

The economic system

There are many forms of economic order, ranging from the mixed system to partially or completely controlled economies. Economic system is the system that a society uses for allocation and distribution of scarce resources. Private enterprise means that decisions about what and how much to produce are the decisions of owners and managers. In controlled economies such decisions are the responsibility of some governmental agency. There is no economy today that is completely free of governmental influence.

There are many beneficial services and protections available from government. Any form of economic order performs certain valuable functions in the life of organizations of all types.

Among the functions of the economic order the most important one is to provide some means of resource allocation. In a private enterprise the price mechanism performs this function. This means that demand for and supply of goods and services interact and set their market price. In the case of regulated utilities, there are governmental agencies such as public service commissions that determine the rates.

Explanatory Dictionary

Nº	Terms	Explanation
1	accountancy (UK) accounting (US)	the practice of recording, classifying, and reporting on business transactions for a business
2	assurance	the process of analyzing and used in the assessment of accounting entries and financial records
3	financial accounting	the process of recording, summarizing and reporting a company's business transactions through financial statements
4	auditing	refers to financial statement audits or an objective examination and evaluation of a company's financial statements
5	record-keeping	the activity or occupation of keeping records or accounts
6	transaction	an instance of buying or selling something
7	capital assets	significant pieces of property such as homes, cars, investment properties, stocks, bonds, etc.
8	capacity	the maximum amount that something can contain

9	annual report	a corporate document disseminated to shareholder that spells out the company's financial condition and operations over the previous year
10	gross domestic product (GDP)	the standard measure of the value added created through the production of goods and services in a country during a certain period
11	gross national product (GNP)	an economic statistic that includes GDP, plus any income earned by a residents from overseas investments
12	monopoly	exists when a specific person or enterprise is the only supplier of a particular commodity
13	monopsony	a market structure in which a single buyer substantially controls the market as the major purchaser of goods and services offered by many would-be sellers
14	equilibrium	the state in which market supply and demand balance each other, and as a result prices become stable
15	exchange rates	the value of one currency for the purpose of conversion to another
16	income	a sum that includes any wage, salary, profit, interest payment, rent, or other form of earnings received in a given period of time (also known as gross income)
17	interest payment	payment from a borrower or deposit-taking financial institution to a lender or depositor of an amount above repayment of the principal sum
18	revenue	the income that a firm receives from the sale of a good or service to its customers
19	profit	the difference between the revenue received from the sale of an output and the costs of all inputs used
20	opportunity cost	the loss of value or benefit that would be incurred by engaging in that activity, relative to engaging in an alternative activity offering a higher return in value or benefit
21	asset	a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit