**Business Studies IGCSE 9-1 Definitions**

**above-the-line promotion** placing adverts using the media

**accounts clerk** someone who keeps records or accounts in an office

**acid test ratio** similar to the current ratio but excludes stocks from current assets (sometimes called the quick ratio)

**adjustments** includes adjustments for the profits made on the disposal of assets

**advertising** communication between a business and its customers where messages are placed in the media to encourage the purchase of products

**agent or broker** intermediary that brings together buyers and sellers

**anti-competitive practices** (restrictive trade practices) attempts by firms to prevent or restrict competition

**apprenticeship** system of training new entrants to a trade or profession, often, but not always, younger workers, mostly on-the-job training but often with some college attendance

**arrears** money that you owe someone, or is owed to you, because you have not made, or have received, regular payments at the correct intervals or amounts

**assembly plant** factory where parts are put together to make a finished product

**assets** resources used or owned by a business, such as cash, stock, machinery, tools and equipment

**assisted areas** areas that are designated by a government as having economic problems and are targeted to receive support in a variety of forms

**audit** official examination of a company's financial records in order to check that they are correct auditing accounting procedure that checks thoroughly the accuracy of a company's accounts

**automation** use of computers and machines instead of people to do a job

**automotive** relating to cars

**balance of trade** (or visible balance) difference between visible exports and visible imports

**bank overdraft** agreement with a bank where a business spends more money than it has in its account (up to an agreed limit)

**barriers to entry** restrictions that mean it is difficult for new firms to enter a market

**batch production** method that involves completing one operation at a time on all units before performing the next

**bid** offer to pay a particular price for something (for example, a business)

**bonus systems** payment in addition to the basic wage for reaching targets or in recognition for service.

**below-the-line promotion** any promotion that does not involve using the media

**Boston matrix** 2x2 matrix that describes products according to the market share they enjoy and whether the market has any potential for growth

**break-even chart** graph that shows total cost and total revenue, break-even point is where total cost and total revenue intersect

**break-even point** level of output where total costs and total revenue are exactly the same: neither a profit nor a loss is made

**brownfield sites** areas of land that were once used for urban development

**budget** an official statement that a government makes about how much it intends to spend and what the rates of taxes will be for the next year or six months

**budgetary measures** actions taken by the government to influence business and the economy

**bulk breaking** dividing a large quantity of goods received from a supplier before selling them on in smaller quantities to customers bulk buying buying goods in large quantities, which is usually cheaper than buying in small quantities

**business** organisation that produces goods and services

**business to consumers** (B2C) selling of goods by businesses to consumers

**capital employed** amount of money invested in a business

**capital** finance provided by the owners of a business

**capital-intensive production** production methods that make more use of machinery relative to labour

**capital-intensive** use of relatively more machinery than labour in production

**cash flow** flow of money into and out of a business

**cash flow** forecast prediction of all expected receipts and expenses of a business over a future time period, which shows the expected cash balance at the end of each month

**cash inflow** flow of money into a business

**cash outflow** flow of money out of a business

**centralised** type of organisation system where most decisions are made at the top of the organisation and then passed down the chain of command

**certificate of incorporation** document needed before a new company can start doing business

**chairperson** someone who is in charge of a meeting or directs the work of a committee or organisation

**charities organisations** that give money, goods or help to people who are poor, sick or in need

**closing cash balance** amount of cash that the business expects to have at the end of each month (takes into account the cash inflows and cash outflow).

