AQA GCSE BUSINESS STUDIES - KEY WORDS

Unit 1 Business in the Real World

1.1 The Purpose and nature of Business

Good: A physical product, such as a car

Service: An intangible product (that is, you cannot touch it), such as financial advice or a bus journey

Customer: Someone who buys a product from a business

Consumer: Someone who uses goods and services produced by businesses

Entrepreneur: Someone who is willing to take the risks involved in starting a new business

Entrepreneurship: The ability to be an entrepreneur – to take risks to develop a business idea

Social Enterprise: A business that is set up to help society rather than to make a profit

Resources: The inputs that businesses use to provide their goods or services

Enterprise: Another word for a business. It also refers to the skills of the people involved in the business to identify business opportunities and bring together resources to meet these opportunities.

Interest: The money paid by banks as a reward to attract people to save with them

Interest rates: The cost of borrowing money or the reward for saving money, expressed as a percentage.

Inflation: The rate at which prices are increasing. For example, if inflation is 2 per cent, prices are generally growing by 2 per cent that year

Gross Domestic Product (GDP): Another word for a business. It also measures all the income earned in a country's economy in a year.

1.2 Business Ownership

Sole trader: Someone who sets up in business on his or her own

Profit: Measures the difference between the values of a business's revenue (sales) and its total costs

Unlimited liability: Means that the personal possessions of the owners of a business are at risk if there are any problems; there is no limit to the amount of money the owners may have to pay out

Partnership: Occurs when two or more people join together in a business enterprise to pursue profit

Deed of partnership: An agreement between partners that sets out the rules of the partnership, such as how profits will be divided and how the partnership will be valued if someone wants to leave.

Stakeholders: Individuals and organisations that are affected by, and affect, the activities of a business

Company: A business that has its own legal identity; it can own items, owe money, sue and be sued

Shareholder: A person or an organisation that owns part of a company; each shareholder owns a 'share' of the business

Stock exchange: A market for buying and selling shares of public limited companies; large numbers of shares are being bought and sold all the time.

Flotation: Occurs when a private limited company (ltd) becomes a public limited company (pic) and has its shares listed on the Stock Exchange

Not-for-profit organisation: Set up to achieve objectives other than profit, for example a charity

1.3 Setting Business Aims and Objectives

Aim: A general goal of a business

Objective: A specific target that is set for a business to achieve

Public sector organisations: Owned by the government

Private sector organisations: Owned by individuals

Market share = $\frac{Sales\ of\ a\ product\ x\ 100}{Total\ market\ sales}$

1.4 Stakeholders

Dividends: The financial rewards paid out to shareholders each year

Negotiation: When two sides discuss what they want and try to reach a solution

Stakeholders: Individuals and organisations that are affected by, and affect, the activities of a business

1.5 Business Location

Protectionist measures: Policies that governments use to protect their own businesses against foreign competition

Tariff: A tax on foreign goods imported into a country

Imports: Goods and services purchased from overseas by consumers of businesses

Quota: A limit on the number of foreign goods imported into a country

1.6 Business Planning

Business plan: A document setting out what a business does and what it hopes to achieve in the future

Business planning: The process of producing a business plan

Uncertainty: Occurs where there is a lack of information about a situation; this means the outcome or consequences are very difficult to predict

Risk: The possibility of something going wrong

Revenue: The income that a firm receives from selling its goods or services; it is also referred to as 'turnover'; it is measured by the number of units sold multiplied by the price

Fixed costs: Costs that do not change when a business changes its output

Variable costs: Costs that vary directly with the business's level of output

Total costs: Fixed costs plus variable costs

1.7 Expanding a Business

Internal growth (also known as organic growth): Occurs when a business gets bigger by selling more of its products

External growth (also called integration): Occurs when a business gets bigger by joining or buying other businesses

Market capitalisation: Measures the value of all a business's shares = $\frac{market\ price\ of\ a\ share}{number\ of\ shares}$

Franchise: Occurs when a franchisor sells the rights to its products to a franchisee; this is usually in return for a fee and percentage of turnover

Franchisee: Buys a franchise, usually in return for a fee and percentage of turnover.

