GRADES 9-10

BUSINESS STUDIES QUICK DEFINITION BANK

VRITEE MUNI

PART I

Business Activity

A **need** is a good or a service that is essential for living.

A **want** is a good or a service that one would like to have but is not essential for living.

The **economic problem**- there exist unlimited wants but limited resources to produce the goods to satisfy these wants. This creates scarcity.

Specialization occurs when people and businesses concentrate on what they are best at.

Factors of production are the resources that are needed to produce the goods and services.

Scarcity is the lack of sufficient products to fulfill the total wants of the population.

Opportunity cost is the next best alternative, given up by choosing another item.

Division of labour is a form of specialization and occurs when the production process is split up into different tasks and each worker performs one task.

Businesses combine the factors of production to make
products that satisfy people's wants

Added value is the difference between the selling price and the cost of bought-in materials and components.

Classification of Businesses

The **primary sector** of industry extracts and uses the resources of earth to produce raw materials used by other businesses.

The **secondary sector** of industry manufactures goods using the raw materials from the primary sector.

The **tertiary sector** of industry provides services to consumers and other sectors of industry.

De-industrialization occurs when there is a decline in the importance of the secondary manufacturing sector of industry.

A **mixed economy** consists of a private and public sector.

Privatization occurs when the government sells some public sector businesses to private sector businesses.

Nationalization occurs when a private sector business is converted into a state owned business.

Capital is the money invested in the business by the owners.

Enterprise, Business growth and Size

An **entrepreneur** is a person who organizes, operates and takes the risk for a new business venture.

A **business plan** is a document containing the objectives and details about the owners, operations and finance of the business.

Capital employed is the total value of capital used in the business.

Internal growth occurs when thebusiness expands its existing operations.

External growth is when a business takes over or merges with another business. It is also called integration.

A **takeover** or acquisition is when one business buys out the owners of another business.

A **merger** **i**s when two businesses
agree to join their businesses together and make one.

Horizontal integration is when a business merges with or takes over another business in the same industry, at the same stage of production.

Vertical integration is when a business merges with or takes over another business in the same industry, at a different stage of production. This could be forward or backward.

Conglomerate integration also called diversification, is when a business takes over or merges with another business, in a completely different industry.

Types of Business Organizations

Sole trader is a business owned by one person.

Partnership is a form of business here two or more people agree to jointly own a business.

The **partnership agreement** is a written and legal document between the partners. It is not essential, but it is recommended to draw-up one.

Limited liability is when the liability of shareholders is only limited to the amount they invested.

Unlimited liability is when the owner of the business could be held responsible for the debts of the business. Their liability is not limited to the amount invested.

An unincorporated business is one that does not have a separate legal identity. (sole-traders and partnerships)

An **incorporated business** has a separate legal status from its owners.

Shareholders are the owners of the business. They buy shares that represent part-ownership in the business.

Private limited companies are those that are owned
by shareholders but cannot sell shares to the public.

Public limited companies are those that are owned by many shareholders and their shares are tradable on the Stock Exchange.

AGM is a legal requirement where shareholders meet and vote on who they want on the Board of Directors in the coming year.

Dividends are the payments made to shareholders from the profit (after tax). They are the returns to shareholders for investing in the business.

A **franchise** is a business based upon the brand names, promotional logos and trading methods of an existing successful business.

A **joint venture** is where two businesses start a new project together sharing risks, capital and profits.

Business and Stakeholder objectives

Business objectives are the aims and targets that a business works towards.

Profit is the total income less total costs.

Market share is the percentage of total market sales held by one brand or business.

A social enterprise has social objectives as well as an aim to make a profit to reinvest in the business.

A **stakeholder** is any group or person who has a direct interest in the activities and performance of the business.

PART II

Motivating Employees

Motivation is the reason why employees want to work hard and work effectively.

A **wage** is a payment for work, usually weekly.

A **salary** is a payment for work, usually monthly.

Time rate is the amount paid to the worker for one hour of work.

Piece rate is the amount paid for each unit of output.

A **bonus** is an additional payment to the basic pay as a reward for good work.

Commission is the payment for number of sales

Profit sharing is a system whereby a proportion of the company's profits are paid out to employees.

Job satisfaction is the enjoyment derived from feeling that you have done a good job.

Job rotation involves workers swapping around and doing each task for a limited time and then changing again.

Job enrichment is the looking at jobs and adding tasks that require more skill and responsibility.

Team working involves using a group of workers and allocating specific tasks and responsibilities to each one of them.