**commission** extra amount of money that is paid to a person or organisation according to the value of the goods they have sold or the services they have provided

**commission** payment based on the value of sales, usually a percentage of sales made commodities products that are bought and sold in business often refers to things like oil, gold, iron ore, rice, wheat and meat)

**communication channels** routes along which information might travel in a business

**competition-based pricing** pricing strategies based on the prices charged by rivals

**computer aided design** (CAD) use of computers to design products

**computer aided manufacturing** (CAM) where computers link and control the design and production of goods in manufacturing

**computer integrated manufacturing** (CIM) use of computers to control the entire production process

**computer numerically controlled machines** (CNCs) machines that carry out the instructions fed by computers

**consumer cooperative** cooperative that is owned by its customers

**consumer goods** goods and services sold to ordinary people (consumers) rather than businesses

**consumer panels** groups of customers are asked for feedback about products over a set period

**contracts of employment** written agreements between an employer and an employee in which each has certain obligations

**cooperative company**, factory or organisation in which all the people working there own an equal share of it

**cost plus or cost-based** pricing adding a percentage (the mark-up) to the costs of producing a product to get the price

**costs** expenses that must be met when setting up and running a business

**coupons** printed piece of paper given to customers by the seller of a product, allowing the customer to pay less than usual for the product when they next buy it, or to get a free gift

**crowd funding** where a large number of individuals (the crowd) invest in a business venture using an online platform and therefore avoiding using a bank

**currency** reserves money in foreign currency held by a country and used to support its own currency and to pay for imports and foreign debts

**current assets** assets likely to be changed into cash within a year

**current liabilities** debts that have to be repaid within a year

**current ratio** assesses the firm's liquidity by dividing current liabilities into current assets

**de-industrialisation** decline in manufacturing

**debenture** long-term security yielding a fixed rate of interest, issued by a company and secured against assets

**decentralised** type of organisation system where decision making is pushed down the chain of command and away from the top

**deed of partnership** binding legal document that states the formal rights of partners

**demographic segmentation** dividing a market according to the type of people that make up a particular group, in particular their age, sex and income

**design** brief set of instructions about what a new product should look like or what features it should have

**destroyer or predatory pricing** setting a low price until rivals have gone out of business

**direct mail advertisements** that are sent to people in the post often people who have been chosen because they might be interested in the product

**direct selling** where businesses sell their products directly to consumers

**diseconomies of scale** rising average costs when a firm becomes too big

**distributed profit** profit that is returned to the owners of a business

**distribution channel** route taken by a product from the producer to the customer

**diversify** if a business, company or country diversifies, it increases the range of goods or services it produces

**dividends** share of the profit paid to shareholders in a company

**division of labour** specialisation in specific tasks or skills by an individual

**downsizing** process of reducing capacity, usually by laying off staff

**downturn** period or process in which business activity, production, etc. is reduced and conditions become worse

**downward communication** passing messages from the top of the organisation to those at the bottom

**drawings** money taken out of the business by the owner for personal use

**dumping** where a business sells goods in another country often below cost

**e-commerce or e-tailing** use of electronic systems to sell goods and services

**early adopters** consumers who are keen to buy new products as soon as they are launched

**economies of scale** financial advantages (falling average costs) of producing something in very large quantities

**emerging economies** rapidly growing economies (for example, Brazil) - emerging economies have huge growth potential but also pose significant risks

**employment tribunal** court that deals with cases involving disputes between employers and employees

**enterprise** the activity of starting and running businesses  
**entrepreneur** person who takes risks and sets up businesses; individual who organises the other factors of production and risks their own money in a business venture companies in the UK

**exchange rate** value of one currency in terms of another

**excise duties** taxes on selected goods, such as those on petrol and tobacco in the UK

**executives managers** in an organisation or company who help make important decisions

**exports** goods and services sold overseas

**exposure** advertising and publicity that is used to sell a product or service

**extension strategies** methods used to lengthen the life of a product

**globalisation** growing integration of the world's economies goods physical products, such as a mobile phone, a packet of crisps or a pair of shoes

**goodwill** value that a company has because it has a good relationship with its customers and suppliers

**greenfield sites** previously undeveloped areas of land, usually on the outskirts of towns and cities

**gross pay** pay before deductions, such as tax

**gross profit** sales revenue less cost of sales

**gross profit margin (or mark-up)** gross profit expressed as a percentage of turnover

**hire purchase** buying specific goods with a loan, often provided by a finance house

**external communication** communication between the business and those outside such as customers, investors or the authorities

