

Business Logic

Lecture 1: Course Orientation (Understanding Business Logic)

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BUSINESS LOGIC

(3-unit credit course)

This course is designed to develop the analytical and critical thinking skills of business students. It will cover the following key subject areas in deductive and inductive logic: recognizing arguments, formal and informal fallacies, categorical logic, inductive reasoning, decision making methods and moral reasoning.

This course aims to enable students to bring their critical perspective to various fields in business, and make them explicit through problem solving, uncovering assumptions, evaluation of- ideas and independent judgment.

Each part of this learning material contains the following:

- (i) Expository text that focuses on a specific topic.
- (ii) Worked examples of the critical and logical thinking process.
- (iii) Exercises that encourage students to practice what they learn. A List of references and educational videos is also provided for further reading and to supplement the content of this instructional material.

Lecture Learning Objectives:

At the end of the lecture, you will be able to:

1. Define business in the context of small and medium-scale industries.
2. Discuss the different kinds of businesses
3. Understand the factors Affecting the Choice of Channel of Distribution
4. Differentiate product characteristics from consumer characteristics
5. Identify the objectives of the business
6. Differentiate net profit from net loss
7. Discuss the classifications of products
8. Enumerate the further classifications of consumer goods
9. Differentiate producer goods from consumer goods
10. Explain the classification of consumer goods and industrial goods

DEFINITIONS OF BUSINESS

An enterprising entity or organization that conducts professional activities with the goal of making a profit.

An organization or enterprising entity engaged in commercial, industrial or professional activities with the primary purpose of making a profit.

Any lawful economic activity concerned with the production and distribution of goods and services.

An economic legal activity which is intended to produce or provide goods and services with the intention of maximizing profits.

Three kinds of Business:

1. Commerce

- wholesaler
- retailer

A channel of distribution maybe a wholesaler, a retailer or both.

Wholesaler sells products in large quantities to other sellers or industrial users are those who use your product as a component, ingredient or input to their own production.

Industrial users seldom sells to the consumers or final users.

Retailer sells directly to the consumers or final users.

Factors Affecting the Choice of Channel of Distribution

Product Characteristics:

- A. **Perishable goods** like food and drinks have a short life cycle and are best sold through short channels- direct to consumers.
- B. **Standard products** like soap and toothpaste tend to be sold through retailers.
- C. **Specially made products** like machineries are sold directly by the company because of the difficulty of finding middlemen with the required technical know-how about the machines.
- D. **Products requiring special services or equipment** are usually sold through short channels -direct to customers or through retailers.

Consumer Characteristics:

Purchasers for industrial use buy directly from manufacturers while users of consumer products normally buy from retailers.

Products served in small but frequent orders like hardware and drug items are better sold through wholesalers.

2. Industry

- genetic
- extractive
- manufacturing
- construction
- assembling

3. Service

- recreation
- personal/professional
- finance

Objectives of the Business:

1. Profit
2. Service to the Community and to Employees
3. Security/Protection
4. Livelihood
5. Personal Satisfaction
6. Social approval
7. Prestige, Popularity and Power

Classification of Products:

1. **Consumer Goods** are intended for final consumption.

2. **Producer/Industrial/Business Goods** are intended to further produced another products.

Product - Anything capable of satisfying consumer want or need.

Classifications of Consumer Goods

1. **Convenience goods** are those which are readily available in many retail outlets.
2. **Shopping goods** are those that are bought only after an effort to compare with other goods has been made.
3. **Specialty goods** - are those where the consumers are not willing or are not able to accept substitutes.
4. Unsought goods

The **new unsought goods** are really new ideas or products that the consumers still have to know to be motivated to buy.

Regular unsought goods - are those that stay unsought but not bought forever.

Further Classification of Products:

1. **Durable goods** are tangible goods which are normally used many times.
2. **Nondurable goods** are tangible goods which are normally consumed after one or a few uses.
3. **Services** are activities or benefits offered for sale or are provided in connection with the sale to increase the buyer satisfaction.

Classifications of Producer/Industrial/Business Goods

1. Raw materials

Natural products are those which occur by nature.

Farm products are those grown by farmers

2. **Fabricating materials** are industrial goods that will still be used and become an actual part of the finished product. and

Fabricating parts are assembled with no further change in form.

3. **Installations** these are industrial products with long life, and they are generally expensive.

4. **Accessory equipment** have a shorter usable life than installations.

5. **Operating supplies** are used as aids in operating process but do not become part of the finished product.

Profit Calculation Example:

Total Sales: P1,000,000
Expenses: P 300,000
Net Profit: P 700,000

Profit is a concrete indicator of how well an entrepreneur, or a businessman has managed his business from the start.

The profit shows how the market accepted or rejected the entrepreneur or the businessman product.

Net Profit: When expenses incurred are lesser than sales

Net Loss: When expenses exceed total sales, resulting in a negative profit

Capital is the lifeblood of the business.

Taxes are the lifeblood of the government.

The capital is needed in putting the business. Normally, a business will require investments in land, buildings, machinery and equipment and working capital to pay for raw materials, salaries and other expenditures.

What is Business Logic?

The process of making decisions based on collected data, guided by business requirements.

It reflects how various business functions work together and dictates how data is created, stored, shown or altered.

Business Logic helps in assessing and updating business objects within software systems.

Video: <https://youtu.be/2FLztmszILQ?si=C0pJnPOAuM7Sm0FI>

Reference:

The Growth of our Economy

University of the Philippines (UP) Institute of Small-Scale Industry (ISSI) and Small Enterprises Research and Development Foundation (SERDEF), Inc. 2007