LITERACY ACROSS THE CURRICULUM

SUBJECT TERMINOLOGY FOR BUSINESS STUDIES

The Appleton School
Added value Any method of increasing the worth of a product

Advertising Promotional method where a business pays to place an advert in a form of media, such as a newspaper or television

Aesthetics The attractiveness of the design of a product

Aims and objectives The overall goals of a business or organisation identifying what the business is trying to achieve

Asset Any item of value that a business owns, such as its machinery or premises

Automation Using machinery or robotics to do jobs instead of using people to do them

Autonomy The independence a worker has within their job

Average rate of return The annual percentage profit that an investment makes compared to the cost of the investment

Bank loan A fixed sum of money lent, repaid with interest in set payments

Bar gate stock graph A method of displaying data on stock levels, which allows stock control policy to be decided, implemented and reviewed within a business

Batch production Method of production where groups or types of products are made together at several stages, often downtime between stages of production

Bespoke Designed and made for an individual customer, based on their specific needs

Bonus An extra amount of financial pay received through achieving a business target

Boycott Refusing to buy from or interact with a particular business or organisation

Brand loyalty A customer choosing a particular business rather than from its competitors

Branding What distinguishes a good or service from rivals

Break even Where total revenue is the same as total costs and no profit or loss is made
Budgets  Pre-set financial targets for a business to achieve

Buffer stock  A quantity of stock kept in store to safeguard against unforeseen shortages or demands

Business environment  The external factors such as the economy and the law that influence how a business operates

Business plan  A document produced by a new or existing business that shows what its objectives are and how it will meet them

Capacity  The maximum production output a business can achieve with its existing resources

Capital  The initial money that is needed to start a business that is normally linked to purchases of machinery and premises

Cash flow  The amount of money coming in and going out of the business

Cash outflow  The money leaving a business that it spends on raw materials, labour and other expenses

Cash-flow  The money that flows into and out of a business from sales and expenses

Cash-flow forecast  The prediction of how much money will come into and out of a business over a future time period

Cash inflow  The money that comes into a business from sales and other sources

Centralised  Where business decision making and implementation take place at and from the business headquarters

Chain of command  Part of the structure of a business organisation which shows who is in charge of who

Closing balance  The total cash-flow left at the end of a period

Commission  The extra amount of pay workers receive as a percentage of their or the business’s sales

Competition  Other businesses that produce the same or similar goods or services
**Competitive advantage** A business has a marketing mix which enables it to be more successful than its competitors

**Competitive environment** The number and strength of other businesses in the same market

**Competitive pricing** Where the price of a product is decided by comparing it to its rivals

**Consumer** The person or business that use the good or service produced

**Consumer income** How much money consumers have to spend on their needs and wants

**Consumer law** Legal constraints that protect the consumer from unfair business practice

**Consumer spending** The level of spending that consumers undertake related to their income

**Cost of sales** The direct costs of purchasing raw materials and manufacturing finished products

**Cost per unit (average cost)** How much it costs to make each product or service

**Cost plus** A pricing method where a business decides what price to charge based only on the cost of its production and some extra to make a profit

**Credit** The total money that a bank or supplier will allow a business to use

**Crowdfunding** Finance raised through internet appeals from a large number of small investors

**Customer** Whether customers return to a business on a regular basis to purchase more of the same goods loyalty or other goods that they produce

**Customer needs** What an individual must have in order to survive

**Customer profile** A diagram illustrating a typical customer and their day to day activities/wants and needs.

**Customer service** How a business looks after its customers before, during and after they make a purchase

**Decentralised** A business structure and its decision-making is spread out to include more junior managers as well as individual business units or locations
**Deed of partnership** A legal document that defines the terms of a partnership

