a pen in his right hand and a document in his left. He is pointing upwards with his right index finger. To his right is a vertical list of four economic indicators, each enclosed in a rectangular box.

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Measuring Price Changes

The diagram is titled 'Measuring Price Changes' and features a horizontal line with 'Inflation' on the left, 'Purchasing Power' in the center, and 'Deflation' on the right. Below this line are three illustrations. The first, under 'Inflation', shows a man struggling to carry a massive stack of money. The second, under 'Purchasing Power', shows a hand holding a single coin. The third, under 'Deflation', shows a man on the ground surrounded by falling banknotes. Below the illustrations is the text 'Consumer Price Index (CPI)'.

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Measuring National Output

Dollar Value	Gross Domestic Product (GDP)	Gross National Product (GNP)
Final Goods and Services	Yes	Yes
Domestic Businesses	Yes	Yes
Foreign-Owned Businesses	Yes	No
Overseas Operations	No	Yes

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Ten Economic Performance Indicators

Prime Interest Rate	Unemployment Rate
Housing Starts	Durable-Goods Orders
Labor Productivity Rate	Balance of Trade
Rate of Inflation	Producer Price Index
Consumer Price Index	Gross Domestic Product

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Economic Growth

- Age of Industrialization (1900-1944)
- Postwar Golden Era (1945-1969)
- Turbulent Years (1970-1979)
- Rise of Global Competition (1980-1989)
- New Economy and Beyond (1990 to Today)

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Challenges of Globalization

- **Quality products and services**
- **Changing needs of customers**
- **Managing a small business**
- **Globalization and workforce diversity**
- **Ethics and social responsibility**
- **Technology and electronic commerce**

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