**external economies of scale** cost benefits that all firms in the industry can enjoy when the industry expands

**external finance** finance obtained from outside the business

**external recruitment** appointing workers from outside the business

**extraction industries** industry where materials, such as oil and coal, are obtained from under the ground in drilling, mining and quarrying

**factors of production** resources used to produce goods and services - including land, labour, capital and enterprise

**horizontal communication** exchange of information between parties on the same level in an organisation's hierarchy

**hostile takeover** takeover that the company being taken over does not want or agree to

**human capital** people and their skills.

**finance cost** interest paid on loans

**finance income** interest received by the business on deposit accounts

**financial return** monetary return

**finite** having an end or a limit

**fiscal policy** using changes in taxation and government expenditure to manage the economy

fixed assets resources that are used repeatedly for a period of time by a business such as property, tools, vehicles and machinery

**fixed capital** stock of human-made resources, such as machines and tools, used to help make goods and services

**fixed costs** costs that do not vary with the level of output

**flexitime system** in which people work a fixed number of hours each week or month, but can change the times at which they start and finish each day

**flotation** process of a company 'going public

**flow production** large-scale production of a standard product, where each operation on a unit is performed continuously one after the other, usually on a production line

**formal communication** use of recognised channels when communicating

**formal organisation** internal structure of a business as shown by an organisation chart

**franchise structure** in which a business (the franchisor) allows another operator (the franchisee) to trade under their name

**free trade** trade between nations that is completely without government restrictions

**fringe benefits** 'perks' over and above the normal wage or salary FTSE 100 index that measures the share prices of the top 100 companies in the UK

**human resources** in some businesses, the department that deals with employing, training and helping people

**hygiene factors** (Herzberg's) things at work that result in dissatisfaction

**imports** goods and services bought from overseas

**incorporated** business that has a separate legal identity from that of its owners

**induction training** training given to new employees when they first start a job

**infant industries** new industries that are yet to be established

**infinite** without limits in space or time

**informal communication** use of non-approved channels when communicating

**infrastructure** basic systems and structures that a country or organisation needs in order to work properly

**innovator** someone who introduces changes and new ideas

**insolvent** inability to meet debts

**instalment** one of a series of regular payments made until all the money owed has been repaid

**intellectual property** people's knowledge or creative ideas that have commercial value and are protectable under different forms of copyright

**interest** price of borrowed money and the reward to savers)

**intermediary** person or organisation that helps to arrange agreements or business deals between other people or organisations

**internal communication** communication between people inside the business

**internal economies of scale** cost benefits that an individual firm can enjoy when it expands

**internal finance** finance generated by the business from its own means internal recruitment appointing workers from inside the business

**inventory** stocks of goods

**invisible trade** trade in services

**issue (shares)** sale of new shares

**job enrichment** making a job more challenging and interesting

**job production** method of production that involves employing all factors to complete one unit of output at a time

**job satisfaction** pleasure, enjoyment or sense of achievement that employees get from their work

**just-in-time production** technique that is highly responsive to customer orders and uses very little stock holding

**kaizen** Japanese term that means continuous improvement

**labour** people employed in a business/used in production labour productivity output per worker in a given time period

**labour-intensive production** production methods that make more use of labour relative to machinery

**large business** a business that employs more than 250 people

**lay off** (staff) make employees redundant

**lean production** approach to production aimed at reducing the quantity of resources used

**liabilities** debts of the business, which provide a source of funds

**limited companies** business organisations that have a separate

**legal identity** from that of their owners

**limited liability** business owner is only liable for the original amount of money invested in the business, shareholders are legally responsible for the debts of a company according to how many shares they own

