

Chapter 1: Business Activities

Terms	Definitions
The economic problem	There exist unlimited wants but limited resources to produce the goods and services to satisfy those wants. This creates scarcity.
Scarcity	The lack of sufficient products to fulfil the total wants of the population.
Factors of production	Those resources needed to produce goods or services. There are four factors of production and they are limited in supply.
Opportunity cost	The next best alternative given up by choosing another item.
Specialisation	When people and businesses concentrate on what they are best at.
Division of labour	When the production process is split up into different tasks and each worker performs one of these tasks.
Added value	The difference between the selling price of product and the cost of bought in materials and components.

Chapter 2: Classification of Businesses

Terms	Definitions
De-industrialisation	A decline in the importance of the secondary, manufacturing sector of industry in a country.
Mixed economy	A mixed economy has both a private and a public sector.
Capital	The money invested into a business by the owners.

Chapter 3: Enterprise, Business Growth and Size

Terms	Definitions
Entrepreneur	A person who organises, operates, and takes the risk for a new business venture.
Business plan	A document containing the business objectives and important details about the operations, finance and owners of the new business.
Internal growth	When a business expands its existing operations.
External growth	When a business takes over or merges with another business. It is often called integration as one firm is integrated into another one.
Merger	When the owners of two businesses agree to join their firms together to make one business.
Takeover	When one business buys out the owners of another business which then becomes part of the 'predator' business (the firm which has taken it over).
Horizontal integration	When one firm merges with or takes over another one in the same industry at the same stage of production.
Vertical integration	When one firm merges with or takes over another one in the same industry but at a different stage of production.
Conglomerate integration	When one firm merges with or takes over a firm in a completely different industry.

## Chapter 4: Types of Business Organisation

Terms	Definitions
Sole trader	A business owned by one person.
Limited liability	The liability of shareholders in a company is only limited to the amount they invested.
Unlimited liability	The owners of a business can be held responsible for the debts of the business they own. Their liability is not limited to the investment they made in the business.
Partnership	A form of business in which two or more people agree to jointly own a business.
Unincorporated business	Business that does not have a separate legal identity, for example, sole traders and partnerships.
Incorporated business	Companies that have separate legal status from their owners.
Shareholders	The owners of a limited company. They buy shares which represent part ownership of a company.
Dividends	Payments made to shareholders from the profits (after tax) of a company. They are the return to shareholders for investing the company.
Franchise	A business based upon the use of the brand names, promotional logos and trading methods of an existing successful business. The franchisee buys the licence to operate this business from the franchisor.

## Chapter 5: Business Objectives and Stakeholder Objectives

Terms	Definitions
Business objectives	The aims or targets that a business works towards.
Profit	Total income of a business (sales revenue) less total costs.
Market share	The proportion of total market sales achieved by one business.
Stakeholder	Any person or group with a direct interest in the performance and activities of a business.

## Chapter 6: Motivating Workers

Terms	Definitions
Motivation	The reason why employees want to work hard and work effectively for the business.
Fringe benefits	Non-financial rewards given to employees.
Shared ownership	Shares in the company are given to employees so that they become part owners in the company.
Job satisfaction	The enjoyment derived from the feeling that you have done a good job.
Job rotation	Workers swapping round and doing each specific task for only a limited time and then changing round again.
Job enlargement	Where extra tasks of a similar level of work are added to a worker's job description.
Job enrichment	Looking at jobs and adding tasks that require more skill and/or responsibility.

## Chapter 7: Organisation and Management

Terms	Definitions
Organisational structure	The levels of management and division of responsibilities within an organisation.
Chain of command	The structure in an organisation which allows instructions to be passed down from senior management to lower levels of management.
Span of control	The number of subordinates working directly under a manager.
Delegation	Giving a subordinate the authority to perform a particular task.
Autocratic leadership	Where the manager expects to be in charge of the business and to have their orders followed.
Democratic leadership	Other employees are involved in the decision making process.
Laissez-faire leadership	Makes the broad objects of the business known to employees, but then they are left to make their own decisions and organise their own work.
Trade union	A group of workers who have joined together to ensure their interests are protected.
Closed shop	All employees must be a member of the same trade union.

