

**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 find 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 of 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:  
 $\text{gross profit} = \text{total revenue} - \text{cost of sales}$

**Gross profit margin** The percentage profit made on sales not taking into account the businesses expenses; calculated as:  $\text{gross profit}/\text{sales revenue} \times 100$

**Hierarchical structure** Where the of 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 find 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:  $\text{net profit} = \text{gross profit} - \text{other operating expenses and interest}$

**Net profit margin** The percentage profit made after all costs and expenses have been deducted; calculated as:  $\text{net profit} / \text{sales revenue} \times 100$

**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 weeks 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

**Primary research** Research that is conducted 'first hand' by the business

**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 use 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:  $\text{total costs} = \text{fixed costs} + \text{variable costs}$

**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 or boost brand awareness