BL-25-4 Business Fundamentals

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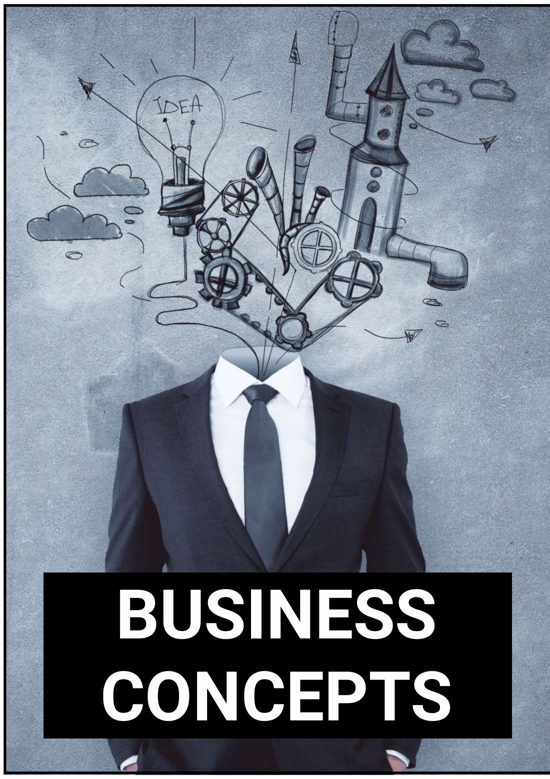
1.1 Business Fundamentals Accounting and Ethics

Small and Medium-sized Enterprises (SMEs) are the backbone of our economy.

New rules, like the SLFRS S1 and S2 standards, require companies to report on sustainability.

Economic forces also shape business decisions.

Accounting help guide companies through complex decisions. This includes analyzing sustainability projects and managing financial risks.



Study Pack:

A business is an organized effort to provide goods or services that meet a market need.

Today, businesses operate in a complex world. They must navigate digital economies, sustainable practices, and changing regulations.

Additional Information:

A business is an economic activity why manufactures or provides goods and services in order to fulfill human needs and want.

Core Purposes

- **Profit Generation:**. They fund innovation, expansion, and provide returns to investors, ensuring long-term sustainability.
- **Value Creation:** Offering high-quality goods and services builds customer loyalty, strengthens the brand, and gives a competitive edge in the market.
- **Employment:** By creating jobs, businesses support economic stability, improve living standards, and help people develop skills and careers.
- **Societal Contribution:** Responsible businesses pay taxes, adopt sustainable practices, and support community initiatives, contributing positively to society and national development.

Stakeholder identification and analysis

- **Stakeholder:**

Any person, group, or organization that is affected by a business's actions. Understanding their interests is key to good management.

- **Why This Matters:**

Balancing stakeholder needs is a core challenge for any business leader. If you ignore a key stakeholder, you risk damaging your company's reputation and long-term success.

Stakeholder identification and analysis

- Shareholders/ Owners
- Employees
- Customers
- Suppliers
- Creditors
- Government/ Regulators
- Community/Society

Stakeholder analysis in Sri Lankan Context

Stakeholder	Primary Role	Key Interests	Relationship with Business
Shareholders/ Owners	Provide capital and assume risk	Financial returns (dividends) capital growth long-term profitability	Demand for returns must balance with ESG compliance costs
Employees	Contribute labour, skills, and innovation	Fair wages Job security Safe conditions Career development	Mutual dependency; critical for productivity especially in technology and finance sectors where talent retention is challenging

Stakeholder analysis in Sri Lankan Context

Stakeholder	Primary Role	Key Interests	Relationship with Business
Customers	Purchase goods/services Provide revenue	Quality products Fair pricing Ethical production reliable service	Trust-based relationship; reputation directly impacts market share and revenue sustainability
Suppliers	Provide materials and resources	Prompt payment Stable contracts Fair partnership	Essential for supply chain resilience; critical in export industries meeting international standards

Stakeholder analysis in Sri Lankan Context

Stakeholder	Primary Role	Key Interests	Relationship with Business
Creditors	Provide debt financing	Repayment of principal/interest, financial stability	Relationship sensitive to Central Bank policies affecting interest rates and credit availability
Government/ Regulators	Set legal framework, ensure compliance	Tax revenue, law adherence, economic stability, consumer protection	Compliance-driven relationship; bodies like CSE and CA Sri Lanka shape governance and reporting standards

Stakeholder analysis in Sri Lankan Context

Stakeholder	Primary Role	Key Interests	Relationship with Business
Community/ Society	Provide social license to operate	Environmental protection, CSR, local employment, ethical citizenship	Long-term sustainability linked to positive contribution and managing environmental footprint

Relationship Dynamics: Businesses and Stakeholders

- The relationship between a business and its stakeholders is a balancing act because different groups have different expectations.
- Shareholders often want higher profits, while employees may seek higher wages, better benefits, and job security.