## Chapter 8: Recruitment, Selection and training of workers

Terms	Definitions
Recruitment	The process from identifying that the business needs to employ someone up to the point at which applications have arrived at the business.
Job analysis	It identifies and records the responsibilities and tasks relating to a job.
Job description	It outlines the responsibilities and duties to be carried out by someone employed to do a specific job.
Job specification	A document which outlines the requirements, qualifications, expertise, physical characteristics, etc. for a specified job.
Internal recruitment	A vacancy is filled by someone who is an existing employee of the business.
External recruitment	A vacancy is filled by someone who is not an existing employee and will be new to the business.
Induction training	An introduction given to a new employee, explaining the firm's activities, customs and procedures and introducing them to their fellow workers.
On-the-job training	It occurs by watching a more experienced worker doing the job.
Off-the-job training	It involves being trained away from the workplace, usually by specialist trainers.
Workforce planning	Establishing the workforce needed by the business for the foreseeable future in terms of the number and skills of employees required.
Redundancy	When an employee is no longer needed and so loses their job. It is not due to any aspect of their work being unsatisfactory.
Ethical decision	A decision taken by a manager or a company because of the moral code observed by the firms.
Industrial tribunal	A legal meeting which considers workers' complaints of unfair dismissal or discrimination at work.

## Chapter 9: Internal and External Communication

Terms	Definitions
Internal communication	Communication between members of the same organisation.
External communication	Communication between the organisation and other organisations or individuals.
One-way communication	Communication that involves a message which does not call for or require a response.
Two-way communication	When the receiver gives a response to the message and there is a discussion about it.
Formal communication	When messages are sent through established channels using professional language.
Informal communication	When information is sent and received casually with the use of everyday language.
Communication barriers	Factors that stop effective communication of messages.

## Chapter 10: Marketing, Competition and the Customer

Terms	Definitions
Mass market	There is a very large number of sales of a product.
Niche market	A small, usually specialised, segment of a much larger market.
Market segment	An identifiable sub-group of a whole market in which consumers have similar characteristics or preferences.

## Chapter 11: Market Research

Terms	Definitions
Product-oriented business	Main focus of the activity is on the product itself.
Market-oriented business	Business which carries out market research to find out consumer wants before a product is developed and produced.
Marketing budget	A financial plan for the marketing of a product or product range for some specified period of time.
Market research	The process of gathering, analysing and interpreting information about a market.
Primary research (field research)	The collection and collation of original data via direct contact with potential or existing customers.
Secondary research (desk research)	Information that has already been collected and is available for use by others.
Sample	A group of people who are selected to respond to a market research exercise, such as a questionnaire.
Quota sample	When people are selected on the basis of certain characteristics such as age, gender or income as a source of information for market research.
Focus group	A group of people who are representative of the target market.

## Chapter 12: The Marketing Mix: Product

Terms	Definitions
The marketing mix	A term which is used to describe all the activities which go into marketing a product or service. These activities are often summarised as the 4 Ps- product, price, place and promotion.
Unique selling point	A special features of a product that differentiates it from the products of competitors.
Brand loyalty	When consumers keep buying the same brand again and again instead of choosing a competitor's brand.
Brand image	An image or identity given to a product which gives it a personality of its own and distinguished it from its competitors' brands.
Product life cycle	The stages a product will pass through from its introduction, through its growth until it is mature and then finally its decline.

## Chapter 13: The Marketing Mix: Price

Terms	Definitions
Cost-plus pricing	The cost of manufacturing the product plus a profit mark-up.
Competitive pricing	The product is priced in line with or just below competitors' prices to try to capture more of the market.
Penetration pricing	The price is set lower than the competitors' prices in order to be able to enter a new market.
Price skimming	A high price is set for a new product on the market.
Promotional pricing	A product is sold at a very low price for a short period of time.
Price elasticity	A measure of responsiveness of demand to a change in price.

