GCE

Rewarding Learning

Revised GCE

Glossary of Terms
Business Studies

The Competitive Business

AS1 and AS2

For first teaching from September 2016
For first award of AS Level in Summer 2017
For first award of A Level in Summer 2018

Contents

GLOSSARY OF TERMS – AS 1

INTRODUCTION TO BUSINESS

Enterprise and Entrepreneurship

Business Enterprise	Any operation established to produce or supply goods/services desired by consumers generally with a view to making a profit.
Factors of Production	The inputs of land, labour, capital and entrepreneurship required to produce or supply goods/services.
Entrepreneurial Characteristics	These are common traits found in successful entrepreneurs and examples may include innovative, visionary, flexibility, knowledgeable, risk taker, decisiveness, goal orientated, motivated and committed.

Central Purpose of Business Activity

Adding Value	A business will add value to raw materials used in its production process so that there will be a significant difference between the cost of purchasing raw materials and the selling price of the finished article. Can also refer to 'extra' feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something 'more' while adding little or nothing to its cost.
Competitive Advantage	A favourable situation that a business organisation has over its rivals arising from a marketing opportunity such as price or cost or both. Achieving competitive advantage strengthens and positions a business better within the business environment.

Forms of Business Activity

Sole Trader	A business organisation which has a single owner and in which there is no legal distinction between the owner and the business. The owner receives all profits (subject to taxation specific to the business) and has unlimited responsibility for all losses and debts.

Partnership	A business relationship of two or more entities conducting business for mutual benefit. Partners, manage the business and are equally liable for its debts; other individuals called limited partners may invest but not be directly involved in management and are liable only to the extent of their investments. In a partnership each partner shares equal responsibility for the company's profits and losses, and its debts and liabilities.
Deed of Partnership	A binding legal document which states the formal rights of partners in the business.
Silent/Sleeping Partner	A partner who contributes capital and shares in profits/losses but does not participate in decision making.
Limited Partnership	A partnership which has at least one ordinary partner who has unlimited liability. A limited partner contributes capital, share in profits but has limited liability. A limited partner cannot participate in decision making.
Limited Company	A business organisation which has a separate legal entity from those of its owners. The liability of the members or subscribers of the company is limited to what they have invested or guaranteed to the company.
Shareholders	Investors who have a bought a share in the company.
Limited Liability	Each shareholder is only liable for the original amount of money invested in the business.
Franchise	An agreement between two parties, which gives one party (the franchisee) the rights to market a product or service using the trademark of another business (the franchisor).
Social Enterprises	A business venture established to address a social issue within a community or to improve the quality of life for citizens or the environment. All profit made is reinvested to help achieve the social objective of the business.
Stakeholder Groups	Specific groups of people who have a genuine interest in the activities of a particular business and who will be affected by the activities of the business. Examples include owner/s, employees, customers, creditors, government, suppliers, management and community.

Markets and Market Forces

Consumer Goods & Services Market	This is where households purchase the goods/services they desire and businesses try to meet their demand by selling the goods/services in store, online etc.
Capital Goods Market	This is an industrial market selling tangible goods required by businesses who supply the consumer goods market. Items include machinery, equipment, vehicles and tools.
Labour Market	This is where those seeking work can interact with employers who are competing to hire them.
Demand	The desire to own anything, the ability to pay for it, and the willingness to pay.
Supply	The quantity of products which suppliers make available to the market at any given price.
Equilibrium Price	The price at which the quantity demanded by consumers is equal to the quantity supplied.
Mass Market	A broad, non-targeted, non-segmented market.
Niche Market	A business aims their product at a narrow or focused subset of a larger market sector.

Quality Management

Quality	Providing goods/services that satisfy the consumers' needs and expectations.
TQM	A culture of quality embraced by everyone within an organisation. The emphasis is on 'getting it right' first time to make the organisation more cost efficient and to build up a good reputation for high quality products/services.
Quality Assurance	Processes established throughout the organisation to ensure that all activities associated with producing/supplying goods or services meet the highest possible standard of quality for customers.
Quality Control	Operational checks carried out at various stages of the product's manufacture to ensure all errors are eliminated and the highest standards of quality has been maintained.

ISO 9000	A series of quality standards developed by the International Organisations for Standardisation that are designed as a guide to ensure quality of products, services and management in a wide range of organisations.

Productivity and Investment

Productivity	This is a measure of how efficient a firm is in providing its product/service.
Investment	This refers to the purchase of capital goods which are used to produce further wealth. Also investment can refer to expenditure by a business that is likely to yield a return in the future e.g. research and development.
Job Production	A method of production which involves employing all factors to complete one unit of output at a time to customer specifications.
Batch Production	A method of production which involves completing one operation at a time on all units before performing the next.
Flow Production	Very large production of a standard product, where one unit of production is performed continuously, one after the other, usually on a production line.