**Delayering** A method of saving costs in an organisation by reducing the number of layers

**Delegation** Passing on authority and responsibility to a subordinate from a manager

**Demographics** Factors related to population, e.g. age, often used as a basis for segmentation

**Design mix** The use, appearance and cost of a product

**Differentiation** When a business makes its product different to those of its competitors

**Directors** People appointed by the shareholders to run the company on a day-to-day basis to make all the important decisions

**Discontinued** No longer produced or sold

** Discrimination** When an employer chooses its workers based on a particular characteristic; many of these are illegal, for example age, gender and race

**Distribution** How a product gets from the producer to the consumer

**Dividends** A percentage of a business’s profits that is paid to shareholders

**Domestic** At home or within a business’s home country

**Downtime** Time when a person or machine is not producing anything

**E-commerce** Using the internet to promote and sell a good or service

**Economies of scale** A situation where average costs falls as output increases

**Economy** The system by which a country’s money and goods are produced and used

**Efficiency** Measures of how much output is being produced per unit of input

**Employees** People who work within a business

**Employment law** Legal constraints that protect the employees of a business from unfair business practice
Enterprise  A business that has the objective of making a profit

Entrepreneur  An individual who takes a calculated risk in starting or running a business in return for making a profit

E-tailer  An electronic retailer i.e. sells goods using the internet

Ethical objectives  Where businesses have as an aim what is morally right rather than necessarily the most profitable option

Ethics  Moral principles or standards that guide the behaviour of a person or business

Exchange rate  The amount of foreign currency that can be purchased with another currency

Exports  Goods or services that are produced in this country and sold to other countries

Extension strategy  Methods of prolonging the product life cycle to extend the life of a product

External finance  Sources of money from outside of a business

External growth  Growth which occurs by a merging with or taking over another business

External influence  Factors that affect a business but they cannot control

External recruitment  Where a business aims to finds new workers from outside of its current workforce

Finance  The money that is necessary to start and run a business

Financial data  Information on the costs and revenues of businesses showing changes over time and used as the basis for calculations and displaying to managers

Financial objectives  Quantifiable targets for a business including profit, sales and costs

Fixed costs  Business costs that do not vary with output

Flat structure  Where the organisational structure has 2-3 layers, short chains of command and wide spans of control
**Flexible hours** Either the employee or the employer have some choice about the actual hours worked

**Flow production** Method of production associated with making very large quantities of standard products

**Focus group** In depth market research where discussions take place with a group of potential or actual consumers Formal training Specialist training for employees involving courses or off site provision

**Footfall** The number of people passing a particular location within a given time period

**Formal training** Structured development, occurs in meetings, seminars, workshops

**Franchise** Where a business acquires the right to use the name and products of another business

**Franchisee** The business which runs a franchise in a specific territory or area

**Franchisor** The seller of a right to operate a franchise

**Freelance** Someone who is self-employed and contracted by businesses to work for them

**Fringe benefit** Methods of rewarding a worker that are not directly monetary

**Gap in the market** An opportunity for a business to provide a good or service that is not currently available

**Globalisation** The increased integration of trade, finance and communications between countries

**Goods** Products that businesses produce that have a physical presence

**Gross profit** The difference between revenue and cost of sales; calculated as:

\[
gross \ profit = \text{total revenue} - \text{cost of sales}
\]

**Gross profit margin** The percentage profit made on sales not taking into account the businesses expenses; calculated as:

\[
gross \ profit \ margin = \frac{\text{gross profit}}{\text{sales revenue}} \times 100
\]

**Hierarchical structure** Where the organisational structure has many layers, long chains of command and narrow spans of control

**Human resources** How a business recruits and manages its workforce
**Imports**  Goods or services that are produced in other countries and consumed in this country

