

GCSE (9-1)

WJEC Eduqas GCSE (9-1) in  
**BUSINESS**

Glossary of key terms



## Glossary of key terms

The specification requires learners to know and understand a range of business terminology. In addition to enhancing their business knowledge, being able to define key business terms will also help learners in the assessment of GCSE Business.

The following list is not exhaustive; it is difficult to include all business terminology as the list would be extensive. It is recommended that centres use this glossary as a starting point and as a working document. The glossary can be edited and enhanced in two ways:

- Additional key terms added
- Additional details added to the definition/description

Advertising media	are the various places where advertisements may be found such as television, newspapers or the internet.
(Business) Aim	is the long term objective of the business. Its aim might be to have the largest market share in its sector.
Average rate of return (ARR)	<p>is used in helping to decide whether an investment has been successful. It is measured by the formula.</p> $\text{ARR} = \frac{\text{Average Annual Return}}{\text{Initial Outlay}} \times 100$ <p>If the answer is greater than expected or greater than could have been earned elsewhere then the investment has been a success.</p>
Backward vertical integration	occurs when the suppliers of a business are taken over by that business.
Bank loans	are long to medium term loans that can be used to buy producer goods. The goods become the property of the business immediately but failure to repay the loan to the bank could lead to the business being closed down.
Batch production	is found when a small number of identical products are made at once. Batches can be made as often as required.
Blogs	provide information and allow discussion on the internet with other users producing their own entries or posts.
Break-even	occurs where the total amount of money taken in by a business is the same as the amount of money paid out. Neither a profit nor a loss is made where total revenue equals total cost.

Business angels	are wealthy individuals who invest their private capital into start-up businesses in return for a share in the business.
Business plan	helps in decision making by showing the aims and objectives of a business and the strategies and requirements needed to achieve these. It also provides information to banks and other possible providers of finance to persuade these to grant loans and other monies to the business.
Cash	is money held by the business or in its bank accounts.
Chain of command	is the path along which orders pass within a business from the management to the shop floor.
Commercial services	are services that provide mainly to businesses such as transport and warehousing but they may also be available to individuals such as insurance and banking.
Cash-flow forecast	cash-flow involves the difference between the inflow and outflow of cash in a business. In a cash-flow forecast businesses predict what they expect to happen to their cash-flow in the future.
Competitive environment	is where there are a number of businesses attempting to persuade consumers to buy their products. Such competition will be based on such factors as price, design and quality.
Competitive pricing	is a pricing strategy which involves the business offering goods for sale at a price at or below that set by competitors.
Consumer goods	are those which are produced for the final consumer.
Consumer panels	are recruited by research companies to represent the views of consumers in a particular sector. They will be asked to comment on such things as product design and taste or on the branding and advertising of products.
Consumers	are the final users of goods and services. They are at the end of the distribution channel.
Contribution	is the amount taken from the cost of selling every good used towards paying the fixed costs of producing that good. Contribution per good is selling price minus the variable cost of the good.

Co-operatives	are generally seen as democratic social enterprise businesses owned by the employees or, most commonly, their customers.
Cost	is the amount of money used to buy a good or service.
Cost plus pricing	is a pricing strategy which involves the business adding a sum of money (the profit per good) to the cost of producing goods to determine the selling price of the good or service.
Curriculum vitae (CV)	is written by a person looking for employment. It outlines that individuals personal details, qualifications, experience and interests in the hope that these impress a possible employer.
Customer service	involves the interaction between the business and the customer in which the business understands consumer needs before, during and after the sale of a good or service. Positive reactions to service can provide benefits for the businesses in relation to reputation and future sales.
Digital adverts	use internet technologies to provide a range of advertising including using e-mail, social media messages and banner advertisements on mobile phones and websites.
Direct taxes	are taxes on income and profit.
Distribution	involves materials being transported or moved to the producer or the final product being moved to the consumer.
Distribution channels	involve the routes which goods follow between the manufacturer and the consumer. The route may be direct between the two but the interaction of middlemen is more likely.
Diversification	allows a business to enter a different market in addition to the one they are already involved. This enables the business to spread its risks should the original business fail.
Durable goods	are consumer goods which are not used at once and do not have to be bought frequently because they last for a long time.
E-commerce	involves the buying and selling of goods and service via the internet.

