CHAPTER 1 - BUSINESS ACTIVITY

Business- An organization that produces goods and services.
Need- A need is a good or service essential for living.
Want- A want is a good or service which people would like to have, but which is not essential for living. People's wants are unlimited.
The economic problem- There exist unlimited wants but limited resources to produce the goods and services to satisfy those wants, this creates scarcity.
Scarcity- Scarcity is the lack of sufficient products to fulfill the total wants of the population.
Factors of production- Factors of production are those resources needed to produce goods or services. There are four factors of production and they are in limited supply.
(factor of production) Land- Land is the term used to cover all of the natural resources provided by nature and includes fields, forests, oil, gas, metals, and other resources.
(factor of production) Labour- Labour is the term used to describe the number of people available to make products.
(factor of production) Capital- Capital is the finance, machinery, and equipment needed for the manufacture of goods.
(factor of production) Enterprise- Enterprise is the skill and risk-taking ability of the person who brings the factors of production together to produce a good or service. For example, the owner of a business. These people are called entrepreneurs.
Opportunity cost- Opportunity cost is the next best alternative given up by choosing another item.
Specialization- Specialisation occurs when people and businesses concentrate on what they are best at.
Division of labor- Division of labor is when the production process is split up into different tasks and each worker performs one of these tasks. It is a form of specialization. **Added value**- Added value is the difference between the selling price of a product and the cost of buying materials and components.

CHAPTER 2 - CLASSIFICATION OF BUSINESS

Primary sector- The primary sector of industry extracts and uses the natural resources of the earth to produce raw materials used by other businesses
Secondary sector- The secondary sector of industry manufactures goods using raw materials provided by the primary sector.
Tertiary sector- The tertiary sector of the industry provides services to consumers and the other sectors of the industry.
De-industrialization- De-industrialization occurs when there is a decline in the importance of the secondary, manufacturing sector of industry in a country.
Mixed economy- A mixed economy has both a private sector and a public sector. **Private sector**- Businesses not owned by the government.
Public sector- Government-owned and controlled businesses and organizations.

CHAPTER 3 - ENTERPRISE, BUSINESS GROWTH, AND SIZE

Entrepreneur- An entrepreneur is a person who organizes, operates, and takes risks for a new business venture.
Business plan- A business plan is a document containing the business objectives and important details about the operations, finance, and owners of the new business.
Value- How much something is worth.
Business size- Measured by: the number of employees; the value of output; the value of sales; the value of capital employed.
Capital employed- Capital employed is the total value of capital used in the business. **Internal growth**- Internal growth occurs when a business expands its existing operations. **External growth**- External growth is when a business takes over or merges with another business.
Integration- Integration is when one firm is integrated into another one.
Merger- A merger is when the owners of two businesses agree to join their firms together to make one business.
Takeover- A takeover is when one business buys out the owners of another business. **Horizontal integration**- Horizontal integration is when one firm merges with or takes over another one in the same industry at the same stage of production.
Vertical integration- Vertical integration is when one firm merges with or takes over another one in the same industry but at a different stage of production, it can be forward (higher stage of production) or backward (lower stage of production).
Conglomerate integration- Conglomerate integration is when one firm merges with or takes over a firm in a completely different industry, this is also known as diversification.

CHAPTER 4 - TYPES OF BUSINESS ORGANISATIONS

Sole trader- Sole trader is a business owned by one person.
Liability- The state of being responsible for something, especially by law. **Limited liability**- Limited liability means that the liability of shareholders in a company is only limited to the amount they invested.
Unlimited liability- Unlimited liability means that 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- Partnership is a form of business in which two or more people agree to jointly own a business.
Partnership agreement- A partnership agreement is a written and legal agreement between business partners. Not essential to have it but always recommended.
Unincorporated business- An unincorporated business is one that does not have a separate legal identity. Sole traders and partnerships are unincorporated businesses.
Incorporated business- Incorporated businesses are companies that have separate legal status from their owners.
Shareholders- Shareholders are the owners of a limited company. They buy shares

that represent part ownership of a company.
Annual general meeting (AGM)- An 'AGM' is a legal requirement for all companies. Shareholders may attend and vote on who they want to be on the Board of Directors for the coming year.
Dividends- Dividends are payments made to shareholders from the profits (after tax) of a company. They are the return to shareholders for investing in the company. **Joint venture**- A joint venture is when two or more businesses agree to start a new project together, sharing the capital, the risks, and the profits.
Franchise- A franchise is a business based upon the use of the brand names, promotional logos, and trading methods of an existing successful business. The franchisee buys the license to operate this business from the franchisor.