Franchisor: Sells a franchise, usually in return for a fee and percentage of turnover

E-commerce (or electronic commerce): The act of buying or selling a product using an electronic system such as the internet

Outsourcing: Occurs when a business uses another business to produce for it

Takeover (or acquisition): Occurs when one firm gains control of another

Merger: Occurs when two or more firms join together and create another joint business

Economies of scale: When a business's unit costs of production fall as its output rises and the business expands

Diseconomies of scale: When the cost per unit increases as a business expands.

Unit 2: Influences on business

2.1 Technology

Information and communications technology (ICT): Computing and communications systems that a business might use to exchange information with stakeholders

Stakeholders: Individuals and organisations that are affected by, and affect, the activities of a business

Intranets: Communication networks which can only be accessed by an organisation's employees

Extranets: Similar to intranets but are also accessible to other organisations such as suppliers

Software robots: Advanced computer programs that can operate a range of administrative activities previously carried out by employees

Cloud computing: Delivery of specialist computing services, such as storage of very large amounts of data, provided by businesses using the internet

E-commerce (electronic commerce): The act of buying or selling a product using an electronic system such as the internet

M-commerce (mobile commerce): The buying and selling of products through wireless handheld devices such as smartphones

Digital communication: Transmitting information digitally between computing devices

Webchat: Simple means of communicating in real time (instantly) using only web browsers (e.g. Firefox, Edge, Chrome).

Apps (applications): Pieces of software designed for a specific purpose and for use on smartphones and tablets

Social media: Methods of online communication such as websites and applications; they share information and help to develop social and professional contacts

A Shareholder: is a person or organisation that owns part of a company. Each shareholder owns a 'share' of the business.

2.2 Ethical and Environmental Considerations

Ethics: Whether a business decision is thought to be morally right or wrong; an ethical decision is made on the basis of what is judged to be morally right

Profit: Measures the difference between the values of a business's revenue (sales) and its total costs

Fair trade products: Products for which customers pay higher prices and offer better trading terms, such as payments with orders; the aim is to improve the living standards of people in poorer countries

Social responsibility: An approach to managing businesses in which the interests of all groups in society are taken into account when making decisions

The environment: The natural world in which we live; the landscape and its natural features, such as the seas, rivers, forests and mountains

External costs of production: When a business's activities result in harmful effects on other people not directly involved in production

Non-renewable resources: Resources of which only a finite amount exists such as coal and oil

Global warming: The gradual heating of Earth's surface, oceans and atmosphere

Pressure group: A group of people with a common interest who influence public opinion and decisions by businesses and governments

Environmental responsibility: Taking of decisions by businesses, consumers, governments and other groups with the intention of protecting the environment

Sustainability: Methods of production which can be continued in the long term without damage to the environment.

Recycling: The reuse of raw materials used in making products, often for many times. Examples include the reuse of glass, paper and metals

Environmental reporting: is the publication of a business's environmental performance to the general public.

2.3 The economic climate of business

The economy: Made up of millions of individual consumers, many thousands of businesses and governments; all take decisions on what to buy and produce

Consumers: Are individuals who buy goods and services from businesses

Economic climate: The state of key factors within a country such as the level of goods and services produced and the number of jobs available

Interest rates: The cost of borrowing money or the reward for saving money, expressed as a percentage

Overdraft: A flexible loan which businesses can use, whenever necessary, up to an agreed limit

Consumer spending: Refers to the value of goods and services bought by consumers over a time period, usually a month or a year

Income elastic products: Those products whose sales are sensitive to changes in consumers' incomes

2.4: Globalisation

Globalisation: The trend for markets to become worldwide in scope

Multinational company (MNC): A company that produces goods and services in more than one country (also called transnational corporations)

International trade: The selling of goods and services across national frontiers

Exports: Goods and services produced by a business in one country and sold in a different one

Economies of scale: When a business's unit costs of production fall as its output rises and the business expands

Inward investment: When governments, businesses and individuals invest capital into another country, for example building new factories or buying companies

Takeover: When one business buys control of another one

Product design: Translates the needs of consumers, or the inventiveness of entrepreneurs, into a saleable product

