A need is a good or service essential for l

A want is a good or service which people
to have but which is not essential for livin

The economic problem- there exist unlim
but limited goods and services to satisfy t
This creates scarcity

Factors of production are those resource
produce goods and services. There are fo
of production and they are in limited sup

Scarcity is the lack of sufficient products
total wants of the population

Opportunity cost is the next best alternat
by choosing another item

Specialisation occurs when people and b

performs one of these tasks. It is a form of specialisation

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

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

Chapter 2 : People in business

The primary sector of industry extracts and uses the natural resources to produce raw materials used by other business

The secondary sector of industry manufactures goods using the raw materials provided by other businesses

Deindustrialisation occurs when there is
the importance of the secondary, manufa
sector of the industry

Mixed economy has both a private and a
(state) sector

Capital is the money invested into the bu
the owners

Chapter 3 : Enterprise, business growth a

Entrepreneur is a person who organises,
and takes the risk of a new business vent

A business plan is a document containin
business objectives and important details
finance, operations and owners of the ne

existing operations

External growth is when a business merges with or takes over another business. It is often called integration as one firm is integrated into another business

A merger is when the owners of two businesses agree to join their firms together to make one business

A takeover or acquisition is 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 is when one firm merges with or takes over another one in the same industry in another stage of production

Vertical integration is when one business merges with

currency rises - it buys more of a currenc
before

Currency depreciation occurs when the v
currency falls - it buys less of another cur

Common (single) currency is when a gr
countries agree to use the same currency

Economic union is where there are agree
between countries to trade freely with eac
have common economic institutions, e.g
European Union (EU)

Chapter 28 : Business and the international economy

Globalisation is the term now widely used to describe increases in worldwide trade and movement of people and capital between countries

Free trade agreements / free trade areas exist when countries agree to trade imports/exports with no barriers such as tariffs and quotas, e.g. ASEAN

An import quota is a restriction on the quantity of a product that can be imported

Protectionism is when a government protects domestic firms from foreign competition using tariffs and quotas

Multinational businesses are those with factories, production or service operations in more than one

Conglomerate integration is when a busi
with or takes over a firm in a completely
industry. This is often called diversificati

Chapter 4 : Types of business organisatio

Sole trader is a business owned by one p
Limited liability means that the liability o
shareholders is only limited to the amou
invested

Unlimited liability means that the owner
business can be held responsible for the
business they own. Their liability is not li
investment they made in the business

Partnership is a form of business in whic
more people agree to jointly own a busin

An unincorporated business is one that does not have a separate legal identity. Sole traders and partnerships are unincorporated businesses

Incorporated businesses are companies that have separate legal status from their owners

Shareholders are the owners of a limited company. They buy shares which represent part ownership of a company

An annual general meeting 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 are payments made to shareholders from the profits (after tax) of a company. They are the return to shareholders for investing in the company

other than the business, resulting from b activity

Social costs = external costs + private cos

Social benefits = external benefits + priva

Sustainable development is development not put at risk the living standards of futu generations

Sustainable production methods are thos minimum damage to the environment

A pressure group is made up of people w change business (or government) decisi take actions such as organising consumer

A consumer boycott is when consumers to buy products from businesses that do

Chapter 27 : Environmental and ethical issues

Social responsibility is 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

Environment is our natural world including, for example, pure air, clean water and undeveloped countryside

Private costs of an activity are the costs paid for by business

Private benefits of an activity are the gains to a business

External costs are costs paid for by the rest of the

A franchise is a business based upon the brand names, promotional logos and tra methods of an existing successful busine franchisee buys the licence to operate thi from the franchisor

Chapter 5 : Business objectives and stake objectives

Business objectives are the aims or target business works towards

Profit is total income of a business (sales less total costs

Market share is the proportion of total m achieved by one business

A social enterprise has social objectives a aim to make a profit to reinvest back into

Chapter 6 : Motivating workers

Motivation is the reason why employees want to work hard and work effectively for the business