Entrepreneur	is a person who sets up a business by taking on the financial risks in the hope of making a profit.
(Business) Ethics	involve a business doing what is morally right for its stakeholders.
Extension strategies	involve a number of methods businesses might use to prolong the life cycle of their products. These will be related to marketing mix strategies.
External growth	involves increasing the size of a business by acquisition. This can include mergers or takeovers.
Feedback	is the response by a customer following the purchase of a good or service. This will be used by the producer to improve what has been produced.
Fixed cost	always stays the same no matter how many goods are produced.
Flat (horizontal) structures	involve organisational charts where there are few or no levels of middle management between staff and executives.
Flexible hours	are a working practice in which workers are no longer in their offices between two set times. Many can now work a full day within a range of hours set by the employer.
Flow (mass) production	is a method of production where goods are produced continuously usually on a production line.
Focus groups	are consumers brought together by businesses to discuss their reactions to products before they are launched.
Footfall	is the number of people passing close to the business. These are potential customers of that business.
Forward vertical integration	occurs when a business takes over another business to control the direct distribution of a businesses' products.
Franchise	is the right given by one business to another to sell goods or services using its name. They should be seen as a method of growth for the franchisor and a business opportunity for the franchisee rather than a type of business organisation.

Franchisee	is a business which pays royalties for the right to sell goods or services using established processes and under the name of another business.
Franchisor	is a business which allows a franchisee to sell using their processes, experience and name in return for royalties.
Fringe benefits	are rewards to workers not shown in their traditional pay. Such benefits may include company cars or discount on company products.
Globalisation	involves the increased interdependency of people around the world as a result of increased trade and cultural exchange. It has led to an increased worldwide production of goods and services.
Gross profit	is the profit made before expenses have been paid. It is calculated by subtracting the cost of goods sold from the total revenue from selling those goods.
Gross profit margin	is the gross profit expressed as a percentage of sales. It is calculated using the formula  Gross profit margin = $\frac{\text{gross profit}}{\text{sales}} \times 100$
Hierarchical (tall) structures	involve organisational charts where there are many levels of hierarchy. In these organisations, there are usually many managers, and each manager has a small span of control.
Hire purchase	is a system of credit whereby the borrower pays a deposit to be able to use a good for a set period of time. During this time instalments are paid to cover the cost of the good plus interest. The good becomes the property of the buyer when the final payment is made. Non-payment means that the good can be taken back by the lender.
Home working	means that workers do not have to attend a workplace every day. Modern communication technology means that work can be carried out at home and can even be monitored from the workplace.
Horizontal integration	means the buying or merger of other businesses producing the same or similar products.

Indirect taxes	are taxes on spending such as VAT.
Induction training	is used when new workers are employed so that they become familiar with their new surroundings and the specific methods and policies of the particular business.
Intellectual property	is property which cannot be seen or touched but is the result of the creativity of an individual or group. Just as goods need to be protected from theft and damage so intellectual property is protected by patents and copyrights.
Internal economies of scale	are the benefits a business gains as a result of being large. All costs can be spread between the large number of goods produced so the cost per good is lower than for smaller businesses.
Internal (organic) growth	involves increasing the size of a business by increasing its sales, revenue, profits and work force.
Job description	is used in the recruitment process when employers outline what is involved in the work to be done by newly appointed workers. It may include job title, pay, hours to be worked, holidays etc.
Job production	involves the manufacture of an individual good from start to finish. Each product is different and offers a unique good for the consumer or meets specific consumer requirements.
Job sharing	means that instead of one worker doing one job on a full time basis, the work will be carried out by more than one person on part time basis. This is particularly important for workers with family responsibilities.
Just-in-time	requires businesses who adopt the idea to keep their stocks of finished goods and / or of materials to a minimum. Goods will only be produced when orders are received and / or materials are only received when they are needed. This process saves storage costs and avoids having assets tied up in stocks.
Leasing	is a system of renting an asset to a business. The asset remains the property of the business renting out the good.
Limited liability	means that the owners of a business are not responsible for the debts of a business. Personal belongings will not need to be given up to pay the debts of the business. The owners however will lose the money they invested in the business if it fails.

