Unit 6 Assignment

[Name of the Writer]

[Name of the Institution]

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**Introduction:**

For any progressive and profitable business factors of productions matter but it is the misconception that only factors of production can affect any business and market. There are many other factors that create risks and costs for the business, for example, political, legal, and economic business. As an owner of an American-based t-shirt distribution business in China, the acquisition price is below book value. It can cause due to the following reasons.

**Political Risks:**

The political situation has a great impact on the market domestically as well as globally. America announced a trade war with China. The instability of the political relationship between the two countries slows down the growth of the business. America announced trade tariff on the export of the China goods in return China also announced not to use American brands which leads to the crisis in business.

**Economic Risks:**

Stakeholder avoids investing due to the future risk, and customers start moving toward the domestic or local brands. Economic risk is faced by the owner of the business, other investors, corporation and somehow the consumers. Portfolio investors face financial loss. Therefore, economic risks increased due to the strategic risks as business is losing customer loyalty as well as a financial risk due to the low demand for the products.

**Recommendations:**

There are some recommendations that management should follow to avoid any big loss.

* Assessments of risk limitations should be well recognized by the management.
* Senior management should observe a separate report of demand integration.
* Rules and policies should be enforceable.
* There should be an efficient use of new technology to minimize the political and economic risks.

There are many risks in the business that effect business like political and economic risks that a businessman cannot control, but efficient policies and strategies can help to avoid these risks.