A wage is payment for work, usually paid weekly

A salary is payment for work, usually paid monthly

Commission is payment relating to the number of sales made

Profit sharing is a system whereby a proportion of the company's profits is paid out to employees

A bonus is an additional amount of payment above basic pay as a reward for good work

Performance-related pay is pay which is related to

Indirect taxes are added to the prices of
taxpayers pay the tax as they purchase th
for example, VAT

Disposable income is the level of income
has after paying income tax

An import tariff is a tax on an imported

An import quota is a physical limit to the
a product that can be imported

Monetary policy is a change in interest ra
government or central bank, for example
European Central Bank

Exchange rate appreciation is the rise in
a currency compared to other currencies

Gross Domestic Product (GDP) is the total value of output of goods and services in a country in one year

Recession - a period of falling Gross Domestic Product

Exports are goods and services sold from one country to other countries

Imports are goods and services bought in by one country from other countries

The exchange rate is the price of one currency in terms of another, for example 1 euro = $1.5

Exchange rate depreciation is the fall in the value of a currency compared with other currencies

Fiscal policy is any change by the government in tax

given to employees so that they become in the company

An appraisal is a method of assessing the effectiveness of an employee

Fringe benefits are non-financial rewards employees

Job satisfaction is the enjoyment derived that you have done a good job

Job rotation involves workers swapping r doing each specific task for a limited tim then changing round again

Job enlargement is where extra tasks of a level are added to a workers job descript

Job enrichment involves looking at jobs a

Organisational structure refers to the levels of management and division of responsibilities within an organisation

Chain of command is the structure in an organisation which allows instructions to be pas down from senior management to lower levels management

The span of control is the number of subordinates working directly under a manager

Line managers have direct responsibility over people below them in the hierarchy of an organisation

Staff managers are specialists who provide support, information and assistance to line managers

Delegation means giving a subordinate the authority to perform particular tasks

permanent capital invested in a business

Illiquid means that assets are not easily c into cash

Chapter 26 : Government economic obj policies

Inflation is the increase in the average pr goods and services over time

Unemployment exists when people who available to work cannot find a job

Economic growth is when a country's Gr Domestic Product increases- more good services are produced than in the previou

The balance of payments records the dif between a country's exports and imports short-term current assets

Liabilities are debts owed by the business

Non-current assets are items owned by the business for more than one year

Current assets are owned by a business and used within one year

Non-current liabilities are long-term debts owed by the business

Current liabilities are short-term debts owed by the business

Chapter 25 : Analysis of accounts

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

autocratic, laissez-faire or democratic

Autocratic leadership is where the mana
to be in charge of the business and to ha
followed

Democratic leadership gets other emplo
involved in the decision making process

Laissez-faire leadership makes the broad
of the business known to employees, but
are left to make their own decisions and
their own work

A trade union is a group of workers who
together to ensure their interests are pro

Closed shop - all employees must be a m
the same trade union

Chapter 8 : Recruitment, selection and t

which applications have arrived at the business

A job analysis identifies and records the responsibilities and tasks relating to a job

A job description outlines the responsibilities and duties to be carried out by someone employed to do a specific job

A job specification is a document which outlines the requirements, qualifications, expertise, physical characteristics, etc. for a specific job

Internal recruitment is when a vacancy is filled by someone who is an existing employee of the business

External recruitment is when a vacancy is filled someone who is not an existing employee and will be new to the business

Net profit is the profit made by a busines
costs have been deducted from the sales
is calculated by subtracting overhead cos
profits

Depreciation is the fall in value of a fixed
time

Retained profit is the net profit reinveste
a company, after deducting tax and paym
owners, such as dividends

Dividends are annual payments from co
profits to shareholders

Chapter 24 : Balance sheets

The balance sheet shows the value of a b
assets and liabilities at a particular time. S

accounts and for producing the final accounts

Final accounts are produced at the end of each year and give details of the profit or loss made over the year and the worth of the business