CHAPTER 5 - BUSINESS OBJECTIVES AND STAKEHOLDER OBJECTIVES.

Business objectives- Business objectives are the aims or targets that a business works towards.
Market share- Market share is the proportion of total market sales achieved by one business. **Social enterprise**- A social enterprise has social objectives as well as an aim to make a profit to reinvest back into the business.
Stakeholder- A stakeholder is any person or group with a direct interest in the performance and activities of a business.

CHAPTER 6 - MOTIVATING WORKERS

Motivation- Motivation is the reason why employees want to work hard and work effectively for the business.
Wage- A wage is a payment for work, usually paid weekly.
Salary- A salary is a payment for work, usually paid monthly.
Commission- Commission is payment relating to the number of sales made. **Profit sharing**- Profit sharing is a system whereby a proportion of the company's profits is paid out to employees.
Bonus- A bonus is an additional amount of payment above basic pay as a reward for good work.
Performance-related pay- Performance-related pay is pay that is related to the effectiveness of the employee where their output can easily be measured.
Share ownership- Share ownership is where shares in the company are given to employees so that they become part owners of the company.
Appraisal- An appraisal is a method of assessing the effectiveness of an employee.
Fringe benefits- Fringe benefits are non-financial rewards given to employees. Job satisfaction- Job satisfaction is the enjoyment derived from a feeling that you have done a good job.
Job rotation- Job rotation involves workers swapping round and doing each specific task for only a limited time and then changing rounds again.
Job enlargement- Job enlargement is where extra tasks of a similar level of work are added to a worker's job description.
Job enrichment- Job enrichment involves looking at jobs and adding tasks that require

more skill and/or responsibility.

CHAPTER 7 - ORGANISATION AND MANAGEMENT

Organizational structure- Organisational structure refers to the levels of management and division of responsibilities within an organization.
Chain of command- The chain of command is the structure in an organization that allows instructions to be passed down from senior management to lower levels of management. **The span of control**- The span of control is the number of subordinates working directly under management.
Line managers- Line managers have direct responsibility over people below them in the hierarchy of an organization.
Staff managers- Staff managers are specialists who provide support, information, and assistance to line managers.
Delegation- Delegation means giving a subordinate the authority to perform particular tasks. **Leadership styles**- Leadership styles are the different approaches to dealing with people when in a position of authority - autocratic, laissez-faire, or democratic.
Autocratic leadership- Autocratic leadership is where the manager expects to be in charge of the business and to have their orders followed.
Democratic leadership- Democratic leadership gets other employees involved in the decision-making process.
Laissez-faire- Laissez-faire leadership makes the broad objectives of the business known to employees, but then they are left to make their own decisions and organize their own work. **Trade union**- A trade union is a group of workers who have joined together to ensure their interests are protected.

CHAPTER 8 - RECRUITMENT, SELECTION, AND TRAINING OF WORKERS.

Recruitment- Recruitment is 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- A job analysis identifies and records the responsibilities and tasks relating to a job.
Job description- A job description outlines the responsibilities and duties to be carried out by someone employed to do a specific job.
Job specification- A job specification is a document that outlines the requirements, qualifications, expertise, physical characteristics, etc. for a specified job.
Internal recruitment- Internal recruitment is when a vacancy is filled by someone who is an existing employee of the business.
External recruitment- External recruitment is when a vacancy is filled by someone who is not an existing employee and will be new to the business.
Part-time- Part-time employment is often between 1 and 30-35 hours a week.
Full-time- Full-time employees will usually work 35 hours or more a week.
Induction training- Induction training is 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**- On-the-job training occurs by watching a more experienced worker doing the job.
Off-the-job training- Off-the-job training involves being trained away from the workplace, usually by specialist trainers.
Workforce planning- Workforce planning is establishing the workforce needed by the business for the foreseeable future in terms of the number and skills of employees required.
Redundancy- Redundancy is 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- Ethical decision is a decision taken by a manager or a company because of the moral code observed by the firm.
Industrial tribunal- An industrial tribunal is a legal meeting that considers workers' complaints of unfair dismissal or discrimination at work.
Contract of employment- A contract of employment is a legal agreement between employer and employee listing the rights and responsibilities of the workers.

