**IGCSE Business Studies**

**Glossary of Key Terms**

**IGCSE Business Studies (0450) Overview**

All candidates take two papers, Paper 1 Short Answer and Data Response and Paper 2 Case Study.

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| **Component** | **Time and Marks** | **Skills assessed** | **Details** | **Percentage of qualification** |
| **Paper 1** Short Answer and Data Response | 1 hour 30 minutes  80 marks | * Knowledge and understanding * Application * Analysis * Evaluation | You answer **four** questions which are a mixture of short answers and structured data responses. | 50% |
| **Paper 2**  Case Study | 1 hour 30 minutes  80 marks | * Knowledge and understanding * Application * Analysis * Evaluation | You answer **four** structured questions which are based on an unseen case study, provide as an insert with the paper. | 50% |

The topics included on the syllabus are:

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| **Topic** | **Overview** |
| **1 Understanding business activity** | Purpose of business activity, how businesses are classified, enterprise and entrepreneurs, business size and growth, types of business organisations, business objectives and stakeholder objectives. |
| **2 People in business** | Motivation theory and methods, business organisation and management, recruitment, selection and training of employees and communication. |
| **3 Marketing** | The role of the marketing, market research, marketing mix and marketing strategy. |
| **4 Operations Management** | Production methods, costs, break-even analysis, quality and location decisions. |
| **5 Financial information and decisions** | Sources of finance, cash-flow forecasting, working capital, simple income statements, simple statements of financial position and analysis of accounts. |
| **6 External influences on business activity** | Economic, legal, environmental and ethical issues, globalisation, multinational companies and exchange rates. |

**Understanding Business Activity**

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| **Basic Economic Problem** | |
| Added value | The increase worth that a business creates for a product; it is the difference between what a business pays to its suppliers and the prices that is able to charge for the product/service. |
| Capital | All man made resources. This includes money, so all money invested in a business is described as capital. |
| Consumer | A person who ultimately uses (or consumes) the product. |
| Customer | Any person on organisation which buys or is supplied with a product by a business. |
| Demand | The amount consumers are willing and able to buy at any given price. |
| Economic Needs | The five factors that we cannot live without but have to buy – food, water, warmth, shelter, clothing. |
| Enterprise | Bringing together the other factors of production. It is the managerial and risk taking resource of the company. |
| Free market economy | An economy where there is no government intervention or public sector. |
| Goods | Physical, tangible products like a car, television set, etc. |
| Labour | All human physical and mental effort. |
| Land | All natural resources. |
| Opportunity cost | It is the ‘cost’ of a decision, i.e. what is given up when a decision is made. |
| Mixed economy | An economy which has a mix of both a public and private sector. |
| Planned economy | An economy which is completely controlled by the government, there is no private sector. |
| Scarcity | The basic economic idea that there are limited resources to fulfil unlimited wants. |
| Services | Non-physical, intangible products like a taxi ride, a haircut or dental visit. |
| Supplier | A business which sells (or supplies) products to another business. |
| Supply | The amount sellers are willing to offer for sale at any given price. |
| **Business Start-up** | |
| Objectives | The aims of the company. What the company is hoping to achieve. |
| Private sector | Businesses that are owned and controlled by private individuals. |
| Public sector | Businesses that are owned and controlled by the government. |
| SMART | Specific, measurable, achievable, realistic and time specific. |
| Social enterprises | A business that makes its money in a socially responsible way. |
| Specialisation | When a particular worker or group of worker concentrates on one area of a job so they become expert in it. |
| Stakeholder | An individual or a group which has an interest in and is affected by the activities of a business: stakeholders have an interest in how the business operates and whether or not it is successful. Stakeholders can be internal (i.e. within the business) or external (i.e. from outside the business) |

