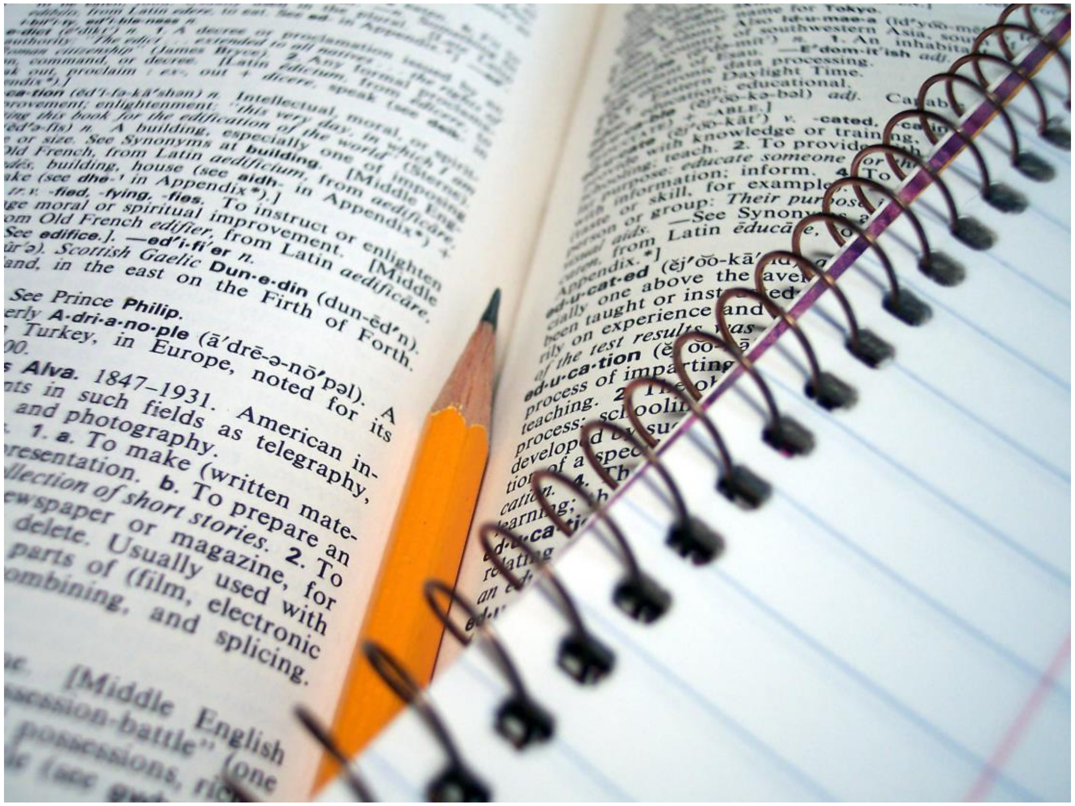
IGCSE Business Studies

Key Terms



The following list of words is a comprehensive breakdown of all the main topics covered within the course.

Key Term	Definition
Business	The organisation of resources to achieve a reward.
Entrepreneur	An individual with a passion for business who can come up with new ideas.
Social enterprise	An organisation set up to help society rather than make money.
Gap in the market	A business opportunity that is completely new or adds something new to an existing product or service.
Franchise	The legal right to use the name and logo of an existing firm.
Aim	An overall target for the business.
Objective	A clearly defined target for the business over a certain period of time.
Growth	An increase in turnover, market share, profit or size (e.g. outlets, employees etc.).
Sales	The amount sold or the value sold (e.g. 100 units or £500)
Customer satisfaction	How happy the customer is with the product or service.
Ethics	The moral questions on which decisions are made.
Turnover	The value of sales made during a trading period, also called revenue.

Stakeholder	Someone who has an interest in a business e.g. community, customers, managers, shareholders etc.
Business plan	A statement showing how a business sets out to achieve its aims and objectives.
Funding	The money provided to run the business (both short and long term).
Forecast	Where the business attempts to estimate future sales or costs.
Risk	The potential for loss but possibly higher rewards.
Uncertainty	Not knowing the future or what is going to happen.
Sole trader	A business owned by one person.
Partnership	Where a business is owned by 2-20 people.
Unlimited liability	The owners are personally responsible for the debts of the business (only applies to sole traders and partnerships).
Incorporation	The process of forming a limited liability company (such as an Ltd or a Plc).
Limited liability	Investors (shareholders) can only lose their initial investment in the business, even if the business goes into debt.
Logistics	The process of buying, managing and delivering goods.