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

A gross profit is made when sales revenue is greater than the cost of goods sold

The sales revenue is the income to a business during a period of time from the sale of goods or services

The cost of goods sold is the cost of producing or buying in the goods actually sold by the business in a time period

more a week

Induction training is an introduction give employee, explaining the firm's activities and procedures and introducing them to workers

On-the-job training occurs by watching a experienced person doing the job

Off-the-job training involves being traine the workplace usually by specialist traine

Workforce planning is establishing the w needed by the business for the foreseeab terms of the number and skills of emplo required

Redundancy is when an employee is no needed and so loses their job. It is not d the firm

An industrial tribunal is a legal meeting which considers workers' complaints of unfair dismissal or discrimination at work

A contract of employment is a legal agreement between employer and employee listing the rights and responsibilities of workers

Chapter 9 : Internal and external communication

Communication is transferring the message from the sender to the receiver, who understands the message

The message is the information or instructions being passed by the sender to the receiver

Internal communication is between members of the same organisation

inflows and outflows of a business, usual
month-by-month basis. This then shows
unexpected cash balance at the end of ea

Opening cash (or bank) balance is the a
cash held by one business at the start of e

Net cash flow is the difference, each mon
inflows and outflows

Closing cash (or bank) balance is the am
cash held by the business at the end of ea
This becomes next month's opening cash

Working capital is the capital available to
the short term to pay for day-to-day ex

Chapter 23 : Income statements

Accounts are the financial records of a fi includes: owner's savings/ share capital; loans; debentures; a mortgage; hire purchase or leasing; grants.

Chapter 22 : Cash flow forecasting and working capital

The cash flow of a business is the cash inflows and outflows over a period of time

Cash inflows are the sums of money received by a business during a period of time.

Cash outflows are the sums of money paid out by a business during a period of time.

A cash flow cycle shows the stages between paying out cash for labour, materials, etc. and receiving cash from the sale of goods.

The transmitter or sender of the messag person starting off the process by sendin message

The medium of communication is the m to send a message, for example, a letter i of written communication and a meeting of verbal communication

The receiver is the person who receives t

Feedback is the reply from the receiver w whether the message has arrived, been u and if necessary, acted upon

One-way communication involves a mes does not call for or require a response

Two-way communication is when the rec

through established channels using professional language

Informal communication is when messages are sent and received casually with the use of everyday language

Communication barriers are factors that stop effective communication of messages

Chapter 10 : Marketing, competition and the customer

Marketing is identifying and meeting the needs of customers

Customer loyalty is the willingness of customers to continue to buy the same product from the same business

Customer relationships is communicating with

Capital expenditure is money spent on fi which will last for more than one year.

Revenue expenditure is money spent on expenses which do not involve the purch long-term asset, for example wages or re

Internal finance is obtained from within itself.

External finance is obtained from source and separate from the business.

Micro-finance is providing financial servi including small loans - to poor people no traditional banks.

Short-term source of finance is finance t paid back within a year and includes: ove whether it is the production of a good or service

Total Quality Management (TQM) is the continuous improvement of products and processes by focusing on quality at each stage of production

Chapter 20 : Location designs

External economies of scale are cost benefits to a business resulting from locating in a region with other businesses or organisations operating in the same industry

The infrastructure of a business can be an important location factor

Chapter 21 : Business finance: needs and sources

Start-up capital is the finance needed by a new business to pay for essential fixed and current assets

held by one brand or business

Mass market is where there is a very larg
sales of a product

Niche market is a small, usually specialis
of a much larger market

Market segment is an identifiable subgro
whole market in which consumers have s
characteristics or preferences

Chapter 11 : Market Research

A product orientated business is one whe
focus of activity is on the product itself

A market orientated business is one whic
out market research to find out consume
before a product is developed or produc

specified period of time. It specifies how much money is available to market the product or product range, so that the marketing department can know how much they may spend

Market research is the process of gathering, analyzing and interpreting information about a market

Primary research is the collection and collation of data via direct contact with existing and potential customers. Also known as field research.