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| **Business Structure** | |
| Annual General Meeting (AGM) | Meeting held once a year by the company to which all shareholders MUST be invited. |
| Business Plan | A plan for the development of a business giving forecasts such as sales, costs and cash flow. |
| Dividend | Payments made to shareholders from the profits of a company after it has paid corporation tax. It is a share of the profits. |
| Entrepreneur | A person who owns and runs their own business and takes a risk. |
| Enterprise | A willingness by an individual or a business to take risks, show initiative and undertake new ventures. |
| Franchise | A franchisor grants a licence (the franchise) to another business (the franchisee) to allow it to trade using the brand or business format. |
| Franchisee | The company that pays to use the name and brand in a franchise arrangement. They pay a royalty payment to the franchisor. |
| Franchisor | The company that allows a franchisee to use its name and business format. The ‘parent’ company. |
| Limited Liability | When shareholders of a company are not personally liable for the debts of the company; the most they can lose is the value of their investment in the shares of the company. |
| Joint Venture | When two or more companies work together on a business project. |
| Partnership | A group or association of between 2 and 20 people who agree to own and run a business together. |
| Private Limited Company (LTD) | A company jointly owned by the people who have invested in it as shareholders. The shares are not available to the general public. |
| Prospectus | A document produced to give information about a company including share prices and share/dividend performance. Often used to give shareholders information at the AGM and to encourage potential investors to buy shares. |
| Public Corporation | A government owned business. |
| Public Limited Company | The largest type of organisation in the private sector, they raise funds by selling shares to the general public on the Stock Market. |

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| Royalty payment | A payment to the franchisor from the franchisee. It is a percentage of the profits. |
| Shareholders | The owners of a company, people who have invested money into a limited company. |
| Sole Trader (or Sole Proprietor) | The only owner of a business which has unlimited liability. |
| Unlimited Liability | A legal obligation on the owner of a business to settle (pay off) all debts of the business. In law there is no distinction between what the business owes and owns and what the owner owns and owes. |

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| **Industry structure** | |
| Integration | The process when two companies become one either through merger or takeover. This can either be horizontal (on the same level of production), vertical – backwards or forwards (on the next/previous level of production) or lateral (in a completely different field) |
| Merger | A combination of two firms to form a completely new company. |
| Primary industry | The industry which extracts the natural resources of the earth. |
| Secondary industry | The industry which manufactures goods using the raw materials provided by primary industry. |
| Takeover | When one company buys another company so that it no longer exists in its own right. |
| Tertiary industry | The industry which provides services to consumers and the other sectors of industry. |

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| **People In Business** | |
| Absenteeism | Absenteeism is the rate of staff not attending work. It is expressed as a percentage:  Number of days lost  Total number of possible days |
| Application Form | Document to be filled in with personal details in order to apply for a particular job. |
| Appraisal | A system that assesses an employee’s success in a particular role. |
| Autocratic leadership | Instructions and strategies are issued from above with little opportunity for contributions to decision making from less senior employees. |
| Barriers to communication | Anything that stops effective communication. |
| Bonus | An addition to the basic wage or salary, for instance, for achieving a target. |
| Centralisation | A type of business organisation where decisions are made at the centre or core of the organisation and then passed down the chain of command. |
| Channel of communication | The path taken by a message, such as horizontal communication (on the same level) or vertical communication (at a different level on the chain of command). This can be formal (recognised by the company and designed to have some form of record) or informal. |
| Commission | Payment system usually operated for sales staff where their earnings are determined by how much they sell. It is normally a percentage of the selling price. |
| Decentralisation | A type of business organisation where decision making is pushed down the hierarchy and away from the centre of the organisation. |
| Delayering | Removing layers of management and workers in a hierarchy so that there are fewer workers in the chain of command. |
| Delegation | Passing down of authority to work to another worker further down the hierarchy of the organisation. |
| Democratic leadership | Senior employees consult with junior ones in decision making. |
| Discrimination | The process of treating people differently because of specific characteristics, e.g. gender. |

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| Dismissal | When an employee loses their job due to their actions. Also known as being fired or sacked. |
| Downsizing | When a business employs fewer workers to produce the same amount through increases in productivity. |
| Effective communication | The correct message passed between the business and an outside receiver with the appropriate feedback taking place. |
| Employment contracts | A contract which outlines the responsibilities of an employee and employer. It is drawn up and signed before an employee starts work. |
| External communication | Communication between the business and an outside organisation or individual, such as the customer or supplier. |
| External recruitment | The vacancy is filled by someone who is not an existing employee and will be new to the business. |
| Feedback | The response to the message. This does not have to be verbal. |
| Financial rewards | When employees are motivated by incentives based on pay. |
| Full time workers | Employees who work the whole of the working week. |
| Fringe benefits | Payments in kind over and above the wage or salary, such as a company car. Also known as a perk. |
| Function | Tasks or jobs. Organisation by function means that a business is organised according to tasks that have to be completed, such as production or finance. |
| Functions of management | The tasks all managers must carry out:  Planning, organising, commanding, co-ordinating, controlling. |
| Herzberg | Hygiene/motivators theory. Money does not motivate, other factors such as job satisfaction are more important. However, motivation cannot take place if money is not available. |
| Hierarchy | The management structure of an organisation, often shown as an organisation chart, which shows who is accountable to whom. |
| Induction | Training that is given at the start of employment. |
| Internal communication | Communication within the business organisation. |
| Internal recruitment | The vacancy is filled by someone who is an existing employee. |
| Interview | A conversation between an employer and potential employee. |

