

CAMBRIDGE IGCSE BUSINESS STUDIES A* DEFINITION

SECTION 1

NEED

A good or service that is essential for living

WANT

A good or service that people would like to have but is not necessary for living. People have unlimited wants

ECONOMIC PROBLEM

There are unlimited wants but limited resources to produce the goods and services to satisfy wants. This creates scarcity

FACTORS OF PRODUCTION

Resources needed to produce goods and services. There are 4 factors of production (land, labour, capital, enterprise) and they are limited in supply

SCARCITY

The lack of sufficient products to fulfil the total wants of the population

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. It is a form of specialisation

BUSINESS

Combines factors of production to make products (goods and services) which satisfy people's wants

ADDED VALUE

It is the difference between the selling price of a product and the cost of bought in materials and components

PRIMARY SECTOR

Extracts and uses natural resources to produce raw materials used by other businesses

SECONDARY SECTOR

Manufactures goods using raw materials provided by Primary Sector

TERTIARY SECTOR

Provides services to customers and other sectors of industry

DE-INDUSTRIALISATION

There is a decline in the importance of the secondary, manufacturing sector of industry in a country

MIXED ECONOMY

Has both a private sector and a public sector

PRIVATE SECTOR

Businesses not owned by government. Make their own decision about selling price. Aim to run profitably. Some government control

PUBLIC SECTOR

Government-owned, controlled businesses and organisations. Decide which price to charge consumers. Different aim from Private Sector

CAPITAL

Money invested into business by owners

ENTREPRENEUR

A person who organises, operates and takes the risk for a new business venture

BUSINESS PLAN

Document containing the business objectives and important details about the operations, finance and owners of the new businesses

CAPITAL EMPLOYED

Total value of capital used in the business

INTERNAL GROWTH

When a business expands its existing operations

EXTERNAL GROWTH

When a business takes over or merges with another business

INTEGRATIONS/MERGER

When two businesses agree to join their firms together to make one business

TAKEOVER/ACQUISITION

One business buys out the owners of another business which then becomes part of the 'predator' business

HORIZONTAL INTEGRATION

When one company merges with or takes over another in the same industry in the same stage of production

VERTICAL INTEGRATION

When one company merges with or takes over another in the same industry but at a different stage of production

CONGLOMERATE INTEGRATION/ DIVERSIFICATION

When one company merges with or takes over another in a completely different industry.

SOLE TRADER

Business owned by one person and it has unlimited liability