CHAPTER 9 - INTERNAL AND EXTERNAL COMMUNICATION.

Communication- Communication is the transferring of a message from the sender to the receiver, who understands the message.
Message- The message is the information or instructions being passed by the sender to the receiver.
Internal communication- Internal communication is between members of the same organization.
External communication- External communication is between the organization and other organizations or individuals.
Sender- The sender of the message is the person starting off the process by sending the message. **Medium of communication**- The medium of communication is the method used to send a message, for example, a letter is a method of written communication and a meeting is a method of verbal communication.
Receiver- The receiver is the person who receives the message.
Feedback- Feedback is the reply from the receiver which shows whether the message has arrived, been understood and, if necessary, acted upon.
One-way communication- One-way communication involves a message which does not require a response.
Two-way communication- Two-way communication is 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- Informal communication is when information is sent and received casually with the use of everyday language.
Communication barriers- Communication barriers are factors that stop the effective communication of messages.

CHAPTER 10 - MARKETING, COMPETITION, AND THE CUSTOMER.

Market share- Market share is the percentage of total market sales held by one brand or business.
Mass market- Mass market is where there is a very large number of sales of a product.
Niche market- A niche market is a small, usually specialized, segment of a much larger market. **Market segment**- A market segment is an identifiable subgroup of a whole market in which consumers have similar characteristics or preferences.

CHAPTER 11 - MARKET RESEARCH

Product-orientated- Product-orientated business is one whose main focus of activity is on the product itself.
Market-orientated- Market-orientated business is one that carries out market research to find out consumer wants before a product is developed and produced.
Marketing budget- A marketing budget is a financial plan for the marketing of a product or product range for some specified period of time. It specifies how much money is available to market the product or range so that the marketing department knows how much they may spend.
Market research- Market research is the process of gathering, analyzing, and interpreting information about a market.
Primary research- Primary research is the collection and collation of original data via direct contact with potential or existing customers.
Secondary research- Secondary research is information that has already been collected and is available for use by others.
Questionnaire- A questionnaire is a set of questions to be answered as a means of collecting data for market research.
Sample- A sample is a group of people who are selected to respond to a market research exercise, such as a questionnaire.
Random sample- Random sample is when people are selected at random as a source of information for market research.
Quota sample- A quota sample is 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**- Focus group is a group of people who are representative of the target market.

CHAPTER 12 - MARKETING MIX: PRODUCT.

Marketing mix- Marketing mix is a term that is used to describe all the activities which go into marketing a product or service. These activities are often summarized as the four P's - product, price, place, and promotion.
USP- USP is the special feature of a product that differentiates it from the products of competitors.
Brand name- Brand name is the unique name of a product that distinguishes it from other brands.

Brand loyalty- Brand loyalty is when consumers keep buying the same brand again and again instead of choosing a competitor's brand.
Brand image- Brand image is an image or identity given to a product that gives it a personality of its own and distinguishes it from its competitors' brands.
Packaging- Packaging is the physical container or wrapping for a product. It is also used for promotion and selling appeal.
Product life cycle- The product life cycle describes the stages a product will pass through from its introduction, through its growth until it is mature, and then finally its decline.

CHAPTER 13 - MARKETING MIX: PRICE.

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

CHAPTER 14 - MARKETING MIX: PROMOTION.

Informative advertising- Informative advertising is where the emphasis of advertising or sales promotion is to give full information about the product.
Persuasive advertising- Persuasive advertising is advertising or promotion which is trying to persuade the consumer that they really need the product and should buy it.
CHAPTER 15 - MARKETING MIX: PLACE.
Distribution channel- The distribution channel is the means by which a product is passed from the place of production to the customer or retailer.
Agent- An agent is an independent person or business that is appointed to deal with the sales and distribution of a product or range of products.
E-commerce- E-commerce is the buying and selling of goods and services using computer systems linked to the internet,

CHAPTER 16 - MARKETING STRATEGY

Marketing strategy-Marketing strategy is 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.

Productivity- Productivity is the output measured against the inputs used to create it.
Buffer inventory level- Buffer inventory level is the inventory held to deal with uncertainty in customer demand and deliveries of supplies.
Lean production- Lean production is a term for those techniques used by businesses to cut down on waste and therefore increase efficiency, for example, by reducing the time it takes for a product to be developed and become available for sale.
Kaizen- Kaizen is a Japanese term meaning 'continuous improvement through the elimination of waste.
Just-in-time (JIT)- Just-in-time (JIT) is 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- Job production is where a single product is made at a time. **Batch production**- Batch production is where a quantity of one product is made, then a quantity of another item will be produced.
Flow production- Flow production is where large quantities of a product are produced in a continuous process. It is sometimes referred to as mass production.