Location	is a geographical area where businesses may be found.
Logistics	involves the management of the movement of goods from where they are to where they are needed: often between the supplier and the manufacturer and the manufacturer and the consumer.
Loss leaders	are products put on sale, usually in supermarkets, at prices which make no profits and may even make losses in order to attract customers into the shop to buy other goods.
Manufacturer	is the maker of products. Also known as producer.
Marketing mix	is the combination of factors which help a business to sell its products. It is usually considered to involve the 4Ps of product, price, promotion and place.
Market research	is the way in which information and data is gathered about consumers, competitors and market trends.
Market segment	is a part of the market which contains a group of buyers who are similar. Markets can be segmented on the basis of characteristics such as age, gender, income, where they live, their cultural and ethnic backgrounds and so on.
Mass (flow) production	is a method of production where goods are produced continuously usually on a production line.
M-commerce	or mobile commerce involves buying goods and services through hand held mobile devices such as smartphones.
Multi-channel distribution	involves a business using more than one channel to distribute its goods perhaps through traditional shops and catalogues and online.
Multinational companies	are businesses with their headquarters in one country but which operate in other countries through their offices, factories and shops. A company which just sells goods abroad is not a multinational company.
Net profit	is the final profit made by a business after all costs have been paid. It is calculated using the formula:  Net profit = gross profit minus expenses

Net profit margin	<p>is the net profit expressed as a percentage of sales. It is calculated using the formula:</p> $\text{Net Profit Margin} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$
Niche markets	are those involving a small and well-defined segment of the population. All marketing efforts for a particular product are aimed at that market.
Non-durable goods	are goods which are immediately consumed or which have a lifespan of less than three years.
(Business) Objective	is a short or medium term target of a business needed to reach its aim. An objective might be to increase sales by 20% in the next 5 years.
Off-the-job training	happens outside the workplace of the employee often in colleges.
On-the-job training	happens within the workplace of the employee.
Organic (internal) growth	involves increasing the size of a business by increasing its sales, revenue, profits and work force.
Overdrafts	are a form of short term loan provided by banks to cover cash-flow difficulties of businesses. The business is allowed to take more from its account than is in the account. When cash is paid into the account, the overdraft will be cleared.
Overtime pay	is paid to workers according to the number of hours worked above their contracted hours.
Partnerships	are businesses owned by between 2 and 20 who generally have unlimited liability.
Penetration pricing	is a pricing strategy which involves setting a low price for a new product to encourage sales. The price may be increased later with customer loyalty and growing market share.
Performance related pay	is an additional payment to workers who reach or exceed targets set in advance by the management.

Personal services	are those services provided for individuals. They include services for personal grooming, house maintenance, car repair etc.
Person specification	is used in the recruitment process for the employers to outline the type of person they would like to employ. It will outline skills, qualifications and experience required.
Piece rates	are paid to workers based on the number goods which are produced.
Place	in the context of the marketing mix, is where the product is available for the consumer to purchase. Place could include shops, markets, telephone sales, the internet and so on.
Pop-up adverts	these are a form of online marketing which place new browser windows on computer screens.
Price	is the amount of money a business wants to receive in order to sell a good or service or the amount of money the consumer is willing to pay to buy that product.
Price discrimination	is a pricing strategy which involves setting different prices to different market segments.
Primary research	involves collecting original information for a specific purpose: this is often called field research.
Private limited companies	are businesses which are owned by shareholders who have limited liability. Their shares are not available to others except with the agreement of other shareholders. They are generally recognised with Ltd after the business name.
Procurement	involves obtaining or buying of goods and services from an external source. These are to be used in the production process or are to be sold on.
Producer goods	are those which are produced for other businesses to be able to produce other goods and services.
Product	is the good or service provided by a business.
Product decline	is the point in the product life cycle where sales fall and may eventually cease.

Product differentiation	involves distinguishing a product or service from others. By making a product different or appearing to be different from similar products sold by rivals, a business will hope to attract more customers.
Product growth	is part of the early stage of the product life cycle when sales and profits are rising.
Product launch	is the point at which a product is put onto the market.
Product life cycle	is the stages a product passes from its earliest development until it is no longer available on the market.
Product maturity	is the point in the product life cycle where sales reach their peak.
Product portfolio	is the collection/range of all the goods and services offered by a business.
Product saturation	is the point in the product life cycle where the market is full as competitors introduce similar products.
Profit	is the difference between the total revenue of a business and the total costs of a business, when revenue is greater than cost. It is important in being precise in using this term: stating "money made" can be confusing.
Profit sharing	is an additional reward paid to workers to reflect the profits earned by the business.
Promotion	involves information and techniques used by businesses to make consumers aware of products and to persuade them to buy those products now and in the future.
Psychological pricing	is a pricing strategy which involves offering goods at prices below whole number such as £5.99 or £499, or using words such as "only". It is hoped that the consumer will believe that the product is much cheaper than if the price had been £6 or £500.
Public limited companies	are businesses which are owned by shareholders who have limited liability. Their shares are available to others by selling to the general public often at the Stock Exchange. They are generally recognised with Plc after the business name.