**Income statement**  A financial statement showing the amount of money earned and spent

**Induction**  Basic training at the start of an employee's job

**Inflation**  Where costs and prices in an economy are increasing

**Informal training**  Where employees learn how to do a job at the workplace by observing other employees

**Innovation**  The introduction of a new product or features on a product

**Inorganic growth**  Growth which occurs by merging with or taking over another business

**Insolvency**  Where a business runs out of cash and is not able to obtain new finance

**Interest rates**  The percentage cost of borrowing money or the reward for saving money

**Internal finance**  Where a business obtains funds from its own sources such as retained profits

**Internal growth**  Organic growth which takes place through a business selling more of its own products

**Internal recruitment**  Where a business aims to finds new workers from within its current workforce

**Investment**  Putting money into a business with the intention of making a profit

**Job description**  An explanation of the roles and responsibilities of a job

**Job enrichment**  Giving workers more responsibility or more complex and challenging tasks so they have a sense of achievement

**Job production**  Method of production where products are made individually

**Job rotation**  Where a worker moves from one job to another job over a period of time
**Job satisfaction**  The sense of achievement or fulfilment that an employee gets from their job

**Just in Time**  Where a business holds minimal stock levels, orders as needed

**Labour**  The workers who are needed directly or indirectly to provide the good or service that a business produces

**Lead time**  The time between ordering a good or service and receiving it

**Legislation**  The laws that a business must comply with

**Levy**  A tax on a particular product or service

**Limited liability**  The protection enjoyed by shareholders who can only lose the money they have put into the company

**Loan**  Source of finance for a business where they receive a fixed amount of money for a specified time, which will need repayment with interest

**Lobbying**  Trying to influence the government or other organisations

**Local community**  A business stakeholder who will be affected by a business’s location in terms of direct and indirect employment opportunities

**Location**  The place where a firm decides to conduct its business

**Logistics**  The management of the flow of goods along the supply chain

**Loss**  Where the costs of a business are greater than its income

**Loss leader**  Where a business prices a good at less than its cost to encourage customers to buy other goods at the same time

**Loyalty**  Wanting to always support something or someone

**Margin of safety**  The additional output that a business produces or expects to produce more than its breakeven output

**Market conditions**  The current situation in the economy and whether it is improving or worsening

**Market data**  Quantitative information such as sales figures over time for the market of a product or service

**Market map**  A diagram representing different businesses in a market that are compared to two variables, such as price and quality; it is used to identify a gap in the market
Market research Information from existing and potential consumers about their reaction to a good or service

Market segments A way of dividing up the market into different groups of potential customers

Market share The percentage of total sales a firm’s particular good or service has

Marketing Providing the goods and services that consumers require whilst making a profit

Marketing Data Internal data concerning research about your customers e.g. product feedback

Marketing mix The ingredients needed to produce a marketing policy normally known as the 4Ps (product, price, place and promotion)

Markup The amount of money added to basic the cost price of product/service

M-commerce Using mobile technologies, such as smartphones, to carry out transactions

Merger Where two businesses of equal size are joined together

Minimum wage The lowest legal rate of pay for employees, depending on their age

Motivation The desire of an employee to do a job well

Multi-channel Selling via multiple ways, including physical stores and e-commerce

Multinational A business that produces goods in more than one country

National Living Wage The minimum amount that a business is legally allowed to pay its employees

Negative cash balance When outflows exceed inflows

Net cash flow Inflow - outflow
**Net profit**  The total amount of money made from the trading activities of the business; calculated as: net profit = gross profit - other operating expenses and interest

**Net profit margin**  The percentage profit made after all costs and expenses have been deducted; calculated as: net profit/sales revenue x 100

**Niche market**  A small market where customers have very specific needs or characteristics

**Non-financial objectives**  Business targets that involve areas such as improving quality and being more ethical

**Observation**  A method of market research where direct data is gathered from customer actions

**Obsolete**  When a type of product is no longer produced because it is not needed or has been replaced

**Ongoing Training**  Continuous, used for updates, keeping up to date with changes, refreshers

**Opening balance**  The total cash-flow available at the start of a period

**Operational staff**  Employees who directly do the work such as the manufacturing or providing the service

**Organic growth**  Growth which occurs as a business sells more of its own products

**Organisational structure**  The way employees are arranged into a formal structure for control and communication

**Outflow**  Money leaving a business, e.g. investment or rent

**Output**  The total quantity produced by a business, employee or machine over a given period of time

**Overdraft**  Source of finance for a business where it is allowed to take more money out of its account than it has deposited