Training is the process of improving a worker's skills.

Promotion is the advancement of a worker to a higher job/managerial level.

Organization and management

Organizational structure refers to the levels of hierarchy and division of responsibilities in an organization.

Organizational chart refers to a diagram that outlines the internal management structure.

Hierarchy refers to the levels of management in any organization, from the highest to the lowest.

Level of hierarchy refers to the managers, supervisors or employees who are given the same level of responsibility.

Chain of command is the structure in anorganization which allows instructions to be passed from senior levels of management to lower levels of management.

The **span of control** is the number of subordinates working directly under a manager.

Directors are the senior managers that lead a department or division in the business.

Line managers have direct responsibility for the people working under them.

Supervisors are junior managers that have direct responsibility for the people working under them.

Staff managers are specialists who provide assistance, support and information to the line managers.

Delegation means giving a subordinate the authority to perform particular tasks.

Leadership styles are different approaches to dealing with people and making decisions when a position of authority.

Autocratic leadership is when the manager expects to be in charge of everything and expects to have their orders followed.

Democratic leadership gets employees involved in the decision making process.

Laissez-faire makes the broad objectives of the business know to employees, but then they are left to make their own decisions and organize their own work.

A **trade union** is formed by a group of employees who wish to ensure that their interests are protected.

Recruitment, selection & training

Recruitment is the process from identifying that the business needs to employ someone up to the point at which applications arrive at the business.

Employee selection is the process of evaluating candidates for a specific job and selecting an individual for employment based on the needs of the organization.

A job analysis identifies and records the responsibilities and tasks relating to the job.

A job description outlines the duties and responsibilities to be carried out by someone employed to do the job.

A job specification is a document which outlines the requirements, qualifications, expertise, physical characteristics, etc. for a specified job.

Internal recruitment is when a vacancy is filled from within the business.

External recruitment is when a vacancy is filled by someone who is not a part of the business.

Part-time employment is between 1 and 30-35 hours a week.

Full-time employment is considered to be 35 hours or more a week.

Induction training is when an introduction is given to the new employee, explaining the business's activities, customs and procedures, and introducing him to his fellow workers.

On-the-job training occurs by watching a more experienced worker do their job.

Off-the-job training occurs when workers are trained away from the workplace by specialists.

An ethical decision is taken because of the moral code observed by the firm.

Workforce planning is establishing the workforce needed by the business for the foreseeable future in terms of number and skills of employees.

Dismissal occurs when the contract of employment is ended against the will of the employee, usually for not working in accordance with the contract.

Redundancy is when an employee is no longer required by the company and so loses their job. It is not due to any aspect of unsatisfactory work.

A contract of employment is a legal document between an employee and employer listing the rights and responsibilities.

Marketing, competition and the customer.

Marketing is the identifying of consumer wants and satisfying them profitably.

A customer is a person or business that buys goods and service from a business.

A consumer buys good and services for their personal use.

Customer loyalty is when customers continually buy products from the same business.

Customer relationship is communicating with customers to encourage them to become loyal to the business.

Market share is the percentage of market sales held by one brand or business.

Mass market is where there are high number of sales for a product.

A niche market is a small specialized segment of a much larger market.

Market-segment is an identifiable sub-group of a whole market in which consumers have similar characteristics or preferences.

Market research

Market research is the process of gathering, analyzing and interpreting information about a market.

A **product-oriented** business is one whose main focus of activity is the product itself.

A **market-oriented** business carries out market research before the product is developed and produced.

Primary research is the collecting and collating of original data from existing and potential customers.

Secondary research uses information that has already been collected is made available for use by others

A questionnaire is a set of questions to be answered as a means of collecting data for market research.

Online surveys involve a target sample answering a set of questions, via the internet.

Interviews involve asking people a series of questions face-to-face or via the phone.

A focus group is a group of people who are representative of a target market.

A sample is the group of people selected to respond to a market research exercise.

The Marketing Mix--- Product:

The marketing mix is a term used to describe the activities that go into marketing a product or service.

The **USP** is the special feature that differentiates the product from its competitors.

The brand name is the unique name of the business that differentiates it from others.

Brand loyalty is when consumers keep buying the same brand again and again instead of choosing another one.

Brand image is an image or identity that gives the product a personality and distinguishes it from other brands.

Packaging is the physical container or wrapping for a product. It is also used for promotion and selling appeal.

The product life cycle describes the stages a product will pass through, from introduction to growth to maturation to decline.