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| Job Description | Document that describes the duties of a worker and their status in the organisation. |
| Job enlargement | Giving employees more tasks of a similar level of complexity. |
| Job enrichment | Staff are given more interesting and challenging tasks. |
| Job rotation | Thisinvolves the movement of employees through a range of jobs in order to increase interest and motivation. |
| Labour Turnover | This is the proportion of a firm's workforce that leaves during the course of a year.  The number of people that leave  The total number of people |
| Laissez-faire leadership | Senior managers determine the company objectives and less senior employees are allowed to make their own decisions as to how to fulfil these objectives. |
| Line manager | Employee who is responsible for overseeing the work of others further down the hierarchy of an organisation. |
| Maslow | Developed the motivation theory of the Hierarchy of Need. This is the placing in order of importance the needs which motivate workers. |
| Minimum wage | The lowest payment by law per hour that can be paid to a worker for their work. |
| Motivation | In work, the desire to complete a task and meet the needs of the business consistently. |
| Non-financial rewards | When employees are motivated by things other than pay, for example job satisfaction. |
| Off the job training | Being trained away from the workplace, usually by specialist trainers. |
| On the job training | Watching a more experienced worker doing the job and learning skills under their supervision. |
| Organisational structure | The levels of management and division of responsibilities within an organisation. |
| Part time workers | Employees who only work for a fraction of the working week. |
| Person (job) Specification | A profile of the type of person needed for a job – their qualifications, skills and qualities. |

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| Piece rate | Employees pay is based on the number of products they produce. |
| Profit Sharing | A system in which the people who work for a company receive a direct share of the profits as an incentive to work harder. |
| Recruitment and selection | The process of finding the right employee for the job. |
| Redundancy | When an employee loses their job because they are no longer needed not because they have done something wrong. Also called retrenchment. |
| Resume/Curriculum Vitae (CV) | A brief list of the main details about a person, including name, address, qualifications and experience. |
| Salary | Pay expressed as a yearly figure but paid monthly. |
| Selection | The process of deciding which applicant shall be given a particular job. |
| Span of Control | The number of subordinates working directly under a manager. |
| Subordinate | Workers in the hierarchy who work under the control of a more senior worker. |
| Taylor | Developed the theory that money motivates. |
| Team-working | Motivational technique of people working in groups. |
| Time rate | Employees pay is based on the length of time they work, normally based on an hourly rate. |
| Trade Union | A group of workers join together to ensure their interests are protected. |
| Unfair dismissal | When employees are dismissed for a reason that has not been deemed legally fair e.g. redundancy, misconduct, statutory reason, end of contract. |
| Wages | Pay based on a weekly payment system. It is either calculated by amount of time worked or the amount of products produced. |

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| **Marketing** | |
| Advertising | The process of convincing the customer to actually buy the product. |
| Brand | A named product which customers see as being different from other products and which they can associate or identify with. |
| Brand image | The idea/impression/ image that customers have in their minds about a brand. |
| Channels of Distribution | The means by which a product is passed from the place of production to the customer. |
| Competitive advantage | An advantage a business has that enables it to perform better than its rivals in the market and which is both distinctive and defensible. |
| Competitive Pricing | A pricing strategy where the product is priced in line, or just below, competitors’ prices to try to capture more of the market. |
| Cost-Plus Pricing | A pricing strategy based on the cost of the product plus a profit mark-up. |
| Customer loyalty | The willingness of buyers to make repeated purchases of a product from a particular business. |
| Customer Service | The experience that a customer gets when dealing with a business and the extent to which that experience meets and exceeds customer needs and expectations. |
| E-commerce | The activity of buy and selling online. Any transaction carried out over the internet. |
| Extension strategy | Method used to increase the life of a product and prevent it from falling into decline. |
| Focus Group | In market research, a group of people brought together to discuss a product, brand, or issue. |
| Innovation | The process of transforming inventions into products that can be sold to customers. |
| Marketing | The management process that is responsible for anticipating, identifying and satisfying needs profitably. |
| Marketing mix | The combination of factors which help the business to take into account customer needs when selling a product – usually summarised as the 4Ps (Product, Price, Place, Promotion). |