## Chapter 14: The Marketing Mix: Promotion and Technology in Marketing

Terms	Definitions
Informative advertising	The emphasis of advertising is to give full information about the product.
Persuasive advertising	Advertising which is trying to persuade the consumer that they really need to product and should buy it.
Sales promotion	Incentives such as special deals aimed at consumers to achieve short-term increases in sales.

## Chapter 15: The Marketing Mix: Place

Terms	Definitions
Distribution channel	The means by which product is passed from the place of production to the customer or retailer.
Agent	An independent person or business that is appointed to deal with the sales and distribution of a product or range of products.
E-commerce	The buying and selling of good and services using computer systems linked to the internet.

## Chapter 16: Marketing Strategy

Terms	Definitions
Marketing strategy	A plan to combine the right combination of the four elements of the marketing mix for a product or service to achieve a particular marketing objective(s).

## Chapter 17: Production of Goods and Services

Terms	Definitions
Productivity	The output measured against the inputs used to create it.
Buffer inventory level	The inventory held to deal with uncertainty in customer demand and deliveries of supplies.
Lean production	Techniques used by business to cut down on waste and therefore increase efficiency.
Kaizen	A Japanese term meaning 'continuous improvement' through the elimination of waste.
Just-in-time (JIT)	A production method that involves reducing or virtually eliminating the need to hold inventories of raw materials or unsold inventories of the finished product. Supplies arrive just at the time they are needed.
Job production	A single product is made at a time.
Batch production	A quantity of one product is made then a quantity of another item will be produced.
Flow production	Large quantities of a product are produced in a continuous process.

## Chapter 18: Costs, Scale of Production and Break-Even Analysis

Terms	Definitions
Fixed costs	Costs which do not vary with the number of items sold or produced in the short run.
Variable costs	Costs which vary with the number of items sold or produced.
Average cost per unit	The total cost of production divided by total output.
Economies of scale	Factors that lead to a reduction in average costs as a business increases in size.
Diseconomies of scale	Factors that lead to an increase in average costs as a business grows beyond a certain size.
Break-even level of output	The quantity that must be produced/sold for the total revenue to equal total costs.
Break-even charts	Graphs that show how costs and revenues of a business change with sales.
Break-even point	The level of sales at which total cost = total revenue.

## Chapter 19: Achieving Quality Production

Terms	Definitions
Quality	To produce a good or a service which meets customer expectations.
Quality control	The checking for quality at the end of the production process, whether it is the production of a product or service.
Quality assurance	The checking for the quality standards throughout the production process, whether it is the production of a product or service.
Total Quality Management (TQM)	The continuous improvement of products and processes by focusing on quality at each stage of production.



## Chapter 21: Business Finance: Needs and Sources

Terms	Definitions
Start-up capital	The finance needed by a new business to pay for essential fixed and current assets before it can begin trading.
Working capital	The finance needed by a business to pay its day-to-day costs.
Capital expenditure	Money spent on fixed assets which will last for more than one year.
Revenue expenditure	Money spent on day-to-day expenses which do not involve the purchase of a long-term asset, for example wages or rent.
Internal finance	Finance obtained from within the business itself.
External finance	Finance obtained from sources outside of and separate from the business.
Micro-finance	Providing financial services-including small loans- to poor people not served by traditional banks.

## Chapter 22: Cash Flow Forecasting and Working Capital

Terms	Definitions
Cash flow	The cash inflows and outflows over a period of time.
Cash inflows	The sums of money received by a business during a period of time.
Cash outflows	The sums of money paid out by a business during a period of time.
Cash flow cycle	The stages between paying out cash for labour, materials, etc. and receiving cash from the sale of goods.
Cash flow forecast	An estimate of future cash inflows and outflows of a business, usually on a month-by month basis. This then shows the expected cash balance at the end of each month.