Qualitative data	is descriptive information found by experiences or in textbooks or newspapers or reports. It can include opinions and cannot be quantified by numbers.
Quality	involves meeting a standard for a good or service to meet consumer needs and expectations.
Quality assurance	is a guarantee given by producers to consumers that certain standards have been met throughout the production process. The quality is built in to the production process.
Quality control	involves inspecting a sample of goods produced at the end of the production process to ensure that specifications have been met. Goods which do not meet the standards are scrapped or are sold as seconds.
Quantitative data	deals with measurements and figures perhaps shown in tables and graphs. It includes numerical data that can be given values and is easier to interpret and evaluate compared to qualitative data.
Retailer	sells goods to consumers. Small retailers buy their stock from wholesalers but large-scale retailers buy directly from manufacturers.
Revenue	is the amount of money taken in by a business when selling a good or service.
Salaries	are generally paid to administrative and management workers. The salary is based on their work for the year.
Sales process	involves a series of steps taken from when the potential buyer meets the prospective seller until after the final sale is made.
Search engine advertising	is a form of online marketing which places advertisements on web pages showing the results from search engine queries.
Secondary research	involves using information which already exists: this is often called desk research.

Single market	involves countries joining together in trade as if they were one country, so there are no trade barriers such as customs duties when goods cross borders within the market. An example of a single market is the European Union.
Site	is a specific place within a geographical area.
(Price) Skimming	is a pricing strategy which involves selling a product at a high price in order to earn high initial profits. Prices are then reduced at a later stage.
SMART objectives	is an acronym used as a guide to setting business objectives. It stands for Specific Measurable Agreed Realistic Timed.
Social enterprises	are businesses which operate for the benefit of the community or its workers or as a charity.
Social media	involves websites and applications which allow users to create and share information, ideas and interests with other individuals, communities and networks.
Sole traders	are businesses owned by one person who has unlimited liability. Other people can be employed but there is only one owner.
Span of control	is the number of people an individual is personally responsible for in a business organisation.
Stakeholders	are individuals and organisations who are affected by the decisions and actions of a particular business.
Supply chain	is a complex system of businesses, people, activities, information and resources involved in moving a good or service from source to customer.
Sustainability	businesses acting in a responsible manner and to ensure that our environment and resources are available for future generations to enjoy.
Time rates	are paid to workers based on the number of hours worked.
Total cost	is the full amount of money spent by a business when producing the goods sold in a particular period. It is calculated by adding its fixed costs to its variable costs.

Total revenue	is the full amount of money taken in by a business when selling all its goods in a particular period. It is calculated by multiplying the selling price by the number of goods sold.
Trade credit	is a system of interest free short-term credit for the purchase of non-durable goods. These will need to be paid for usually within one month.
Turnover	is an alternative term for revenue.
Unique selling point (USP)	is what makes a product different from ones sold by competitors. It may involve the lowest price, the best quality or the first of its kind.
Unlimited liability	means that the owners of a business are responsible for all of the debts of a business. Personal belongings may need to be given up to pay the debts of the business.
Variable cost	is the cost which varies with the number of goods produced.
Venture capital	involves private investors providing capital to new or small businesses which have the potential for growth.
Vertical integration	involves the buying or merger of businesses at different stages of production so that the supply chain may be controlled by the business.
Wages	are generally paid to shop and factory floor workers based on time rates and / or piece rates.
Warehouse	is a place where resources or finished products are stored before they are sold.
Wholesaler	buys goods from the manufacturer and sells these goods in smaller quantities to retailers.
Workforce	are the people who are working or looking for employment.
Zero hours contracts	involve a situation where employers do not offer a minimum number of hours to be worked and employees do not have to accept work being offered. This is of particular value to businesses where the demand may vary from day to day, such as those involved in retailing or catering.