Market	A place where buyers and sellers meet.
Mail order	Direct marketing though mail shots, leading to goods being delivered directly to the customer.
Market research	Research that enables a firm to find out about its market, customers and potential customers.
Primary research	Gathering new information specifically for the needs of the business.
Secondary research	Research that uses information that has already been gathered for another purpose.
Questionnaire	A set of questions designed to discover information relating to a product or service.
Internet research	Using published information from the internet (secondary)
Telephone survey	A series of set questions asked over the telephone (primary)
Supplier feedback	Gathering information from suppliers on their forecasts for the future (this could use a number of different methods).
Customer feedback	Formal or informal responses from customers to the product or service offered by the business.

Focus group	In depth discussion with a small group of consumers (8-10), this probes their feelings towards a product or service.
Marketing mix	Also known as the 4P's, a decision making tool when marketing a product.
Product	The service or physical good being sold by the company.
Price	The amount charged by a business for its product or service.
Promotion	All the ways a business communicates to consumers with the aim of selling products.
Place	The methods used by a firm to sell its products or services to consumers.
Target market	The group of consumers aimed at by the business.
Product range	A term describing all of the products made or sold by a business.
Product differentiation	Attempting to make your product stand out from the competition through its design or features.
Demand	The quantity of products that consumers are willing and able to buy at the current price level.
Marketing budget	The amount of money to be spent on marketing over a set period of time.
Advertising	Communicating to consumers to encourage them to buy a product.

Publicity	Gaining press coverage for your business.
Word of mouth	Getting customers talking to their friends and family about your product.
Direct mail	Sending promotional mail directly to consumers.
Personal selling	A person directly trying to sell a product to consumers.
Website	A place on the internet to provide information to customers about a business's products or services.
Banner	An internet adverb shown on another firm's website in the form of a horizontal bar across the page.
Pop-up	An internet advert that 'pops up' in a new window when visiting another company's website.
Channel of distribution	The method used to transfer goods or services from the producer to the consumer.
E-commerce	Transactions between people and business carried out entirely via the internet.
Profit	What is left after costs have been deducted from revenue (Profit = revenue – costs).

Loss	When revenue is less than costs.
Costs	The expenses a business pays for in producing goods and services.
Revenue	The amount of money a received from selling goods and services.
Cash	The money has available to it straight away.
Forecast	The business attempts to estimate future sales and cash flow.
Cash flow forecast	A document predicting future money coming in and out of the business.
Net cash flow	The difference between cash in and cash out of a business over a period of time.
Opening balance	The money the business has at the start of the month.
Closing balance	The money the business has at the end of the month.
Recruitment	Attracting people to apply for a job vacancy.
Part time workers	Working for a proportion of the full working week (e.g. 18 hours).
Full time workers	Working for the normal full working week (e.g. 37 hours).
Internal recruitment	Appointing an existing employee of the business to fill a vacancy.
External recruitment	Appointing someone from outside the business to fill a vacancy.

Wage	When an employee is paid a fixed amount for each hour or day they work.
Salary	When a worker is paid a fixed amount per month or year, no matter what hours they work.
Pension	Payments made to retired workers. Businesses are expected to offer their own pension schemes.
Fringe benefits	Other rewards that don't involve the direct offer of payment of money.
Commission	The employee gets a % of the amount they sell for the business.
Job production	Making one off specialised products for each customer.
Batch production	Groups of identical items that pass through different stages of the production process at the same time.
Operational efficiency	Producing goods and services to an acceptable standard with as few resources as possible to keep unit costs low.
Unit costs	The average cost of making each unit.
ICT	Information Communication Technology (gathering, storing, processing and communicating information electronically.
Robot	A computer controlled machine used to perform a specific task.

Computerised stock control	Computers will re-order stock as necessary.
CAD	Computer aided design (used to design products such as buildings, cars and clothes).
Quality product	A good or service that meets customer expectations and is fit fir purpose.
Customer expectations	The minimum quality standards for a product or service to be acceptable to consumers.
Customer service	Providing standards to customers that meet their expectations, before during and after purchase.
Consumer protection	Laws that protect the interests of consumers when buying goods or services.
E-commerce	The buying and selling of goods and services over the internet.
Market share	The proportion of total sales sold by one business compared to the total sales in the market.
Economies of scale	When the average costs of each item a business produces falls as they produce more e.g. through bulk buying.