**Overheads**  Costs or expenses that a business incurs

**Partnership**  Where a business is started and owned by more than one person, who then share the profits and the responsibilities
**Part-time working**  Where an employee is employed for less than a whole week’s work

**Patent**  A legal protection of an invention, design or idea

**Perishable**  Likely to go out of date or go off quickly

**Permanent contract**  A job where an employee will continue working for an indefinite period

**Person specification**  The qualifications, skills, experience and personal attributes needed for a job

**Personal savings**  The difference between an individual’s income and their spending

**Place**  How a product or service is distributed to the customer

**Post sales service**  Following up with a customer after they have made a purchase to check that everything is “ok”

**Pressure group**  An organisation who try to influence government/business policy

**Price**  The amount of money a customer would need in order to buy a good or service

**Pricing strategy**  A policy that a business decides to calculate the price at which it chooses to sell its new or existing products

**Primary research**  First-hand information gathered by a business about existing and potential consumers

**Private limited company**  An incorporated business that is owned by shareholders who are invited to buy a share

**Procurement**  The process of choosing a supplier

**Product life cycle**  The stages in the life of a product from when it is first thought of until it is finally removed from the market

**Product portfolio**  The range of goods and services offered by any one business

**Product range**  The amount of different types of goods or services that a business chooses to produce
Product trial  A free or reduced price product given as a sample with the hope that consumers will continue to buy the product in the future

Production  The process which involves taking inputs and transforming them into outputs

Productivity  The amount of output per unit of input (labour, equipment, and capital)

Profit  The difference between costs and revenue

Profit margin  A measure of profitability calculated as a percentage of revenue

Promotion  Methods of making a consumer aware of a product and persuading them to buy it, includes advertising, sales promotion and public relations

Promotional mix  The different types of promotion a business uses

Protectionist measure  An action taken by government to reduce the flow of imports into the country

Public limited company  The kind of limited company whose shares can be bought on a recognised stock exchange

Public relations  An approach to promoting a business focussed on producing a positive image using media and other indirect methods

Qualitative data  Results of research that is based on opinions, attitudes and beliefs

Quality  Where a product is of a standard that meets a customer’s requirements

Quality assurance  Setting up processes in production to ensure that quality is achieved

Quality control  Checking that the products produced by a business are of the required standard at the end of the production process

Quality mark  A standard of quality accredited to a business

Quantitative data  Results of market research that is normally numerical
**Questionnaire** A method of gaining market research data through asking the opinions of actual or potential customers

**Raw materials** The inputs needed for the production of a good or service

**Recession** Where the economy has failed to grow for 6 consecutive months

**Recruitment** A process a business undertakes to attract new or replacement workers

**Remote working** Where employees can be working normally at home away from their business’s location being linked through the internet

**Remuneration** The package of pay and other rewards provided to an employee

**Research and development** Costs that are required in getting a new product ready to launch into a market

**Retailing** Selling products or services to customers – in this case, in a physical shop

**Retained profit** A source of finance based on money that a business keeps back after paying shareholders a dividend and giving owners their share of the profits

**Retention** How well a business keeps the staff that it employs

**Retrenchment** When a business downsizes the scale of operations

**Revenue** The income from sales; price x quantity sold

**Revenue forecast** A prediction of future incomes

**Reward** What an entrepreneur receives, financial or non-financial, as the return for the risks that are taken

**Risk** The possibility that a business may not be successful

**Roles** These are different jobs within a business.

**Sales process** A series of activities that are designed to engage customers and to complete a sale

**Sales revenue** The amount of money that comes in from a business’s sales
Sample  A portion of the population asked for their opinions

