

GLOSSARY OF KEY TERMS

EDEXCEL GCSE (9-1) BUSINESS

THEME 1

TOPIC 1.1 ENTERPRISE AND ENTREPRENEURSHIP

Term	Definition	Confident	Not quite sure	Unsure
Adding value	How a business sells a product for more than it costs through the processes they apply			
Branding	Distinguishing a good or service from rivals through a logo / a name			
Business	An organisation set up to provide goods / services and to make a profit for its owners			
Capital	The initial money that is needed to start a business that is normally linked to purchases of machinery and premises			
Consumer	The person or business that use the goods / services produced			
Customers	The people who purchase goods / services from a business (not always the consumer)			
Enterprise	A business that has an objective of making a profit / the personal characteristics of initiative and questioning decisions shown by an entrepreneur / employee			
Entrepreneur	An individual who takes a calculated risk in starting or running a business in return for reward			
Goods	Products that businesses produce that have a physical presence			
Needs	What an individual must have in order to survive			
Obsolete	When a type of product is no longer produced because it is not needed or has been replaced			
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			
Service	Activities that are provided by a business for customers that are not tangible			
Unique selling point	What makes a business's goods or services different from its competitors			
Wants	What an individual would like, but does not need to survive			

TOPIC 1.2 SPOTTING A BUSINESS OPPORTUNITY

Competition	Other businesses that produce the same or similar goods or services			
Competitive environment	The number and strength of other businesses in the same market			
Customer loyalty	Whether customers return to a business on a regular basis to purchase more of the same goods or other goods the firm produces			
Customer needs	What an individual must have in order to survive			
Customer satisfaction	How happy the consumer is with the good / service that has been purchased			
Demographics	Factors related to population, often used as a basis for segmentation			
Focus group	In depth market research where discussions take place with a group of potential or actual consumers			

Term	Definition
Gap in the market	An opportunity for a business to provide a good or service that is not currently available
Market map	A diagram representing different businesses in a market that are compared to two variables, such as price and quality; used to identify gaps within a market
Market research	Collecting information from existing / potential consumers about their needs / wants to inform business decision-making
Market segments	The subset within a market that has been identified as a result of market segmentation
Observation	A method of market research where direct data is gathered from watching customer actions
Primary research	First-hand information gathered by a business about existing and potential consumers
Qualitative data	Results of research that is based on opinions, attitudes and beliefs
Quantitative data	Results of market research that is numerical
Questionnaire	A method of gaining market research data through asking the opinions of actual / potential customers usually via closed questions
Secondary research	Information that has already been collected by other businesses / organisations
Segmentation	A way of dividing up the market into smaller groups who have similar needs and wants
Survey	A method of market research where customers and potential customers are asked their opinions
Target market	A group of people with shared characteristics, needs / wants that a business tries to sell to

TOPIC 1.3 PUTTING A BUSINESS IDEA INTO PRACTICE

Aims and objectives	The overall goals of a business or organisation which show what the business is trying to achieve
Break even	Where total revenue is the same value as total costs and no profit or loss is made
Cash-flow	The money that flows into and out of a business
Cash-flow forecast	The prediction of how much money will flow into and out of a business over a future time period
Cash inflow	The money that comes into a business from revenue and other sources
Cash outflow	The money spent by a business during a set period
Closing balance	The total cash-flow left at the end of a period calculated by adding the opening balance to the net cash flow figure
Crowd funding	Finance raised through internet appeals from a large number of small investors
Financial objectives	Quantifiable targets for a business including profit, sales and market share
Fixed costs	Business costs that do not vary with output
Insolvency	Where a business runs out of cash and is not able to obtain new finance / pay its day-to-day bills
Interest	The percentage cost of borrowing or the reward for saving
Loan	A source of finance where a fixed amount of money is borrowed, usually from a bank, for a specific period of time, which will need repaying with interest
Loss	Where the costs of a business are greater than its revenue
Margin of safety	The additional output that a business produces / expects to produce over its breakeven output
Market share	The percentage of total sales a business / product holds
Net cash flow	The difference between the cash inflows and cash outflows for a business in a set time period
Non-financial objectives	Business targets that do not focus on finance but link to areas such as personal satisfaction and challenge
Opening balance	The total cash flow available at the start of a period