Quality: The extent to which a consumer is satisfied with a product

Price: The amount a business asks a customer to pay for a single product

Exchange rate: The price of one currency expressed in terms of another

Imports: Goods and services purchased from overseas by consumers and businesses

2.5 Legislation

Legislation: A set of rules that governs the way society operates. It is another term for 'laws'

The National Living Wage: An hourly rate of pay which is set by the government; all employees above a certain age must receive at least this rate of pay

Discrimination: Treating one person differently from another without having good reasons to do so

Part-time employee: Someone who works for a proportion of the working week – for example, three days each week, rather than five

Trade union: A group of workers who act together to improve their pay and working conditions

Contract of employment: A legal document stating the hours, rates of pay, duties and other conditions under which a person is employed

Motivation: The range of factors which influence the way a person behaves at work

Consumer laws: Laws that have been introduced to prevent businesses from treating their customers unfairly

2.6 The Competitive environment

Markets: Where there are buyers and sellers

Competition: When more than one business is attempting to attract the same customers

Monopoly: When a business does not face any competition in a particular market

Market share: The percentage of sales in a particular market recorded by a business

Uncertainty: Where there is a lack of information about a situation meaning the outcome or consequences are difficult to predict

Risk: The possibility of something going wrong

Business plan: A document setting out what a business does and what it hopes to achieve in the future

Diversification: When a business starts selling products in new markets

Recession: When the value of an economy's output of goods and services falls for six months or longer

Entrepreneur: Someone who is willing to take the risks involved in starting a new business

Unit 3: Business Operations

3.1 Production processes

Production (or operations) management: All the activities in managing the transformation process

Production: The process of changing inputs such as labour services into goods and services that can be sold

Job production: A method of production in which a product is supplied to meet the exact requirements of a customer

Flow production: When an item moves continuously from one stage of the process to another

Specialisation: When individuals focus on a limited number of tasks

Lean production: An approach to production that aims to minimise waste

Just-in-time (JIT) production: Holds as little stock as possible; items are ordered just in time to be used

Kaizen: 'Continuous improvement' – an approach to production that aims to achieve change from a series of small steps

3.2 The role of procurement

Just in case (JIC) production: Holds stocks just in case there is a delay from supplies or a sudden unexpected increase in demand

Purchasing economies of scale: When the cost per unit falls if large orders are placed with suppliers due to a bulk discount

Procurement (or purchase): Selecting suppliers, establishing the terms of payment and negotiating the contract

The supply chain: All the businesses, people and activities that take part in the production processes from the start until it gets to the customer

Logistics: The movement of goods, services, information and money throughout the production process

Lean production: An approach to production that aims to minimise waste

3.3 The concept of quality

Total quality management (TQM): An approach to quality in which everyone is focused on preventing errors occurring and ensuring quality at each stage of the production process

3.4 Good customer service

Customer service: The part of a business's activities that is concerned with meeting customers' needs as fully as possible

Positive customer engagement: When customers have a positive experience from their contact with the business

Post-sales (or after-sales) service: Meeting customers' needs after they have purchased a product, for example by repairing or servicing the product

Premises: The buildings used by businesses – these may include offices, shops and factories

Customer loyalty: A business's customers make repeat purchases because they prefer the business's products to those of its rivals

Information and communications technology (ICT): Computing and communications systems that a business might use to help to exchange information with stakeholders

E-commerce (or electronic commerce): The act of buying or selling a product using an electronic system such as the internet.

M-commerce (or mobile commerce): Buying and selling products through wireless handheld devices such as smartphones

Global markets: Made up of customers from across the world

Social media: Involves methods of online communication such as websites and applications; they share information and help to develop social and professional contacts

Data analysis: Gathering and examining data to provide useful information that can be used for decision-making

Unit 4: Human Resources

4.1 Organisational Structures

Organisational structure: The way a business arranges itself to carry out its activities

Organisational chart: A plan showing the roles of, and relationships between, all the employees in a business

Line manager: An employee's immediate superior or boss

Authority: The power to control others and to make decisions

The span of control: The number of employees managed directly by another employee

Levels of hierarchy: The layers of authority within a business

Chain of command: The line of authority within a business along which communication passes

Delayering: The removal of one or more levels of hierarchy from a business's organisational structure

Delegation: The passing down of authority to more junior employees.