Secondary research is the information that has already been collected and is available for use by others. Also known as desk research.

A questionnaire is a set of questions to be answered as a means of collecting data for market research

show the level of sales the business must order to break even

The revenue of a business is the income period of time from the sale of goods or

Total revenue = quantity sold x price

The break-even point is the level of sales total costs = total revenue

The contribution of a product is its sellin its variable cost

Chapter 19 : Achieving quality productio

Quality means to produce a good or serv meets consumers expectations

Quality control is the checking for qualit of the production process, whether it is t production of a good or service

Variable costs are costs which vary directly with the number of items sold or produced

Total costs are fixed and variable costs combined

Average cost per unit is the total cost of production divided by total output (sometimes referred to as 'unit cost')

Economies of scale are the factors that lead to a reduction in average costs as a business increases in size

Diseconomies of scale are the factors that lead t[o an] increase in average costs as a business grows beyond a certain size

Break-even level of output is the quantity that must be produced/sold for total revenue to equal total

questionnaire

A random sample is when people are sel[ected at] random as a source of information for m[arket] research

A quota sample is when people are selec[ted on the] basis of certain characteristics (age, gend[er,] income) as a source of information for r[esearch] research

A focus group is a group of people who a[re] representative of a target market

Chapter 12 : The marketing mix : produ

The marketing mix is a term which is use[d to] describe all the activities which go into m[arketing a] product or service. These activities are o[ften] summarised as the four Ps - product, pri

The brand name is the unique name of a product that distinguishes it from other brands

Brand loyalty is when consumers keep buying the same brand again and again instead of choosing a competitor's brand

Brand image is an image or identity given to a product which gives it a personality of its own and distinguishes it from its competitors' brands

Packaging is the physical container or wrapping product. It is also used for promotion and selling appeal

The product life cycle describes the stages a pr will pass through from its introduction, through its growth until it is mature and then finally its decline

hold inventories of raw materials or unsc inventories of the finished product. Supp just at the time they are needed

Job production is where a single product time

Batch production is where a quantity (ba product is made, then a quantity of anotl be produced (eg. bread, dresses)

Flow production is where large quantitie product are produced in a continuous pr sometimes referred to as mass productio

Chapter 18 : Costs, scale of production a even analysis

Fixed costs are costs which do not vary w number of items sold or produced in the 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 is the output measured against the inputs used to create it

The buffer inventory level is the inventory held to deal with uncertainty in customer demand and delivery of supplies

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 is a japanese term meaning 'continuous

cycle

Chapter 13 : The marketing mix : price

Cost-plus pricing is the cost of manufactu
product plus a profit mark-up

Competitive pricing is when the product
line with or just below the competitors' p
to capture more of the market

Penetration pricing is when the price is s
than the competitors' prices in order to b
enter a new market

Price skimming is where a high price is s
product on the market

Promotional pricing is when a product is
very low price for a very short period of t

of the product

Price elasticity is a measure of the responsiveness of demand to a change in price

Chapter 14 : The marketing mix : promotion and technology in marketing

Promotion is where marketing activities aim to raise customer awareness of a product or brand, generating sales and helping to create brand loyalty

Informative advertising is where the emphasis of advertising or sales promotion is to give full information about the product

Persuasive advertising is advertising or promotion which is trying to persuade the consumer that they really need the product and should buy it

special deals aimed at consumers to achi[...] term increase in sales

A marketing budget is a financial plan fo[...] marketing of a product or product range [...] specified period of time

Chapter 15 : The marketing mix : place

A distribution channel is the means by w[...] product is passed from the place of prod[...] the consumer or retailer

An agent is an independent person or bu[...] is appointed to deal with the sales and di[...] a product or range of products

E-commerce is the buying and selling of [...] services using computer systems linked t[...] internet