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| Market Oriented Companies | Companies that focus on identifying customer needs or wants and meeting them. |
| Market Research | The process of gathering information about customers, competitors and market trends through collecting primary and secondary data. |
| Market Segment | Part of a market that contains a group of buyers with similar buying habits, such as age or income. |
| Market Segmentation | The market is divided up into groups of consumers without segmenting the market. |
| Market Share | The portion of a market controlled by a particular company or product. |
| Mass market | Selling and undifferentiated products without segmenting the market. |
| Niche market | Consumers from a small section of the market who share specific characteristics. |
| Packaging | Processes (such as cleaning, drying, preserving) and materials (such as glass, metal, paper or paperboard, plastic) employed to contain, handle, protect, and/or transport a product. |
| Penetration Pricing | A pricing strategy where price is set lower than competitors in order for a product to enter a new market. |
| Place | The way in which a product is distributed – how it gets from the producer to the consumer. |
| Price | The amount of money customers have to pay to acquire a product. |
| Price Elasticity | The responsiveness of demand to a change in price. Products can be either elastic – responsive to a change in price, or inelastic – unresponsive to a change in price. |
| Price Skimming | A pricing strategy where price is set very high for a new product in the market. This price is lowered once the product is successful. |
| Primary (or field) research | The gathering of new information, called primary data, which has not been collected before. |
| Product | A good or service produced by a business or organisation and made available to customers for consumption. |

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| Product Life Cycle | The stages of sales a product goes through over time. These are research and development, introduction, growth, maturity, saturation and decline. |
| Product Oriented Companies | Companies who have a sole focus on products alone. They produce specific produces and work to make the customers want to buy them. |
| Product range | A group of similar products made by a business like a number of different soap products. |
| Promotion | Communication between the business and customer making the customer aware that the product is for sale, telling or explaining to them what is the product, making the customers aware of how the product will meet the customers’ needs and persuading them to buy it for the first time or again. |
| Promotional Pricing | A pricing strategy where the product is sold at a very low price for a short period of time. |
| Public Relations | Promotion of a positive image about a product or business through giving information about the product to the general public. |
| Psychological Pricing | A pricing strategy where particular attention is paid to the effect that the price of a product will have upon the consumers’ perceptions of the product. |
| Qualitative data | Information about opinions, judgements and attitudes. |
| Quantitative data | Data that can be expressed as numbers and can be statistically analysed. |
| Questionnaire | A list of questions to be answered by respondents, designed to gather information. |
| Research and Development | The process of scientific and technological research and then development of the findings of that research before a product is launched. |
| Retailer | Businesses which specialise in selling goods in small quantities to the customer. |
| Sales promotion | The process of persuading a potential customer to buy the product. This does not include advertising. |
| Sample (sampling) | A small group out of the total population which is selected to take part in a survey. Sampling is the taking of a specific sample. |

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| Secondary (or desk) research | The process of gathering secondary data, which is information that has already been gathered such as sales records, government statistics, newspaper articles or reports from market research groups. |
| Survey | Research involving asking questions of people or organisations. |
| Unique Selling Point (USP) | A characteristic of a product that make it different from other similar products being sold in the market such as design, quality or image. |
| Wholesaler | A wholesaler buys in bulk (large quantities) from the manufacturer and sells on smaller quantities either to retailers or customers. |

