

Fundamentals of ABM1 | Types of Business According to Activities & Accounting Concepts and Principles

Philippine Normal University (PNU)

Understanding of the types of business according to activities.

Understanding of Accounting Concepts and Principles

3 types of business organizations:

- **Service Business**

This type of business offers professional skills, advice and consultations.

Examples: barber shops and beauty parlors, repair shops, banks, accounting and law firms

- **Merchandising Business**

This type of business buys at wholesale and later sells the products at retail. They make a profit by selling the merchandise or products at prices that are higher than their purchase costs. This type of business is also known as "buy and sell".

Examples are: book stores, sari-sari stores, hardware stores

- **Manufacturing Business**

This type of business buys raw materials and uses them in making a new product, therefore combining raw materials, labor and expenses into a product for sale later on.

Examples are: shoe manufacturing businesses, car manufacturing plants.

Additional information:

There are businesses that may be classified under more than one type of business. A bakery, for example, combines raw materials in making loaves of bread (manufacturing), sells hot pan de sal (merchandising), and caters customers' orders in small coffee table servings of ensaymada and hot coffee (service).

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