**market segments** part of a whole market where a particular customer group has similar characteristics

**market** set of arrangements that allows buyers and sellers to communicate and trade in goods and services

**market share** proportion of sales in a total market that a business or product enjoys

**marketing** identifying customer needs and satisfying them profitably marketing mix elements of a firm's marketing that are designed to meet the needs of customers (often called the 4Ps, they include product, price, promotion and place)

**Maslow's hierarchy of needs** order of people's needs starting with basic human needs

**mass markets** very large markets in which products with mass appeal are marketed

**merchandise** goods that are being sold

**merchandising** way in which goods are arranged and placed in a store

**merger** two or more businesses joining together to form one new firm

**minimum wage** minimum amount per hour, which most workers are entitled to be paid

**monetary policy** using changes in interest rates and the money supply to manage the economy

**monetary system** system of money in a particular country or the world as a whole, and the way that it is controlled by governments and central banks

**mortgage long-term** loan secured with property

**motivators** (Herzberg's) things at work that result in satisfaction multinational company large business with significant production or service operations in at least two different countries

**limited partnership** partnership where some partners contribute capital and enjoy a share of the profit but do not take part in the running of the business

**natural monopoly** market where it is more efficient to have just one organisation meeting total market demand

**needs** basic requirements for human survival

**net assets** value of all assets less the value of all liabilities; total at the bottom of the first part of the balance sheet

**liquid asset** that is easily changed into cash

**liquidity** ease or speed with which assets can be sold for cash

**livelihood** way you eam money in order to live

**long-term finance** money borrowed for more than one year

**loss leader product** sold below cost to draw in customers

**margin of safety** amount of output available to be sold above the break-even point where the business makes a profit

**mark-up** percentage added to costs that makes a profit for a business when setting the price

**market analysis** quantitative and qualitative assessment of a market

**market orientation** where a business focuses on the needs of consumers when developing products

**market research** collection, presentation and analysis of information relating to the marketing and consumption of goods and services

**net cash flow** difference between the cash flowing in and the cash flowing out of a business in a given time period

**net current assets** current assets minus current liabilities, also known as working capital

**net pay** take home pay, that is, pay after deductions, such as income tax pension contributions or student loan repayments

**niche market** smaller market, usually within a large market or industry

**non-current assets** assets that last for more than one year

**non-current liabilities** debts that are payable after 12 months

**normal profit minimum** profit a business needs to make to retain the interest of the owner(s)

**objectives** goals or targets set by a business

**off-the-job** training training that takes place away from the work area

**ombudsman** someone who deals with complaints made by ordinary people against the government, banks, insurance companies and so on

**on-the-job** training training that takes place while doing the job

**operating profit** gross profit less expenses

**operating profit margin** operating profit expressed as a percentage of turnover

**organisation group**, such as a club or business, that has formed for a particular purpose

**organisational chart** diagram that shows the different job roles in a business and how they relate to each other

**outcompeted** perform more effectively in a particular field

**output amount** of goods or work produced by a person, machine or factory

**outsourcing** contracting out of work that might otherwise have been performed within the organisation to other businesses

**overdue** money that has not been paid by the time expected

**overheads** money spent regularly on rent, insurance, electricity and other things that are needed to keep a business operating

**overtime** rate of pay above the normal rate to compensate employees for working extra hours

**overtrading** taking on more work than a business can afford to fund effectively

**partnership** business owned by between 2 and 20 people

**patents** legal documents giving a person or company the right to make or sell a new invention, product, or method of doing something and stating that no other person or company is allowed to do this

**payroll officer** someone who is responsible for the administration of workers' pay in an organisation

**penetration pricing** setting a low price to start with in order to get established in the market price may be raised once established

**performance-related pay** payment system designed for non-manual workers where pay increases are given if performance targets are met