Communication: The exchange of information between two or more people

Decentralisation: Allows employees working in all areas of the business to take decisions

Centralisation: Occurs when a small number of senior managers in a business take all the important decisions

4.2 Recruitment and selection of employees

Diversification: Occurs when a business starts selling products in new markets

Retention: Measures the proportion of employees with a given length of service (typically one year or more) expressed as a percentage of overall workforce numbers

Recruitment: The process of finding and appointing new employees

Selection: Choosing the right employees from among those who have applied for a job

Internal recruitment: Takes place when a job vacancy is filled from within the existing workforce

External recruitment: Filling a job vacancy from any suitable person not already employed by the business

Job analysis: The collection and interpretation of information about a job

Job description: States information about the duties and tasks that make up a particular job

Person specification: Sets out the qualifications and skills required by an employee to fill a particular job

Curriculum vitae (CV): Provides information about a person, including qualifications, employment history and interests

Productivity: The quantity of goods or services produced by an employee over a period of time, such as one year

Quality: The extent to which customers' requirements are met

Customer service: That part of a business's activities that is concerned with meeting customers' needs as fully as possible

Contract of employment: A legal document stating the hours of work, rates of pay, duties and other conditions under which a person is employed

Full-time employment: Occurs when someone works a number of hours equal to the normal working week, normally between 35 and 40 hours

Part-time employment: Takes place when an employee works for fewer than the normal number of working hours per week

Job share: Exists when two or more employees agree to share the responsibilities of a single job.

Zero hours contract: Allows employers to hire staff without any guaranteed hours of work

4.3 Motivating employees

Motivation: The range of factors that influence people to behave in certain ways

Job enrichment: Designing a job to give interesting and challenging tasks

Fringe benefits: The 'extras' that employees may receive in addition to their pay, for example, a company car

Piecework: A method of payment under which employees are paid according to the quantity of products they produce

The National Living Wage: An hourly rate of pay which is set by the government; all employees above a certain age must receive at least this rate of pay

4.4 Training

Training: A range of activities giving employees job-related skills and knowledge

On-the-job training: Given in the workplace

Induction training: The training given to an employee when they first starts a job

Off-the-job training: Provided outside the employee's place of work

Unit 5: Marketing

5.1 Identifying and understanding customers

Exchange: When someone gives up something in return for something else e.g. a business exchanges a product for money

Need: Something that needs to be fulfilled for us to survive

Want: What we would like to satisfy our needs

Customer: Someone who buys a product from a business

Consumer: Someone who uses goods and services produced by businesses

5.2 Segmentation

Sales volume: Measures the number of items sold

Sales value: Measures the revenue generated

Segmentation: Occurs when a market is divided into different groups of needs and wants

5.3 The purpose and methods of market research

Market research: The process of gathering, analysing and processing data relevant to marketing decisions

Market segment: A group of similar needs within the overall market

Segmentation: Occurs when a market is divided into different groups of needs and wants

Primary market research: (Also called 'field research'), which involves gathering information for the first time, for example using questionnaires to conduct a survey of potential customers

Secondary market research: (Also called 'desk research'), which involves using data that already exists, for example, using information in a newspaper or published on a website

5.4 Elements of the marketing mix

Marketing mix: Refers to all the activities influencing whether or not a customer buys a product. The elements of the mix can be analysed using the four Ps: product, price, place, and promotion

5.5 Using the marketing mix: product and pricing

Product portfolio: The collection of products that a firm produces

Boston matrix: A way of analysing a product's share and growth in their market

Dog: A product which has a low market share in a low-growth market

Cash cow: A product which has a high market share in a low-growth market

Question mark: A product which has a low market share in a fast-growth market

Star: A product which has a high market share in a fast-growth market

Product life cycle: Shows how the sales of a product may change over time

Extension strategies: Attempts to maintain the sales of a product and prevent it from entering the decline stage of the product life cycle

Price skimming: Setting a high price for a product when it first enters the market

Penetration pricing: Launching a new product at a low price to achieve fast sales

Competitive pricing: Matching the prices that competitors charge

Loss leader: A product sold at a loss in the hope that the customer will buy other items from the business where they make a profit

Cost plus pricing: Where products are priced by covering the cost of it to the retailer and adding a percentage on top

5.6 Promotion and distribution

Promotional activities: the different ways in which a firm tries to communicate with its customers.