Organic growth	Expansion from within the business e.g. opening more stores.
Inorganic growth	Expansion by merging or taking over another business.
Internet selling	Marketing and selling products through the business's website or via other online methods.
Franchisee	The person / firm that buys the franchise rights from the existing business.
Franchisor	The existing firm that sells the franchise rights to another business.
Merger	Where two businesses will combine to operate as a larger one.
Takeover	Purchasing another business from its owners.
Horizontal integration	Joining two businesses in the same industry and stage of production (e.g. two beauty therapy businesses).
Vertical backward integration	Joining two businesses in the same industry but at a different stage of production, towards the supplier (e.g. a computer manufacturer's takeover of a 'microchip' maker).
Vertical forward integration	Joining two businesses in the same industry but a different stage of production, towards the customer (e.g. a farmer's takeover of a butchers shop).

Diversification	Joining two businesses in different industries (e.g. a clothing retailer merger.
Monopoly	Where one business dominates the market (very high market share).
Limited company	A business recognised as a separate legal identity that offers investors (shareholders) limited liability.
Private limited company (Ltd)	A company that cannot sell its shares to the general public (only private investors are invited e.g. friends or family).
Public limited company (Plc)	A company able to sell shares to the general public by being listed on the Stock Exchange.
Limited liability	Investors (shareholders) can only lose their initial investment in the business, even if the business goes into debt.
Shareholders	Part owners of a limited company – they own shares in it.
Dividend	Payment made to shareholders from company profits – usually made annually.
Divorce between ownership and control	When directors control a Plc and shareholders own it, but the two groups may have different objectives.

Ethical objective	A business 'doing the right thing' even if this may not be the most profitable for them e.g. paying farmers in 3rd world countries a fair price for their produce.
Environmental objective	A business aim to protect the environment during its operations e.g. to recycle paper.
Social costs	The costs of business activity, including both financial costs as well as the costs on society e.g. pollution.
Social benefits	The benefits a business brings to a society e.g. the creation of new jobs.
Globalisation	An increasing trend for goods to be traded internationally and for companies to locate abroad.
Off-shoring	Making products or services in other countries e.g. British companies having call centres in India.
Multinational	A business with operations in more than one country.
Product portfolio / product mix	The range of products sold by a business.
Target market	The group of consumers aimed at by the business.

Diversify	Spreading risk by selling in different markets.
Product life cycle	The lifespan of a product, recorded in sales from launch to being taken off the market.
Extension strategies	Steps taken to extend the life cycle of a product.
Competitive pricing	Setting a price for a product based on prices charged by competitors.
Price skimming	Setting a price at a high level to create a high quality and exclusive image.
Penetration pricing	Setting a price at a low level to gain greater market share.
Cost-plus pricing	Setting a price by adding a profit mark up to the total cost of producing a product.
Loss-leader pricing	Setting a price below cost hoping to gain other profitable sales.
Promotion	All the ways a business communicates to consumers with the aim of selling products.
Advertising	Communication to consumers, using television and other media, to encourage them to buy a product.

Sales promotion	Activities to attract consumer attention to a product to increase sales e.g. buy 1 get 1 free.
Direct marketing	Contacting consumers directly to increase sales e.g. e-mailing them.
Sponsorship	A business pays for an activity or an event to gain publicity.
Promotional mix	The combination of promotional methods used by a business.
Wholesaler	The middle man or distributor that buys in bulk and mainly sells to retailers not consumers.
Telesales	Selling to the customer through telephone alone.
Mail order	Direct marketing through mail shots leading to goods being delivered directly to the customer.
Retained profit	Profit kept in the business after tax and dividends have been paid.
Sale and leaseback	Selling an asset, such as a building, to a leasing company and paying an annual leasing charge so that the asset can still be used.
Profit and loss account	This shows whether the business made a profit or loss over the last period (usually a year). It is also known as the income statement.
Sales revenue	The value of goods sold. Formula = price x quantity sold.

Cost of sales	The cost to the business of the goods sold.
Gross profit	The difference between sales revenue and cost of making the products. Formula = sales revenue – cost of sales.
Overheads	Expenses of the business that are not directly part of the product process e.g. rent and management salaries.
Net profit	The difference between sales revenue and total costs of the business. Formula = gross profit – overheads.
Gross profit margin	The percentage of sales revenue that is gross profit. Formula = (gross profit ÷ sales revenue) x 100.
Net profit margin	The percentage of sales revenue that is net profit. Formula = (net profit ÷ sales revenue) x 100.
Balance sheet	This lists the value of a company's assets and liabilities.
Assets	Items of value owned by a business.
Liabilities	Debts owed by a business.
Liquidity	How easy it is for a business to pay its short term debts.