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| **Operations Management** | |
| Batch production | Products are made in batches of a certain quantity, usually as orders come it. |
| Break Even Point | The level of sales at which total costs equal total revenue. |
| Diseconomies of scale | The factors that lead to an increase in average costs as a business grows. They are the disadvantages of growth. |
| Economies of Scale | The factors that lead to a reduction in average costs as a business increases in size. There are six economies of scale: purchasing, financial, managerial, technical and risk bearing. They are the advantages of growth. |
| Efficiency | The production of the desired effects or results with minimum waste of time, effort, or skill. |
| Fixed Costs | Costs which do not vary with the output produced such as rent, business rates, advertising costs, administration costs and salaries. |
| Flow production | Large quantities of an identical product are produced in a continuous process. Also called mass production. |
| Job production | A single product is made at a time, usually to the customer’s exact specification. |
| Just In Time (JIT) | A stock management system where stocks are only delivered when they are needed by the production system, so no stocks are kept by a business. |
| Kaizen | Continuous improvement. An approach of constantly introducing small incremental changes in a business to improve quality and/or efficiency. |
| Lean production | Techniques used by business to cut down on any waste and therefore increase efficiency. |
| Location | The place where the business exists. |
| Productivity | The effectiveness of productive effort, especially in industry, as measured in terms of the rate of output per unit of input. |
| Quality | Achieving a minimum standard for a product or service, or a production process which meets customer needs. |
| Quality assurance | Ensuring that quality is produced and delivered at every stage of the production process, often through making quality the responsibility of every worker. |
| Quality control | Ensuring that a product or service meets minimum standards, often through testing of sample products once they have been made. |
| Stocks/Inventories | Materials that a business holds. Some could be materials waiting to be used in the production process and some could be finished stock waiting to be delivered to customers. |
| Total Quality Management (TQM) | A business culture where every member of the organisation is responsible for the overall quality of the product. |
| Total Costs | All the costs of a business.  Total Costs = Fixed Costs + Variable Costs |
| Variable Costs | Costs which can change directly with the number of products made by a business such as the cost of raw materials. |

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| **Financial Information and Decisions** | |
| Acid Test Ratio | (Current Assets – Stock) / Current Liabilities  It shows the businesses ability to cover their short debts with their short term assets without relying on stock. |
| Assets | The things a company owns. |
| Balance Sheet | A document that shows the value of the assets and liabilities of a firm. |
| Capital employed | It is the long term finance invested in the company. It is usually calculated by:  share capital + retained profit + long term borrowing  It is the same as equity + non-current liabilities on the balance sheet. |
| Cash | Notes, coins, money in the bank. |
| Cash Flow | The flow of cash into (cash inflow) and out of (cash outflow) a business. |
| Cash Flow Forecast | A prediction of how cash will flow through a business in a period of time in the future. |
| Closing balance | The amount of cash in a business at the end of the month. |
| Cost of Sales (cost of goods sold) | Another term for direct costs. |
| Crowd Funding | The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet. |
| Current assets | Items a business owns such as cash, stocks and debtors for a short period of time (generally less than a year). |
| Current liabilities | A debt owed by the business which must be repaid within one year. |
| Current Ratio | Current Assets / Current Liabilities  It shows the businesses ability to cover their short debts with their short term assets. |
| Expenses/overheads | Another term for indirect costs. |
| External source of finance | Obtaining capital from outside the business, e.g. bank loans. |
| Factoring | A source of finance where a business is able to receive cash immediately for the invoices it has issued from a factor, such as a lender, instead of waiting the typical 30 days to be paid. |
| Grants and subsidies | Finance given by the government to support business. Normally given for a specific reason and it does not have to be repaid. |
| Gross profit | Profit when sales revenue is greater than the cost of goods sold.  Gross profit = Revenue – cost of sales |
| Gross Profit Margin | (Gross profit / Sales revenue) x 100  It shows the gross profit of the company as a percentage of the sales revenue. |
| Hire purchase | A system by which a buyer pays for an asset in regular instalments whilst being able to use it. Full ownership of the asset only passes to the buyer at the end of the repayment period. |
| Income Statement (profit and loss account) | An account showing the net profit/retained profit (for limited companies) of a business. It records the revenue, sale of goods sold, gross profit, overheads, net profit, dividends and retained profit. |
| Insolvency | When a business can no longer pay its debts. |
| Internal source of finance | The generation of cash from with the company’s resources or assets. |
| Leasing | Renting equipment or premises. |
| Liabilities | The things that a company owes. |
| Liquidity | A measure of the extent to which a business has cash to meet immediate and short-term obligations, or assets that can be quickly converted to do this. |
| Loan | Borrowing a sum of money which as to be repaid with interest over a period of time, such as 1 – 5 years. |
| Long term finance | Sources of money for businesses that are borrowed or invested typically for more than 10 years. |
| Margin of Safety | The maximum (or current) level of output minus the break-even level of output. |
| Medium term finance | Sources of money for businesses that have to be repaid between 1 year and 10 years, for example a bank loan. |