Organisational Design

Business Structure	The way in which a business is organised.
Hierarchy	This refers to the order or levels of management in a business from the lowest to the highest.
Chain of Command	The system of reporting relationships within the organisation.
Span of control	The number of subordinates working under a superior.
Organisation Chart	A diagram illustrating the structure of an organisation.
Delegation	The authority/responsibility passed down from a superior to a subordinate.

Centralisation	The process by which the activities of an organisation, particularly those regarding planning and decision-making, become concentrated within a particular location and/or group.
De-centralisation	The policy of delegating decision-making authority down to the lower levels in an organization, relatively away from and lower in a central authority. A decentralized organization shows fewer tiers in the organizational structure, wider span of control, and a bottom-to-top flow of decision-making and flow of ideas.
De-layering	The removal of managerial layers in the hierarchical structure of an organisation.
Downsizing	The process of reducing capacity, this is done usually by making staff redundant.
Outsourcing	Transferring the responsibility for some business activities to an outside firm e.g. catering/cleaning services.

Investing in People

Succession Planning	This is undertaken by the human resources department to ensure the organisation has the correct number of staff with the appropriate level of qualifications, skills and experience to meet its objectives in the future.
Skills Audit	This is a process undertaken by a business to help them identify any skills gaps within the organisation. This information is used to develop future training programmes.
Induction Training	New recruits will undergo a programme to welcome them into the business. This can include a tour of the organisation, health & safety training, security systems, meeting key personnel, rules and regulations and terms of employment.
On-the-job training	Learning the job by observing an experienced worker i.e. 'sitting next to Nellie'.
Off-the-job training	Employee education relating to the job is carried out away from the normal working environment.

CDP – Continuous Professional Development	A process of tracking and recording the knowledge, skills and experience gained by an employee. This may be formal/informal and internal/external to the business.
Labour Turnover	The number of employees leaving the organisation. It may be calculated by expressing the number of staff leaving the organisation during a period in time by the average number of staff in post during the period.
Effective Recruitment	The selection and retention of the best candidate for the job.
Internal Recruitment	Filling a vacancy by appointing someone from within the organisation.
External Recruitment	Filling a vacancy by appointing someone from outside the organisation.
Job analysis	A study of what the job entails such as the skills, tasks and performance expected.
Job Description	A general outline of the duties to be undertaken, the reporting relationships and reference may be made to remuneration for the successful candidate.
Job/Person Specification	A list of all the qualifications, skills, qualities and experience required from a suitable applicant.
Psychometric testing	A selection strategy used to assess the suitability of a candidate for higher positions within the organisation. The test may include knowledge, verbal and numerical reasoning and personality traits.
Appraisal	The process used by management to examine and evaluate employee performance against pre-set standards.

Motivation

Motivation	This is the process of encouraging people to think and want to achieve the objectives set by management.
Maslow	He produced a theory based on the classification of needs and their relationship with each other. He

	placed these in a Hierarchy of Needs and presented it as a pyramid.
Herzberg	He developed the 2-Factor Theory consisting of Hygiene Factors (dis-satisfiers) and Motivators (satisfiers). The theory was based around the design of the actual job.
Taylor	He developed the Scientific Management theory as a way of increasing productivity and lowering costs.

Methods of Motivation

Motivators	Incentives given to workers to encourage greater productivity and satisfaction at work.
Monetary Motivators	Financial incentives used to encourage greater productivity.

Performance-related Pay	Remuneration paid to an employee based on pre-agreed targets usually in the form of a bonus or an increase in salary.
Time Rates	A system of rewarding employees for the amount of time spent doing a particular job based on a specific rate per hour.
Commission	Money paid to an employee based on the amount of products sold or for completing a particular task.
Fees	A payment made in return for professional advice or service to the business.
Profit sharing	A bonus paid to an employee which is calculated on the level of profit made by the business.
Non-Monetary Motivators	Incentives that focus on job design used by management to encourage greater productivity
Fringe Benefits	Additional benefits given to workers e.g. company car for executives, private health care, company pension, car parking or luncheon vouchers.
Job Enlargement	The increase in scope of the role of an employee i.e. doing more of the same. It simply increases the number of tasks without changing the challenge.
Job Rotation	Transferring between jobs allows employees to gain more experience and become multi-skilled.

Empowerment	Official authority given by managers to employees to make decisions and control their own activities.
Quality Circles	Small groups of workers in the same area of production who meet regularly to study and solve problems related to their job.
Team Working	Work carried out by a group of motivated, multi-skilled employees who have a shared team objective.