Extension strategy is a way of keeping a product at the maturity stage in the PLC.

The Marketing Mix--- Price:

Cost-plus pricing is the cost of production of the product plus a profit mark-up.

Competitive pricing is when the product ispriced in line with or just below its competitors to capture more of the market.

Penetration pricing is when the price is set lower than the competitor's price to enter a new market.

Price skimming is where a high price is charged for a new product on the market.

Promotional pricing is when the product is sold a very low price level, for a short period of time.

Dynamic pricing is when the business changes prices depending on the level of demand. This is also called surge pricing.

Price elastic demand is when the customers aresensitive to price change.

Price inelastic demand is when customers are not sensitive to price change.

The Marketing Mix--- Place:

A distribution channel is the means by which a product reaches the consumers from the place of production.

An agent is an independent person or business that is appointed to deal with sales and distribution of products.

The Marketing Mix--- Promotion:

Promotion is where the marketing activities aim to raise customer awareness of a product or brand, generating sales and helping create brand loyalty.

Advertising is paid-for-communication with potential customers about a product to encourage them to buy it.

Informative advertising is where the emphasis is to give full information about the product.

Persuasive advertising is advertising that is trying to persuade the customer that they need the product and should buy it.

The target audience is the people who are potential buyers of a product or service.

Sales promotions are incentives such as special offers aimed at consumers to achieve increased short-term sales.

A marketing budget is the financial plan for the marketing of a product for a specified period of time.

Technology and the Marketing Mix:

Social media marketing is a form of internet marketing that involves creating and sharing content on social media networks in order to achieve marketing goals.

Viral marketing is encouraging customers to share information online about the products of a business..

E-commerce is the online buying and selling of goods using computer systems linked to the internet.

A marketing strategy is a plan to combine the right combination of the four elements of the marketing mix toachieve marketing objectives.

PART III

Production of Goods and Services

Productivity is the output measured against the inputs used to create it.

The **buffer inventory** level is the inventory held to deal with uncertainty in customer demand and deliveries of supplies.

Lean production is the term used to describe the methods used by businesses to cut down on waste and increase efficiency.

Kaizen is a Japanese term meaning continuous improvement through the elimination of waste.

Just in time is a production method that involves reducing or virtually eliminating the need to hold inventories of raw materials or unsold inventories of finished products.

Job production involves making a single product at a time.

Batch production involves producing a quantity of one product and then a quantity of another product.

Flow production involves producing large quantities of a single product in a continuous process. This is also called mass production.

Costs, Scale of Production and Break-even Analysis

Fixed costs are costs which do not vary directly with the number of items sold or produced. They have to be paid whether the business is making sales or not. They are also called overhead costs.

Variable costs vary directly with the number of items sold or produced.

Total costs are fixed costs and variable costs combined.

Average cost per unit is the total cost of production divided by the total output.

Economies of scale are factors that lead to a reduction in average costs, when the business is increasing in size.

Diseconomies of scale are factors that lead to an increase in average costs, as a business grows beyond a certain size.

Break-even level of output is the quantity that must be produced/sold for total revenue to equal total costs.

Break-even charts
are graphs which show how costs and revenue of a business change with sales.They show the level of sales the business must make in order to break even.

The revenue of a business is the income of the business during a period of time from the sale of good and services.

The break- even point is the level of sales at which total costs = total revenue.

Margin safety is the amount by which total sales exceed the BEP.

The contribution of a product is its selling price - variable cost.

Achieving Quality Production

Quality means to produce goods and services that satisfy consumer expectations.

Quality control involves the checking for quality at the end of the production process. Inspectors are hired to carry out this task..

Quality assurance involves the checking for quality throughout the production process by the employees.

Total quality management is the continuous improvement of products and processes by focusing on quality at each and every stage of the production process.

Business Finance: Needs and Sources

Start-up capital is the finance required by a new business to pay for its essential non-current and current assets before it can begin trading.

Working capital is the finance required to pay for day-to-day expenses.

Capital expenditure is the money spent on non-current assets.

Revenue expenditure is the money spent on day-to-day expenses which does not involve the purchase of a long-term asset.

Internal finance is obtained from within the business.

External finance is obtained from sources outside the business.

Micro-finance is the provisions of small loans to poor people who are not traditionally served by banks.

Crowd-funding is funding a new project or venture by raising money from a large amount of people who each contribute a small amount, typically via the internet.

