



## Lesson 3

# Basic concepts on aerospace companies

# Structure

1. Company definitions and company's types
2. Assets and liabilities
3. Sole proprietor vs corporation

# 1. Company definitions and company's types

# Definitions

- Economic unit of production
- Unity capable of transforming a set of inputs into outputs as goods and services
- Set of coordinated factors of production which function it to produce and whose goal is determined by its system of socioeconomic organisation
- Economic unit that combines a group of human, technical and financial elements, located in one or several technical and physical geographic units, ordered following an organisational structure and managed according to the owners in order to reach some specific goals
- Organisational unit producing goods or services which has a certain degree of autonomy in decision-making. An enterprise can carry out more than one economic activity and it can be situated at more than one location.

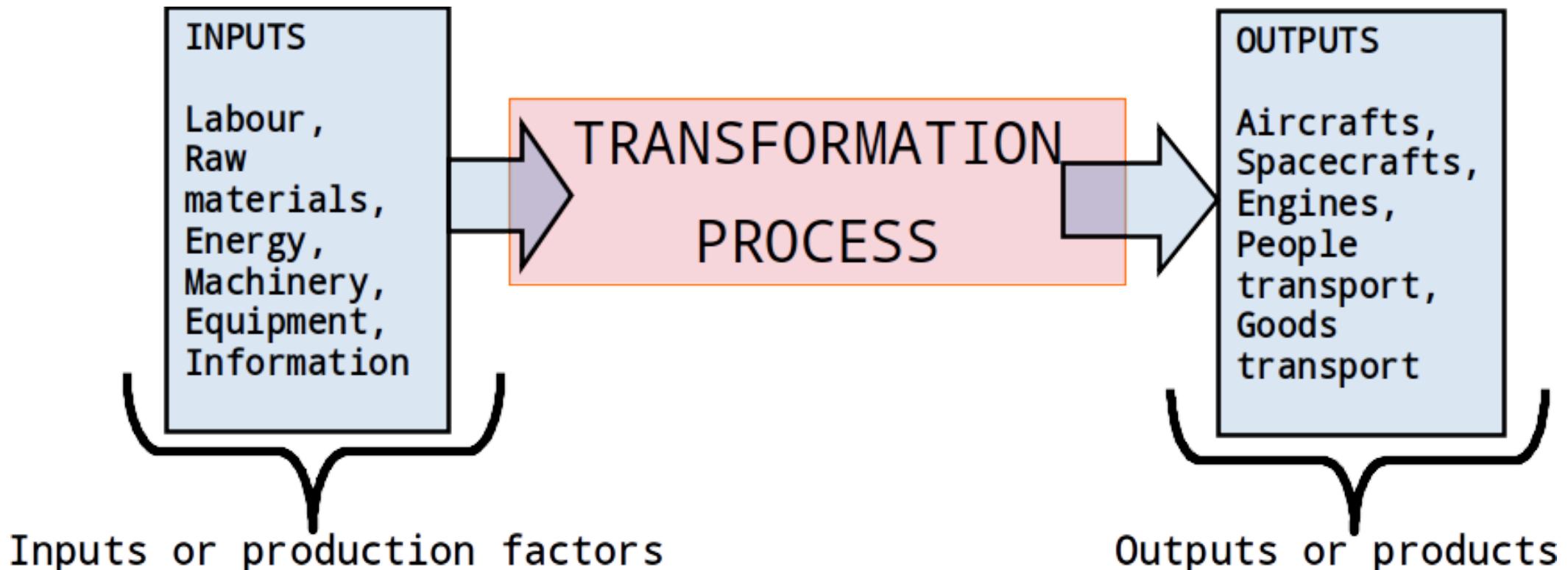
# Business characteristics

(from lesson 1)

- Economic unit of production and management
- It transforms inputs into goods and services
- It has a structure
- It is the outcome of something devised by the human brain
- It has goals, they set specific and general objectives
- Its activity implies risks (economic, financial, technical and moral)