Principles of Management and Leadership

Management	People in authority who are responsible for 'getting things done' usually through other people.
Leadership	A manager may have a leadership style, but not always, as this involves demonstrating the ability to adapt to changing situations and persuading others to follow.
Authoritarian	The manager has total power over decision making and communication is one way only.
Paternalistic Style	The manager dictates what has to be done but indicates the benefits to the employees of a particular course of action.
Democratic Style	The manager provides opportunities and encourages employees to participate in decision making.
Laissez-Faire Style	Translated, this means 'leave well alone', so the manager encourages employees to make their own decisions with few restrictions.

GLOSSARY OF TERMS – AS 2

GROWING THE BUSINESS

Spectrum of Competition

Market Share	This represents the percentage of an industry's total sales that a particular company has earned over a period of time.
Market Growth	This represents an increase in demand for the industry's product/service over a period of time.
Market Size	This refers to the volume/value of sales generated by individual firms who make up the industry as a whole.
Monopoly	A market structure in which only one firm supplies the entire output, there is no competition and there are barriers to entry.
Oligopoly	A market structure that has a small number of firms who dominate the market by producing heavily branded products. There are some barriers to entry.
Perfect Competition	A market structure where there is perfect knowledge, many buyers and sellers, freedom of entry and exit and a homogeneous product.
Office of Fair Trading	A Government body that has responsibility for overseeing all policy relating to competition and consumer protection. It can refer specific cases to the Competition Commission for investigation.
Competition Commission	It will investigate and report on any monopoly, proposed merger or anti-competitive practices that are referred to it by the Office of Fair Trading or Regulators of privatised industries that are deemed not to be in consumer's interests.
Regulators of Private Utilities	Agencies set up to regulate prices in the provision of water, gas, electricity etc. to the general public.

Market Research

Marketing Research	The collection, collation and analysis of data relating to the marketing and consumption of goods and services.

Primary Research	Information collected by a business through field research e.g. survey. It involves the collection of data that does not already exist.
Secondary Research	Using existing sources of information to research the market e.g. past sales data.
Focus Groups	A range of individuals who are deemed to be representative of the customers in a particular segment who are brought together to answer and discuss questions prepared by market researchers.
Consumer Panels	A group of consumers who are consulted about their views on a particular product over a period of time.
Test Marketing	Selling a product in a restricted section of the market in order to assess consumer's reaction to it.
Surveys	These are used to obtain views about a firm's product/service from existing or potential customers. The data can be collected via telephone, online and postal questionnaires.
Observation	Watching and recording how people react to the firm's product/service displays and interact with staff without their knowledge.
Questionnaire	A range of questions designed by the business to collect both quantitative and qualitative from consumers about their products/services.
Store Loyalty Cards	Given to customers as a reward for shopping in a particular store. The data collected provides the business with an opportunity to identify the spending patterns of consumers leading to targeted promotions that will increase sales.
Sample	A group of consumers selected from the population.
Random sample	Everyone is given an equal chance of being chosen.
Cluster sample	The population is divided into 'clusters' usually geographic areas and then a random sample is chosen.

Quota sample	The population is segmented into a number of groups who share specific characteristics e.g. age, gender. Interviewers are given targets for the number out of each segment.
Stratified sample	The population is divided into mutually exclusively strata or layers with random sampling taking place within each stratum.
Quantitative research data	Data collected by the organisation which can be analysed and easily presented in tables and charts. This data can provide answers to questions such as 'how many', 'who' and 'how often'.
Qualitative research data	Data collected by an organisation which helps them choose a particular strategy. This data provides answers to questions such as 'why' or 'how' potential consumers react to specific goods/services.

Marketing Mix

Marketing Mix	The elements of an organisation's marketing plan that are designed to meet the needs of its customers.
Price	The amount charged by the business for providing a product to the consumer.
Product	This represents the nature of the item provided by the business to the consumer.
Promotion	The efforts made by the business to retain and attract consumers by drawing attention to its product.
Place	The means by which the product will be distributed at a time and location convenient to the consumer.
People	The behaviour and attitude of staff who determine the level of customer satisfaction in business transactions.
Processes	The systems employed by the firm to ensure their services are successfully delivered to customers.
Physical Environment	This applies to the store, office and company website where business transactions occur.

E-Commerce	The selling, marketing and servicing of products or services over electronic systems such as the internet.

Elasticity of Demand

Price Elasticity of Demand	A measure used to show the responsiveness, or elasticity, of the quantity demanded of a product/service to a change in its price.
Income Elasticity of demand	A measure used to show the responsiveness, or elasticity, of the quantity demanded of a product/service to a change in consumer income.

Product Life Cycle

Product Life Cycle	This shows the different stages in the life of a product and the sales that can be expected at each stage.
Extension Strategies	The methods used by a business to extend the life of a product.
Product Portfolio	The particular mix of products which a firm is marketing.