**pharmaceutical** relating to the production of drugs and medicines

**piece rate** payment system where workers receive an amount of money for each unit produced

**portfolio** collection (of business interests or products)

**predator** business that tries to use another's weakness to get advantages

premises buildings and land used by a shop or business

**primary or field research** gathering of 'new' information that does not already exist

**primary sector industry**) production involving the extraction of raw materials from the earth

**private limited company** (Ltd) in the UK, a private company limited by shares, which means the liability of the shareholders to creditors of the company is limited to the capital originally invested, a shareholder's personal assets are protected, and with Ltd or Limited after its name, other countries have similar arrangements with different letters after the company name: German GmbH, Polish sp. z o.o., Czech s.r.o., Italian s.r.l., Slovak s.r.o. and UAE LLC.

**private sector** business organisations owned by individuals or groups of individuals

**privatisation** transfer of public sector resources to the private sector

**process production** form of flow production where materials pass through a plant where a series of processes are carried out in order to change the product

**producer goods** goods and services produced by one business for another

**product development** identifying opportunities and ideas for new products and converting those ideas into marketable goods or Services

**product life** cycle level of sales at the different stages through which a product passes over time

**product orientation** where a business focuses on the design and manufacture of the product itself rather than the needs of customers

**product portfolio** (product mix) range of products a business is currently marketing

**product positioning** way that people think about a product in relation to the company's other products and to competing products, or the way that the company would like them to think about it

**production** transformation of resources into a final product

**productivity** rate at which goods are produced, and the amount produced, especially in relation to the work, time and money needed to produce them

**profit maximisation** making as much profit as possible in a given time period

**profit** money left over after all costs have been subtracted from revenue

**profit satisficing** making enough profit to satisfy the needs of the business owner(s)

**prospectus** document produced by a company that wants the public to buy its shares

**protectionism** use of trade barriers to protect domestic producers

**public corporations** business organisations owned and controlled by the state/government

**public limited company** (Plc) in the UK, a limited company whose shares are freely sold and traded, with a minimum share capital of £50 000 and the letters Plc after its name, other countries have similar arrangements with different letters after the company name: German AG (Aktiengesellschaft), Czech a.s., Italian S.p.A. and Spanish, French, Polish, Greek and Romanian S.A.

**public relations** attempt by a business to communicate with interested parties

**public sector** business organisations owned by central or local government

**qualitative data** information about attitudes beliefs, and intentions, usually written in words

**quality** features of a product that allow it to satisfy customers' needs

**quality assurance** working methods that take into account customers' wants when standardising quality - it often involves guaranteeing that quality standards are met

**quality circles** small group of factory workers who meet regularly to discuss ways to improve working methods and to solve problems

**quality control** making sure that the quality of a product meets specified quality standards

**quantitative data** information that can be quantified, that is, expressed in numbers

**quantitative information** information expressed in numbers

**quota** physical limit on the quantity of imports allowed into a country

**ratio analysis** mathematical approach to investigating accounts by comparing two related figures

**redeployment** moving someone or something to a different place or job

**regulatory control** official power to control an activity and to make sure that it is done in a satisfactory way

**remuneration** money paid to employees for their work or services

**repatriation** (of profit) where a multinational returns the profits from an overseas venture to the country where it is based, typically from a developing country to a developed country (not often the other way around)

**retail cooperative** cooperative of retail members, who often work together to assert their purchasing power

**retailers** businesses that buy goods from manufacturers and wholesalers and sell them in smaller quantities to consumers

**retained profit** profit held by a business rather than returning it to the owners and which may be used in the future

**return on capital employed** (ROCE) profit of a business as a percentage of the total amount of money used to generate it

**revenue** money from the sale of goods and services

**rights issue** sale of new shares to existing shareholders at a discount

**salary** pay, usually to non-manual workers, expressed as a yearly figure but paid monthly

**sample** small group of people, which must represent a proportion of a total market when carrying out market research

**saturate** (market) to offer so much of a product for sale that there is more than people want to buy

**tax allowances** part of income that is not taxed

**scale** size of a business

**scarce** resources with limited availability

**secondary** or desk research collection of data that already exists

**secondary sector industry**) production involving the conversion of raw materials into finished and semi-finished goods