## Chapter 23: Income Statements

Terms	Definitions
Income statement	A document that records the income of a business and all costs incurred to earn that income over a period of time (for example one year).
Gross profit	A gross profit is made when sales revenue is greater than the cost of goods sold.
Sales revenue	The income to a business during a period of time from the sale of goods or services.
Net profit	The profit made by a business after all costs have been deducted from sales revenue.
Depreciation	The fall in the value of a fixed asset over time.
Retained profit	The net profit reinvested back into a company, after deducting tax and payments to owners, such as dividends.

## Chapter 24: Balance Sheets

Terms	Definitions
Balance sheet	It shows the value of a business's assets and liabilities at a particular time.
Assets	Those items of value which are owned by the business. They may be fixed (non-current) or short-term current assets.
Liabilities	Debts owed by the business.
Non-current assets	Items owned by the business for more than one year.
Current assets	Items owned by a business and used within one year.
Non-current liabilities	Long-term debts owed by the business.
Current liabilities	Short-term debts owed by the business.

## Chapter 25: Analysis of Accounts

Terms	Definitions
Liquidity	The ability of a business to pay back its short-term debts.
Capital employed	The shareholders' equity plus non-current liabilities and is the total long-term and permanent capital invested in a business.

## Chapter 26: Government Economics Objectives and Policies

Terms	Definitions
Inflation	The increase in the average price level of goods and services over time.
Unemployment	People who are willing and able to work cannot find a job.
Economic growth	A country's Gross Domestic Product (GDP) increases - more goods and services are produced than in the previous year.
Balance of payments	It records the difference between a country's exports and imports.
Real income	The value of income, and it falls when prices rise faster than money income.
Gross Domestic Product (GDP)	The total value of output of goods and services in a country in a country in one year.
Recession	A period of falling Gross Domestic Product.
Exports	Goods and services sold from one country to other countries.
Imports	Goods and services bought in by one country from other countries.
Exchange rate	The price of one currency in terms of another.
Exchange rate depreciation	The fall in the value of a currency compared with other currencies.
Exchange rate appreciation	The rise in the value of a currency compared with other currencies.
Fiscal policy	The use of taxes and government spending to affect macroeconomic objectives such as economic growth and employment.
Direct taxes	Taxes paid directly from incomes- for example, income tax.
Indirect taxes	Taxes that are added to the price of goods and taxpayers pay the tax as they purchase the goods- for example, VAT.
Disposable income	The level of income a taxpayer has after paying income tax.
Monetary policy	The use of interest rates, exchange rates and the money supply to control macroeconomic objectives and to affect the level of economic activity.
Supply-side policies	The long-term strategies aimed at increasing the productive capacity of the economy by improving the quality and/or quantity of factors of production.

## Chapter 27: Environmental and Ethical Issues

Terms	Definitions
Social responsibility	When a business decision benefits stakeholders other than shareholders, for example, a decision to protect the environment by reducing pollution by using the latest and 'greenest' production equipment.
Private costs	Costs paid for by business.
Private benefits	The gains to a business.
External costs	Costs paid for by the rest of society, other than the business, as a result of business activity.
External benefits	The gains to the rest of society, other than the business, as a result of business activity.
Social costs	External costs + private costs
Social benefits	External benefits + private benefits



Sustainable development	Development which does not put at risk the living standards of future generations.
Pressure group	A group made up of people who want to change business decisions and they take action such as organising consumer boycotts.
Consumer boycotts	Consumers decide not to buy products from businesses that do not act in a socially responsible way.

### Chapter 28: Business and the International Economy

Terms	Definitions
Globalisation	The increases in worldwide trade and movement of people and capital between countries.
Free trade agreements	When countries agree to trade imports/exports with no barriers such as tariffs and quotas.
Protectionism	When a government protects domestic firms from foreign competition using tariffs and quotas.
Import tariff	A tax on an imported product.
Import quota	A physical limit to the quantity of a product that can be imported.
Multinational businesses	Those with factories, production or service operations in more than one country.