Cash Flow Forecasting and Working Capital

The cash flow of a business is the cash inflows and outflows over a period of time.

Cash inflows are sums of money received by a business during a period of time.

Cash outflows are the sums of money paid out by a business during a period of time.

A cash flow cycle describes the stages between paying cash for labour, materials, etc. and receiving cash from the sale of goods.

Profit is the surplus when costs are deducted from revenue.

A cash flow forecast is an estimate of the future cash inflows and outflows of a business, usually on a month-by-month basis. This then shows the expected cash balance at the end of the month.

Net cash flow is the difference, each month between inflows and outflows.

Closing cash balance is the amount of cash held at the end of the month. This then becomes the opening balance for the next month.

Opening balance is the amount of cash held at the start of the month.

Income Statements

Accounts are the financial records of a firm's transactions.

Final accounts are produced at the end of the year and give details about the profit and loss made over the year and the worth of the business.

An income statement is a financial statement that records the income of the business and costs incurred to earn the income.

The cost of sales the cost of producing or buying the goods and services.

A gross profit is made when revenue is greater than cost of sales.

A trading account shows how the gross profit is calculated.

Net profit is the profit after all costs have been deducted. It is calculated by subtracting the overheads from the gross profit.

Depreciation is a fall in the value ofa fixed asset overtime.

Retained profit is the net profit reinvested back in the business after deducting tax and dividends.

Statement of Financial Position

The statement of financial position shows the value of assets and liabilities of the business at a particular time.

Assets are those items that are owned by the business.

Liabilities are items that are owed by the business.

Non-current assets are items owned by the business for more than a year.

Current assets are owned by a business for less than a year.

Non-current liabilities are long-term debts owed by the business, and can be repaid after a year.

Current liabilities are short-term debts owedby the business, and are repaid within a year..

Analysis of Accounts

Capital employed is the long-term and permanent capital invested in the business. It is calculated by adding theshareholder's equity to the non-current liabilities.

Liquidity is the ability to pay-off short-term debts.

Profitability is the measurement of profit relative to value of sales or capital invested in the business.

Illiquid means that assets are not easily convertible to cash.

PART IV

Economic Issues

Gross Domestic Product is the total value of outputin a country in a year.

A recession is the period of falling GDP.

Inflation is an increase in the average price levels.

Unemployment occurs when people who are able to work and are willing to work, cannot find a job.

Economic growth is when a country's GDP increases- more goods and services are produced than in the previous year.

The balance of payments records the difference between the imports and exports in a country.

Real income is the value of income and it falls as price rises faster than money income.

Exports are the goods and services sold from one country to other countries.

Imports are goods and services brought into a country from other countries.

The exchange rate is the price of one currency in terms of another.

Fiscal policy is any change in the tax rates and public sector spending.

Direct taxes are paid directly from income.

Indirect taxes are added to the prices of goods, and taxpayers pay this by purchasing the goods.

Disposable income is the level of income a taxpayer has after paying income tax.

An import tariff is a tax on the imported product.

An import quota is a physical limit on the quantity of a product that can be imported.

Monetary policy is a change in the interest rates set by the government or the central bank.

Exchange rate appreciation is when the value of one currency rises when compared with other currencies.

Supply side policies
try to increase the competitiveness of industries in an economy against thosefrom other countries.

Environment and Ethical issues

Social responsibility is when a business decision benefits stakeholders other than shareholders.

A pressure group is a group of people who want to change a business or government decision by taking action, such as consumer boycotts.

Private costs are the costs paid by the business and the consumer of the product.

Private benefits are the gains to a business and the consumer of the product.

External costs are paid by the rest of society, rather than the business.

External benefits are the gains to the rest of the society, rather than the business.

Social costs = private costs + external costs.

Social benefits = private benefits + external benefits.

Sustainable development is the development that does not put at risk the living standards of future generations.

Pressure groups are groups of people who act together to force businesses and governments to adopt certain policies.

A consumer boycott is when consumers decide not to buy products from businesses that do not act in a socially responsible way.

Ethical decisions are based on moral code, sometimes referred to as doing the right thing.

Business and the International Economy

Globalization is the term now widely used to describe the worldwide trade and movement of people and capital between countries.

Free trade agreements exist when countries agree to trade imports /exports with no barriers such as tariffs or quotas.

Protectionism is when the government protects domestic businesses from foreign competition using tariffs or quotas.

Currency depreciation occurs when there is a fall in the value of a currency

Currency appreciation is when the value of a currency rises.

THE END!