

# *Types of Businesses*

*PHILOSOPHY OF BUSINESS*

- Businesses can range from small, locally-owned to national and multinational corporations
- An act of providing something of value, tangible or intangible, in exchange for money or with the intent of helping the community
- UNICEF was created by the UN in 1946 to provide emergency food and healthcare to children and mothers in countries devastated by World War II. UNICEF's work is funded entirely through voluntary support from millions of people around the world, as well as partners in government and the private sector



# PHILOSOPHY OF BUSINESS

## 1 Philosophy: Tangible or intangible

- **Intangible:** Service business (you cannot touch the product)
- Examples: lawyers, accountants, education, swim lessons
- **Tangible:** Product business (you can touch the product)
- Examples: laptops, coffee, notebooks
- **Most tangible businesses have an intangible component of customer service, which is a key element in running a successful business**

## 2 Philosophy: For profit or not for profit

- **For profit:** Aim is to maximize profits for owners and shareholders
- Examples: Walmart, Microsoft, Nike, McDonalds
- **Not for profit:** Aim is to make the society better, profits are not distributed to shareholders but are kept in the company
- Examples: Khalsa Aid, Covenant House, Red Cross
- **Most for profit companies have a charity component. It doesn't make them a non for profit**

# ○ TYPES OF BUSINESSES

## FOR PROFIT

**REVENUE:** makes \$ by selling products or services

\$100.00

**EXPENSES:** salaries, electricity bills, rent, hydro, raw materials, others

\$60.00

**PROFIT:** money left after paying all expenses

\$40.00

The company owner decides what to do with the profit. The owner can keep this money for themselves, or give out bonuses to employees or keep it in the company account to be used for further expansion. It's up to the owner

## NOT FOR PROFIT

**REVENUE:** gets \$ through donations and govt. sponsorships

\$100.00

**EXPENSES:** salaries, electricity bills, rent, hydro, raw materials, others

\$60.00

**PROFIT:** money left after paying all expenses

\$40.00

The company founder DOES NOT decide what to do with the money that is left after paying every employee and other expenses. This money remains in the company account, to be used future projects and expansion

# COMPANY A, FOR PROFIT

**Revenues:** \$50,000

**Salaries:** \$13,000

(3 employees at \$2000 each, 1 manager at \$3000 and the owner's salary is \$4000)

**Other expenses:** \$10,000 ( electricity, hydro, rent)

**Total expenses:** \$23,000 (\$13,000 + \$10,000)

**Profit:** \$27,000 (\$50,000- \$23,000)

## What happens to the profit?

- The company owner(s) can keep all the profit for themselves, adding it to their personal income. Some companies have multiple owners. In that case the partners get a % of the profit, depending on what the contract agreement between the partners says
- Give out some of the money as bonus to employees
- Owner can decide to not touch the money, just keep it in the company bank account. It can be used to further expand the company, buy new machinery, inventory, spend more money on marketing, etc
- A mix of all the above

- It is important to remember in for profit companies, the owner also withdraws a monthly salary
- The owner decides what this salary should be and can change it on their discretion
- The owner decides what to do with the profits as well and has a few options at their disposal

# COMPANY B, NOT FOR PROFIT

**Donations:** \$50,000

**Salaries:** \$13,000

(3 employees at \$2000 each, 1 manager at \$3000 and the owner's salary is \$4000)

**Other expenses:** \$10,000 ( electricity, hydro, rent)

**Total expenses:** \$23,000 (\$13,000 + \$10,000)

**Profit:** \$27,000 (\$50,000- \$23,000)

## What happens to the profit?

- The profit will be kept in the company's bank account till they are used for further community work and projects
- This profit will NOT be distributed to the employees, including the owner
- The amount of \$27,000.00 will be added to next month's donations, giving the company opportunities to expand and help out more people in the community

- It is important to remember not for profit companies have founders not owners.
- The founder can play a significant role in shaping and leading the non-profit but their control is limited by the organization's bylaws and board of directors.
- A non-profit's income must be reinvested into its mission. The founder cannot take profits or claim the organization's assets for personal use.