**services** non-physical products, such as banking, car washing and waste disposal

**shareholders** owners of limited companies

**short-term finance** money borrowed for one year or less

**skimming** (or creaming) setting a high price initially and then lowering it later

**small business** a business that employs fewer than 50 people

**social enterprise** business that aims to improve human environmental well-being, or chanties for example

**social security payments** money taken by the British government **from people's wages to pay for the system of payments to people** who are unemployed or ill

**socio-economic groups** division of people according to social class based on employment status

**sole trader or sole proprietor** business owned by a single person

**span of control** number of people a person is directly responsible for in a business

**stakeholder** individual or group with an interest in the operation of a business

**statement of comprehensive income** financial document showing a firm's income and expenditure in a particular time period

**statement of financial position** summary at a point in time of business assets, liabilities and capital (often called the balance sheet)

**repossess** to take back cars, furniture or property from people who had arranged to pay for them over a long time, but cannot now continue to pay for them

**stock market** market for shares in PLCs

**stockpile** large supply of goods and so forth that are being kept for use or possible use in the future

**subscription pricing** amount of money you pay regularly to receive a newspaper, magazine, or broadcasting or telephone service

**subsidise** paying part of the costs (often by the government in business)

**Subsidy** financial support given to domestic producer to help compete with overseas firms

**surplus** amount of something that is more than what is needed or used

**sustainable development** idea that people should satisfy their basic needs and enjoy improved living standards without compromising the quality of life of future generations

**tailor-made** where a product has been designed so that it is exactly right for someone's needs

**tariff** tax on imports to make them more expensive

**tertiary sector industry**) production of services in the economy

**time rate** payment system based on the amount of time employees spend at work

**total costs** fixed cost and variable cost added together

**total quality management (TQM)** managerial approach that focuses on quality and aims to improve the effectiveness, flexibility and competitiveness of the business

**total revenue** money generated from the sale of output. It is price multiplied by quantity

**trade barriers** measures designed to restrict trade

**trade bloc** group of countries situated in the same region that join together and enjoy trade free of barriers trade

**payables** buying resources from suppliers, such as raw materials and components, and paying for them at a later date sometimes called trade credit)

**trade receivables** amounts of money that are owed to a company by its customers

**trade unions** organisations, usually in a particular

**trade or profession**, that represent workers, especially in meetings with employers

**training** process that involves increasing the knowledge and skills of a worker to enable them to do their job more effectively

**transactions** business deals or actions, such as buying or selling something

**undercapitalised** starting a business with insufficient capital

**unfair dismissal** when worker is dismissed illegally by a business

**unincorporated businesses** where there is no legal difference between the owner and the business

**unique selling point (USP)** feature of a product that no other similar products have, used in advertising to try to persuade people to buy it

**unlimited liability** owner of a business is personally liable for all business debts

**untapped supply**, market or talent that is available but has not yet been exploited

**upward communication** passing messages from the bottom of an organisation to those at the top

**urbanisation** process of constructing more and more buildings on rural land

**variable costs** costs that change when output levels change

**venture capitalists** specialist investors (individuals or companies) who provide money for business purposes, often to new businesses

**ventures** new business activity that involves taking risks

**viability studies** careful study of how a planned activity will work, how much it will cost, and what income it is likely to produce

**viral advertising** direct marketing technique in which a company persuades Internet users to forward its publicity material in emails or via social media (usually by including jokes, games, video clips, etc.)

**visible trade** trade in physical goods wants people's desires for goods and services

**wholesalers** persons or businesses that buy goods from manufacturers and sell them in smaller quantities to retailers

**worker cooperative** cooperative that is owned by its employees