CHAPTER 18 - COSTS, SCALE OF PRODUCTION, AND BREAK-EVEN ANALYSIS

Fixed costs- Fixed costs are costs that do not vary with the number of items sold or produced. They have to be paid whether the business is making any sales or not.
Variable costs- Variable costs are costs that vary directly with the number of items sold or produced.
Total costs- Total costs are fixed and variable costs combined.
Average cost per unit- Average cost per unit is the total cost of production divided by the total output.
Economies of scale- Economies of scale are the factors that lead to a reduction in average costs as a business increases in size.
Diseconomies of scale- Diseconomies of scale are the factors that lead to an increase in average costs as a business grows beyond a certain size.
Break-even level of output- Break-even level of output is the quantity that must be produced/sold for total revenue to equal total costs.
Break-even charts- Break-even charts are graphs that show how the costs and revenues of a business change with sales. They show the level of sales the business must make in order to break even.
Revenue- Revenue of a business is the income during a period of time from the sale of goods or services.
Break-even point- The break-even point is the level of sales at which total costs equal total revenue.
Contribution- The contribution of a product is its selling price - its variable cost.

CHAPTER 19 - ACHIEVING QUALITY PRODUCTION

Quality- Quality means to produce a good or a service that meets customer expectations.
Quality control- Quality control is checking for quality at the end of the production process, whether it is the production of a product or service.
Total quality management (TQM)- TQM is the continuous improvement of products and processes by focusing on quality at each stage of production.

CHAPTER 20 - LOCATION DECISIONS

Location- Location is the place where a firm decides to site its operations. Location decisions can have a big impact on costs and revenues. A business needs to decide on the best location taking into account some factors.

CHAPTER 21 - BUSINESS FINANCE: NEEDS AND SOURCES

Start-up capital- Start-up capital is the finance needed by a new business to pay for essential fixed and current assets before it can begin trading.
Working capital- Working capital is the finance needed by a business to pay its day-to-day costs.
Capital expenditure- Capital expenditure is money spent on fixed assets that will last for more than one year.
Revenue expenditure- Revenue expenditure is 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- Internal finance is obtained from within the business itself.
External finance- External finance is obtained from sources outside of and separate from the business.
Microfinance- Microfinance is providing financial services (including small loans) to poor people not served by traditional banks.

CHAPTER 22 - CASH FLOW FORECASTING AND WORKING CAPITAL

Cash flow- The cash flow of a business is the cash inflows and outflows over a period of time. **Cash inflows**- Cash inflows are the sums of money received by a business during a period of time.
Cash outflows- Cash outflows are the sums of money paid out by a business during a period of time.
Cash flow cycle- The cash flow cycle shows the stages between paying out cash for labor, materials, etc. and receiving cash from the sale of goods.
Profit- Profit is the surplus after total costs have been subtracted from sales revenue.
Cash flow forecast- A cash flow forecast is 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.
Opening cash (or bank) balance- Opening cash is the amount of cash held by the business at the start of the month.
Net cash flow- Net cash flow is the difference, each month, between inflows and outflows. **Closing cash (or bank) balance**- Closing cash is the amount of cash held by the business at the end of each month. This becomes next month's opening cash balance.
Working capital- Working capital is the capital available to a business in the short term to pay for day-to-day expenses.

CHAPTER 23 - INCOME STATEMENTS

Accounts- Accounts are the financial records of a firm's transactions.
Accountants- Accountants are professionally qualified people who have the responsibility for keeping accurate accounts and for producing the final accounts.
Final accounts- Final accounts are produced at the end of the financial year and give details of the profit or loss made over the year and the worth of the business.
Income statement- An income statement is 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). It is also known as a profit and loss account.
Gross profit- Gross profit is made when sales revenue is greater than the cost of goods sold. **Sales revenue**- Sales revenue is the income to a business during a period of time from the sale of goods or services.
Cost of goods sold- Cost of goods sold is the cost of producing or buying the goods actually sold by the business during a time period.
Trading account- A trading account shows how the gross profit of a business is calculated.
Net profit- Net profit is the profit made by a business after all costs have been deducted from sales revenue. It is calculated by subtracting overhead costs from gross profits.
Depreciation- Depreciation is the fall in the value of a fixed asset over time.
Retained profit- Retained profit is the net profit reinvested back into a company, after deducting tax and payments to owners, such as dividends.