Market Planning Strategy

Marketing Positioning	The perception that consumers have of the quality, value for money and image of the product relative to those of competitors.
Market Segmentation	Breaking down a market into sub-groups which share similar characteristics e.g. age, gender, income.
SWOT	Assessment of the internal strengths and weaknesses of a business and the external opportunities and threats that the business needs to consider.

E-Business/E-Commerce

E-Business	This refers to business activity conducted using online information systems and applications.

Digital Marketing	This is an umbrella term used to describe the marketing of products/services via mobile technology and the internet.
Social Media	This refers to a range of online communication channels that provides opportunities for individual and community interaction, collaboration and sharing of information.
Mobile Technology	This technology is portable and used by businesses to promote products/services via electronic channels.
Mobile Ticketing	A process that allows customers to order, pay for or validate tickets by using their mobile phones or other mobile handsets.
Mobile Marketing	This is a form of advertising/promotion delivered to consumers via mobile/smart phones and other handheld devices. It can be in the form of text, images and voice messages.

Sources of Finance

Internal Source of Finance	These are funds available from within the business e.g. retained profit and money gained from selling assets no longer used in the firm.
External Source of Finance	These are funds available from outside the business e.g. loan, overdraft, hire purchase, leasing, trade credit, mortgage.

Break-Even Analysis

Break-Even Point	This is the level of output where total revenue is equal to total cost. It can be calculated by dividing the organisations' fixed costs by contribution (Selling price per unit less variable costs per unit).
Margin of Safety	The range of output between break even output and the current level of output, over which a profit is made.
Variable Costs	Costs that change directly as output levels change.

Semi-variable Costs	A cost that has an element of both fixed and variable charges e.g. a telephone bill has a fixed line rental but the charges for calls are variable depending on the number made.
Total Costs	Fixed and variable costs added together.
Total Revenue	The number of units sold by the business multiplied by the selling price per unit.
Contribution	The amount of money left over after a sale when all variable costs have been covered i.e. selling price – variable costs. This amount will contribute towards paying off the fixed costs of the business.
Fixed Costs	Costs which do not change as output levels change.

Cash Flow and Cash Flow Forecast

Profit	This is the excess of revenue over costs within the business.
Cash	This is 'ready money' used in business and includes money-in-hand, money in the bank, petty cash, cheques and marketable securities.
Cash Flow Forecast	This is an estimate of a firm's cash in-flows and out-flows at various times during a specific period (usually a year).

Budgeting

Budgetary Control	A business system which involves making future plans, comparing the actual results with planned results and then investigating the cause of any differences.
Budget	An agreed financial plan drawn up for a specific time frame setting out proposed revenue and costs.
Fixed Budget	A budget that is not changed even when the actual activity levels differ from those set.
Flexible Budget	A budget which is changed to allow for the behaviour of variable costs at different levels of activity.

Financial Statements

Income Statement	Summarises income/expenses and details the profit/losses made by the business in the accounting period.
Sales Revenue	Income earned in the accounting period from trading activities.
Opening Inventories	Inventories that the organisation has at the start of the trading period, carried over from the previous trading period.
Purchases	Additional inventories bought by the business for re-sale.
Closing Inventories	The amount of unsold inventories left at the end of the trading period.
Cost of Sales	Opening Inventories + Purchases – Closing Inventories.
Gross Profit	Sales Revenue – Cost of Sales.
Net Profit	Gross Profit – Expenses.
Statement of Financial Position	Details in summary format, the financial position of the business at a specific date
Assets	Items of value held by a business which are likely to generate future income.
Non-Current Assets	Assets that the business expects to retain ownership of, for a period of at least one year e.g. plant and machinery. These assets are held to help with the day to day running of the organisation. They are not usually acquired for profitable resale purposes.
Current Assets	Assets that the business expects to turn into cash within one year e.g. inventories/trade receivables/cash/bank.
Trade Receivables	Money that is owed from customers to the business arising from goods sold on credit.
Non-Current Liabilities	Debts that the business is required to meet in a future accounting period i.e. beyond one year e.g. bank loan.

Current Liabilities	Liabilities that the business expects to pay within a one-year accounting period e.g. trade payables, bank overdraft.
Trade Payables	Money that is owed from the business to a supplier who provided goods/services on credit.

Ratios

ROCE – Return on capital employed	This ratio measures the profitability of the business in relation to the amount of capital invested.
Net Profit Margin	This ratio measures the net profit as a percentage of the sales revenue made by the business. It also indicates how cost efficient the business is.
Current Ratio	This measures the liquidity of the business and its ability to meet debts.
Gearing	This ratio measures the proportion of funds used within the business that is from a borrowed source.