# Transformation process

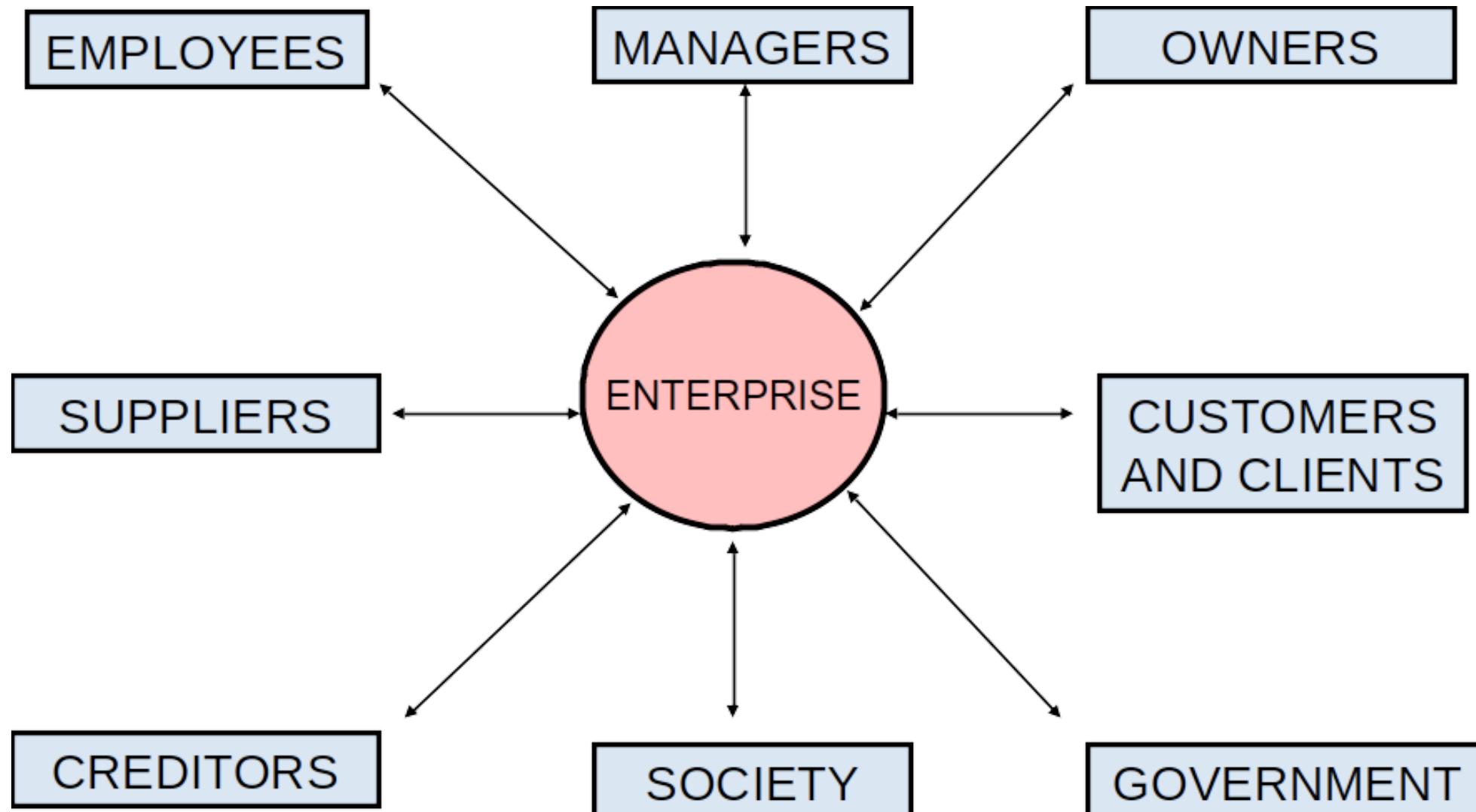
Production is economic transformation process



Goal: Output value (utility) > Input value (utility)

# Stakeholders

A stakeholder is either an individual, group or organization that's impacted by the outcome of a project or a business venture



# People in the company

## Workers

- Working time for a salary

### Objectives:

- Salary
- Stay in the company
- Promotion, professional development, learning

### Functions:

- Work in assigned tasks

## Managers

- Decision-maker

### Objectives:

- Same as the rest of the workers
- Company growth (sales, market share, profits)

### Functions:

- Make decisions

## Owners

- Entrepreneur

### Objectives:

- Traditionally maximizing profits
- Maximize long-term profits
- Increase company size

### Functions:

- Finance the company: risk entrepreneur with their own money

# Concept of entrepreneur

- Businesswoman, businessman
- Capitalist: owner of the production factors
- Coordinator: organizes and manages the production process, leadership
- Risk bearer: takes the risk of the production activity
- Innovator: provides innovation and creativity to the production activity
- Decision-maker: make decisions on the company
- Leader: motivates human resources to achieve a common goal

# Legal concept of entrepreneur

## Natural persons

- sole trader, freelancer, self-employed [explanation](#)

## Juridical person

### Important

Juridical person: any legal entity duly constituted or otherwise organised under applicable law, whether for profit or otherwise, and whether privately-owned or governmentally-owned, including any corporation, trust, partnership, joint venture, sole proprietorship or association

# Juridical person

- Corporate companies
  - public civil society
  - cooperatives
  - commercial companies:
    - Limited liability concept (SL)
    - Stock corporation or public limited company (SA)
    - Worker-owned company (Sociedad laboral)
    - Cooperative (Sociedad Cooperativa)

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## 2. Assets and liabilities

# Company assets

- A piece of property or equipment purchased exclusively or primarily for business use. They can also be intangible items, such as intellectual property
- Aerospace industry is capital-intensive
- Business assets are divided into two sections:
  - current assets  < 1 year they will be turned into cash within one year
    - cash, inventory, receivables
    - [more on inventory](#)
    - what are airlines inventories?
  - non-current assets  > 1 year
    - property, buildings, equipment
    - hangar
    - aircraft: inventory or non-current asset ?

# Liabilities

- Formal: a financial obligation of a company that results in the company's future sacrifices of economic benefits to other entities or businesses
- Informal: something a person or company owes, usually a sum of money (debt)
- Liabilities are settled over time through the transfer of economic benefits including money, goods, or services
  - Long-term
  - Short-term

# Net worth

- Assets value - Liabilities
- More names for net worth:
  - shareholder's equity
  - owner's equity
  - company's book value
  - net book value
  - net assets

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# Sole proprietor vs corporation

# Individual businessperson

- Entrepreneur and company mixed
- Equity owned by the sole proprietor
- Natural person
- Functions:
  - Works in production (sometimes)
  - Manages the business (decision-maker)
  - Invests money (risk-taker)

# Corporate companies

- Some people join to start a business by putting money
- It is a separate entity from its owners (stockholders or shareholders)
- Goal: to obtain profits (they actually have more goals)
- Dividends: profits paid-out to the shareholders
- Juridical person