Term	Definition
Overdraft	Source of finance where a business is allowed to take more money out of its account than it has deposited
Overheads	Costs or expenses that a business incurs
Personal savings	The difference between an individual's income and their spending
Profit	The difference between total revenue and total costs
Retained profit	A source of finance where a business keeps back a set amount after paying shareholders a dividend / giving owners their share of the profits that is used for reinvestment and growth
Revenue	The amount generated from sales; formula = selling price per unit x quantity sold
Sources of finance	Options that a business has if it needs additional finance to start, run or expand its business
Total costs	All the costs of a business; formula = total fixed costs + total variable costs
Trade credit	When a business orders and receives supplies, but pays for them at a later date
Variable costs	Business costs that directly change with output, such as raw materials
Venture capital	A source of finance normally for small businesses with good growth prospects, where the venture capitalist usually takes a stake in the business

TOPIC 1.4 MAKING THE BUSINESS EFFECTIVE

Business plan	A document produced by a new or existing business that shows what its objectives are and how it will meet them
Digital communication	Sending messages using mobile or internet technology
Dividend	The share of profit received by a shareholder based on the number of shares they hold
E-commerce	Selling online
E-tailer	An electronic retailer that sells goods using the internet
Fixed premises	Where business premises are located in a specific / dedicated building that cannot be moved unlike the premises for e-tailers that can be moved anywhere
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 area
Franchisor	The seller of a right to operate a franchise
Internet	A means of connecting computer to computer to allow the transfer of information around the world
Legal structure	The type of organisation a business chooses to be, such as a partnership / private limited company
Limited liability	The protection enjoyed by shareholders who can only lose the money they have invested into a company if the business fails
Location	The place where a firm decides to conduct its business
Marketing mix	A combination of product, price, promotion and place
Partnership	A business that is set up and run by 2-20 people which usually has unlimited liability
Place	How a good / service is distributed to the customer
Price	The amount of money a customer would need in order to buy a good / service
Promotion	Methods of making consumers / customers aware of a product and persuading them to buy it
Retailer	A shop / chain of stores that sell directly to customers usually from a building situated in a high street, shopping centre or out of town retail park
Sales promotion	Point of sale methods that persuade customers to buy a product
Shareholder	An owner of a company who receives a dividend as a return for their investment
Shares	Units of stocks issued by a limited company that represent ownership

Term	Definition
Sole trader	Where a business is started and owned by one person who keeps all the profits but holds all the responsibilities
Survival	A business objective where continuing in existence becomes the short-term goal
Unlimited liability	If a business becomes bankrupt, sole traders and partners are personally liable for their business's debts

TOPIC 1.5 UNDERSTANDING EXTERNAL INFLUENCES ON BUSINESS

Business environment	The external factors, such as the economy and legislation, that influence how a business operates
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 rights	Where consumers are protected by laws in terms of product quality, returning goods, repairs and replacements, digital content and delivery
Consumer spending	The level of spending that consumers undertake that is governed by their income levels
Discrimination	When an employer chooses its workers for promotion, training, redundancy, recruitment etc based on a particular characteristic
Economic climate	How a business is affected by economic variables, such as interest rates or inflation, in a country or other countries
Employees	People who work within a business
Employment law	Legal constraints that protect the employees of a business from unfair business practice
Employment level	The percentage employment rate in a country which affects the level of consumer spending and the availability of employees for job vacancies
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
External influence	Factors that affect a business but they cannot control
Health and safety law	Legal constraints that protect the employees of a business from unsafe business practice
Imports	Goods or services that are produced in other countries and consumed in this country
Inflation	Where costs and prices in an economy are increasing
Local community	A business stakeholder who will be affected by the location decisions of a business in terms of direct and indirect employment opportunities, as well as traffic congestion / pollution
Market conditions	The current situation in the economy and whether it is improving or worsening
Payment system	The use of digital technology by a business to pay its suppliers and employees
Pressure group	A collection of individuals who have a common cause and campaign to achieve it
Social media	Internet sites, such as Facebook and Twitter, that allow individuals / businesses to interact through posts / messaging functions
Stakeholder	An individual or group that is directly or indirectly affected by the actions of a business
Taxation	How the government collects money to fund its expenditure programme and influence the economy
Technology	How businesses use machines and devices to improve their operation
Unemployment	Where people are able, available and willing to work but cannot find a job