Sales Promotion: short-term incentives to encourage customers to buy

Advertising: paid for communication

The promotional mix: the combination of promotional methods used by a business to communicate with its customers.

Distribution channel: How the ownership of a product passes from the producer to the final customer

Wholesalers: Break bulk; they buy in large quantities from a producer and sell to retailers

Retailers: Shops that sell direct to the customer

E-commerce: Involves online trading

M-commerce: Online trading via a mobile phone

Direct marketing: When there is a direct link from the producer to the customer with no intermediaries

Intermediary: A link in the distribution chain between the producer and the customer.

Unit 6: Finance

6.1 Sources of finance

Inventories: Raw materials that have not yet been used or products that have been made, but not sold; these are also called stocks

Internal source of finance: Money that is available from within the business, for example, retained profits from previous years

Owners' funds: Money put into a business by its owner or owners

Interest: A payment made in order to borrow money; it means a business pays back more than it borrows

Shareholder: A person or organisation that owns part of a company; each shareholder owns a 'share' of the business

Asset: Something that is owned by a business; examples include land, buildings, vehicles and machinery

Trade credit: A period of time which suppliers allow customers before payment for supplies must be made

External source of finance: Money that comes from outside the business, for example, a loan from a bank

Collateral: An asset that a bank holds as security for the repayment of a loan

Mortgages: Loans from banks and building societies that are used to buy land and buildings, such as offices and shops

Building societies: Organisations that offer a range of financial services; however, their major business is providing savings accounts and lending money for the purpose of buying property

Overdrafts: The right to borrow variable amounts of money up to an agreed limit; overdrafts are very flexible loans as businesses only use them when required

6.2 Cash flow

Cash flow: The money that flows into and out of a business on a day-to-day basis

Cash flow forecast: A plan of the expected inflows and outflows to and from a business over a period of time

Cash flow statement: a record of the cash inflows and outflows that took place over an earlier period of time.

Profit: Measures the difference between the values of a business' revenue (sales) and its total costs

6.3 Financial terms and calculations

Revenue: The income that a firm receives from selling its goods or services; it is also referred to as 'turnover'; it is measured by the number of units sold multiplied by the price

Sales: Refers to the number of products sold by a business

Costs: The spending that is necessary to set up and run a business

Fixed costs: Those costs that do not change when a business changes its output

Variable costs: The costs that vary directly with the business's level of output

Total costs: Fixed costs plus variable costs

Profit: The difference between the values of a business's revenue (sales) and its total costs

Loss: The amount by which a business's costs are larger than its revenue from all sales

Productivity: The quantity of goods or services produced by an employee over a period of time, such as one year

Investment: Takes place when a business buys an asset, such as a factory, in the hope of making a profit from its use

The average rate of return (ARR): Compares the average yearly profit from an investment with the cost of the investment and is stated as a percentage

Break-even: The level of production at which a business's total costs and revenue from sales are equal

Break even chart: Shows a business's costs and revenues and the level of production needed to break-even

The margin of safety: Measures the amount by which a business's current level of production exceeds its break-even level of output

6.4 Analysing the financial performance of a business

Income statement: A financial statement showing a business's revenues and costs and thus its profit or loss over a period of time

Balance sheet: Sets out the assets and liabilities that a business has on a particular day

Gross profit: A business's sales revenue minus its cost of sales over a period of time, normally a year

Net profit: A business's sales revenue minus its cost of sales, its overheads and other costs over a period of time, normally a year

Liability: A sum of money that is owed by a business to another business or an individual

Financial ratio: Compares two figures from a business's financial statements