CHAPTER 24 - BALANCE SHEETS

Balance sheet- The balance sheet shows the value of a business's assets and liabilities at a particular time.
Assets- Assets are those items of value that are owned by the business. They may be fixed (non-current) assets or short-term (current) assets.
Liabilities- Liabilities are the debts owed by the business.
Non-current assets- Non-current assets are items owned by the business for more than one year.
Current assets- Current assets are owned by a business and used within one year. Non-current liabilities- Non-current liabilities are long-term debts owed by the business. Current liabilities- Current liabilities are short-term debts owed by the business.

CHAPTER 25 - ANALYSIS OF ACCOUNTS

Liquidity- Liquidity is the ability of a business to pay back its short-term debts.

Capital employed- Capital employed is shareholders' equity plus non-current liabilities and is the long-term and permanent capital invested in a business.
Illiquid- Illiquid means that assets are not easily convertible into cash.

CHAPTER 26 - GOVERNMENT ECONOMIC OBJECTIVES AND POLICIES

Inflation- Inflation is the increase in the average price level of goods and services over time. **Unemployment**- Unemployment exists when people who are willing and able to work cannot find a job.
Economic growth- Economic growth is when a country's gross domestic product increases - more goods and- services are produced than in the previous year.
Balance of payments- Balance of payments records the difference between a country's exports and imports.
Real income- Real income is the value of income, and it falls when prices rise faster than money income.
Gross Domestic Product (GDP)- GDP is the total value of the output of goods and services in a country in one year.
Recession- A recession is a period of falling GDP.
Exports- Exports are goods and services sold from one country to other countries.
Imports- Imports are goods and services bought in by one country from other countries.
Exchange rate- The exchange rate is the price of one currency in terms of another.
Exchange rate depreciation- Exchange rate depreciation is the fall in the value of a currency compared with other currencies.
Fiscal policy- Fiscal policy is any change by the government in tax rates or public spending.
Direct taxes- Direct taxes are paid directly from incomes.
Indirect taxes- Indirect taxes are added to the prices of goods and taxpayers pay the tax as they purchase the goods.
Disposable income- Disposable income is the level of income a taxpayer has after paying income tax.
Import tariff- Import tariff is a tax on an imported product.
Import quota- Import quota is a physical limit to the quantity of a product that can be imported.
Monetary policy- Monetary policy is a change in interest rates by the government or central bank.
Exchange rate appreciation- Exchange rate appreciation is the rise in the value of a currency compared to other currencies.

CHAPTER 27 - ENVIRONMENTAL AND ETHICAL ISSUES

Social responsibility- Social responsibility is when a business decision benefits stakeholders other than shareholders.
Environment- Environment is our natural world.
Private costs- Private costs of the activity are the costs paid for by the business.

Private benefits- Private benefits of an activity are the gains to a business.
External costs- External costs are costs paid for by the rest of society, other than the business, resulting from business activity.
External benefits- External benefits are the gains to the rest of society, other than the business, resulting from business activity.
Social costs- private costs + external costs
Social benefits- private benefits + external benefits
Sustainable development- Sustainable development is a development that does not put at risk the living standard of future generations.
Sustainable production methods- Sustainable production methods are those that do minimum damage to the environment.
Pressure group- A pressure group is made up of people who want to change business (or government) decisions and they take action such as organizing consumer boycotts.
Consumer boycott- A consumer boycott is when consumers decide not to buy products from businesses that do not act in a socially responsible way.
Ethical decisions- Ethical decisions are based on a moral code.

CHAPTER 28 - BUSINESS AND THE INTERNATIONAL ECONOMY

Globalization- Globalisation is the term widely used to describe increases in worldwide trade and the movement of people and capital between countries.
Free trade agreements- Free trade agreements exist when countries agree to trade imports/exports with no barriers such as tariffs and quotas.
Protectionism- Protectionism is when a government protects domestic firms from the foreign competition using tariffs and quotas.
Multinational businesses- Multinational businesses are those with factories, production, or service operations in more than one country.
Currency appreciation- Currency appreciation occurs when the value of a currency rises - it buys more of another currency than before.
Currency depreciation- Currency depreciation occurs when the value of a currency falls - it buys less of another currency.

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