Organisational structure	The internal links between managers and workers showing lines of authority.
Layers of management	The number of different levels of management and responsibility in a structure.
Span of control	The number of junior employees each manager is directly responsible for.
Centralisation	Senior managers take all important decisions.
Decentralisation	Decision making power is spread to managers in branches and divisions of the business.
Recruitment	Attracting people to apply for a job vacancy.
Job analysis	Identifying the tasks and skills needed to perform a job well.
Job description	A detailed statement of the nature of the job and the tasks involved.
Person specification	A profile of the type of person likely to make a good applicant.
Internal recruitment	Appointing an existing employee of the business to fill a vacancy.
External recruitment	Appointing an employee of another business to fill a vacancy.
Induction training	Initial training to familiarise new recruits with the systems of a business, which should also help them to settle into their new role.

On the job training	Takes place when employees receive training as they are working at the place of work.
Off the job training	Takes place away from the job at another's place e.g. a training centre or college.
Appraisal	Assessing how effectively an employee is working.
Motivated	The will to work due to the enjoyment of the work itself.
Retaining staff	Keeping existing staff in the business, this cuts down the cost of recruitment, selection and training.
Autocratic management	Managers who believe in taking all decisions and just passing instructions to workers.
Democratic management	Managers who involve workers and less senior managers in decision making.
Flow production	Large scale production where each stage of production is carried out one after the other, continuously, on a production line.
Specialisation	Work is divided into separate tasks or jobs that allow workers to become skilled in one of them.

Division of labour	Breaking a job into down into small, repetitive tasks that can be done quickly by workers or machines specialised in this one task.
Lean production	A production approach that aims to use fewer resources by using them more efficiently.
Kaizen	A Japanese term meaning continuous improvement.
Just in time manufacturing (JIT)	Ordering supplies so that they arrive just when they are needed and making goods only when ordered by customers.
Lean design	Producing new designs as quickly as possible.
Economies of scale	The reasons why production costs of each item fall as a firm expands.
Diseconomies of scale	The reasons why production costs of each item rises as a firm expands.
Quality product	Goods or services that meet consumer's expectations and are therefore 'fit for purpose'.
Outsourcing	Using other businesses to make all or part of a product to provide an aspect of the customer care.
Quality standards	The expectations of customers expressed in terms of the minimum acceptable production or service standards.

Quality assurance	Setting and trying to meet quality standards throughout the business.
Total Quality Management (TQM)	An approach to quality that aims to involve all employees in the quality improvement process.
Monopoly	A market where a single business dominates is known as a monopoly.
Duopoly	A duopoly is where two businesses dominate an industry.
Oligopoly	An oligopoly is where a small number of businesses (3 – 8) dominate the industry
Monopolistic competition	Monopolistic competition refers to a situation where many businesses exist in an industry, and each has a wide product range and a degree of product differentiation.
Value added tax (VAT)	VAT is the tax you have to pay when you buy goods or services.
Corporation tax	Corporation tax is a payment that must be paid to the government based on the amount of profit a business has made.
Interest rates	Interest rates are the cost of borrowing money.
Exchange rates	Exchange rates measure the value of one currency against another currency
Inflation	Inflation is a general increase in the price of certain goods and services.

Business cycle	The pattern of ups and downs an economy goes through. It is characterised by four main phases: boom, recession, slump and recovery.
Capital-intensive	A business that is capital-intensive uses equipment, machinery, vehicles and so on in order to make its product or service.
Labour-intensive	A business that is labour-intensive requires more people to carry out the functions of the organisation.
Primary sector	The primary sector includes businesses that are involved in acquiring raw materials.
Secondary sector	The secondary sector involves the transformation of raw materials into goods e.g. manufacturing steel into cars.
Tertiary sector	The tertiary sector involves the provision of services to consumers and businesses. An example of this is the banking industry.
Tariff	A tax imposed on imported goods.
Quota	A limit on the amount of imported goods allowed into a country.
Below the line promotion	This refers to those methods of promoting a product that do not use direct advertising.

Above the line promotion	Promotion that is paid for directly and often makes use of the media.
Herzberg theory	His most famous theory is called the 'Two-Factor Theory', in which he distinguished between what he called *Motivators* (which actually give an employee positive satisfaction) and *Hygiene / Maintenance* factors (which do not give positive satisfaction, but their absence will cause dissatisfaction).
Maslow theory	He had his own theory of what motivates people using a model called the *hierarchy of needs* (physiological, safety, social, esteem, self-actualisation).
Persuasive advertising	This type of advertising seeks to appeal to consumer emotions to close the sale.
Informative advertising	This type of advertising relies more heavily on facts.
Boston Matrix	This is a tool used by businesses to help them analyse their product mix and aid their decision making about possible marketing strategies. Products are classified as stars, cash cows, problem children and dogs.