Saturation  Where too many competitors or similar products exist

Secondary research  Research that already exists and the business uses

Segmentation  A way of dividing up the market into different groups of potential customers

Self-learning  A method of training and development where the employee works through a guided programme of information and activities

Selling assets  When a business sells its land, buildings, machinery or equipment that are no longer needed to raise additional finance

Service  Activities that are provided by a business for customers and that are not tangible

Share capital  The money raised by a business from the sale of shares

Shareholders  Investors who are the part-owners of a company and receive a share of profit

SMART objectives  Objectives that are Specific, Measurable, Achievable, Realistic, and Time-bound

Social media  Internet sites such as Facebook and Twitter that allow individuals to interact through messages and updating

Social objectives  Business objectives such as being ethical or environmentally friendly

Sole trader  Where a business is started and owned by one person who keeps all the profits, but holds all the responsibilities

Sources of finance  Options that a business has if it needs additional finance to start, run or expand its business

Span of control  The number of employees who a manager directly controls

Special offers  Temporary deals to encourage customers to try a new product or a relaunched product

Sponsorship  A type of public relations where a business aims to improve brand awareness through making donations to individuals and organisations
**Stakeholder**  An individual or group that is directly or indirectly affected by the actions of a business

**Start-up**  A new business, usually with only a small number of employees – perhaps only one

**Stock**  The products held by a business in a shop or warehouse for sale to customers

**Stock Exchange**  A place where shares in PLCs can be bought and sold

**Stock market flotation**  When a company raises finance through selling shares to new or existing shareholders

**Subordinate**  Someone below you in the hierarchy

**Supervisor**  An employee with responsibilities for the work produced by a number of workers

**Supplier**  A business that provides raw materials, components, finished goods or services in exchange for payment

**Supply chain**  All activities that are involved in getting a good or service to the customer

**Support staff**  Employees who are called onto assist in any area of the organisation by providing additional labour or specialist skills

**Survey**  A method of market research where customers and potential customers are asked their opinions

**Survival**  A business objective where continuing in existence becomes the short term goal

**Sustainability**  To ensure that production in an economy can continue at the same level in the future

**SWOT analysis**  Analysis which identifies strengths and weaknesses, opportunities and threats

**Takeover**  Where a business acquires another business

**Target market**  Where customers are segmented to allow businesses to focus its marketing policy on meeting their specific requirements

**Target setting**  An employee process linked to performance reviews that sets goals and identifies training needs
**Tariff**   A tax on imports that increases their price and allows home businesses an advantage

**Tax**   A charge on a business or individual from the government

**Team leader**   An employee with responsibilities for the work produced by a group of workers

**Technology**   How businesses uses machines and devices to improve their operation

**Temporary contract**   A job where a worker will be employed for a fixed period of time

**Total costs**   All the costs of a business; calculated as: total costs = fixed costs + variable costs

**Trade bloc**   A group of countries that have free trade within their group and that may restrict imports from countries outside of the trade bloc

**Trade credit**   When a business orders and receives supplies, but pays for them at a later date

**Trade-off**   A balance between two differing or opposing objectives

**Training**   How employees learn to do a job

**Unemployment**   Where people are able, available and willing to work at the going wage but cannot find a job

**Unique Selling Point (USP)**   Something that makes a product stand out from its competitors

**Unit costs**   The average cost of making one unit or item

**Unlimited liability**   If a business becomes bankrupt, sole traders and partners are personally liable for their business’s debts

**Variable costs**   Business costs that change with output, such as raw materials

**Variance**   A difference between two figures

**Venture capital**   A source of finance normally for small businesses with good growth prospects, where the venture capitalist normally takes a stake in the business

**Viral marketing**   Advertising using social networking to increase sales of boost brand awareness