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| Micro-finance | Is a type of banking service that is provided to unemployed or low-income individuals or groups who otherwise have no other access to financial services. |
| Mortgage | A long term loan for property. |
| Net Cash Flow | Cash Inflow – Cash Outflow |
| (Net) profit | Profit made by a business after all costs have been deducted from sales revenue.  Net profit = Gross profit – overheads |
| Non-current assets (fixed) | Items that a business owns in the long term (more than one year). |
| Non-current liabilities | A debt owed by the business which is due to be repaid for a period of time longer than one year. |
| Opening balance | The amount of cash in a business at the start of the month. |
| Overdraft | Borrowing money from a bank by drawing more money than is actually in a current account. Interest is charged on the amount overdrawn. |
| Profit/Loss | Profit occurs when the revenues of a business are greater than its costs over a period of time.  Loss occurs when the revenues of a business are less than the costs over a period of time.  Profit/Loss = Total Revenue – Total Cost |
| Profitability | Is the ability of a business to earn a profit. |
| Profit Margin | Also known as net profit margin.  (Net profit / Sales revenue) x 100  It shows the net profit of the company as a percentage of the sales revenue. |
| Retained profit | Profit which is kept back in the business and used to pay for investment in the business.  Retained profit = Net Profit – Tax – Dividends) |
| Return on Capital Employed | (Operating profit / capital employed) x 100  This shows how much profit is being made as a percentage of the resources being used by the company.  It is the same as return on net assets. |
| Revenue/Sales Revenue/ Turnover/Sales Turnover/  Total Revenue | The amount of income received from selling goods or services over a period of time.  Total Revenue = Price x Quantity Sold |
| Sales volume | The number of items sold by a business over a period of time. |
| Security (or collateral) | Assets owned by a business which are used to guarantee repayments of a loan; if the business fails to pay off the loan, the lender can sell what has been offered as security. |
| Share Capital/equity | The monetary value of a company which has been invested by its shareholders. |
| Short term finance | Sources of money for businesses that may have to be repaid immediately or fairly quickly, such as an overdraft, usually within a year. |
| Trade credit | Where a supplier gives a customer a period of time to pay a bill (invoice) for goods or services once they have been delivered. |
| Working Capital | Current Assets – Current Liabilities  The money used to pay day to day expenses. |

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| **External Influences on Business Activity** | |
| Balance of Payments | The balance of payments is a record of all financial dealings in and out of a country (imports and exports). |
| Boom | A phase in the business cycle, when GDP increases rapidly. Inflation may become a problem. |
| Business Cycle | Fluctuations in the level of economic activity over a period of time. It shows the times of growth (increase in value), boom (highest point of the growth in the economy), recession (downturn in the economy) and slump (lowest point of the recession). All business cycles should have an upward trend overall. |
| Business ethics | Ideas about what is morally correct or not, applied in a business situation. |
| Corporation Tax | A tax on the profits of a company. |
| Cost Benefit Analysis | Tool used to assist decision making. Values are attributed to private costs and benefits and external costs and benefits of a particular decision. |
| Economic activity | The amount of buying and selling that takes place in a period of time. |
| Economic growth | Rises in the rate of economic activity in the economy. It is measured by calculating the value of sales in an economy over a period of time. |
| The economy | The economic activity carried out by people and businesses in a country. |
| Ethical decision | A decision taken by a manager or company because of a moral code observed in that firm. |
| Exchange Rates | The exchange rate is the price of buying a foreign currency. It tells you how much of the foreign currency you will get for every dollar or how many dollars you have to spend to acquire foreign currency. |
| Export | An export is the sale of a good or service to a foreign buyer that leads to a flow of money in the domestic country. |
| External benefit | The gains to society resulting from a business decision, also called a positive externality. |
| External cost | The costs paid by the rest of society, rather than the business, as a result of a business decision, also called a negative externality. |

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| Fiscal policy | The government uses changes in taxation and spending to influence the business cycle. |
| GDP | Gross Domestic Product. The total value of output of goods and services in a country in one year. |
| Globalisation | Globalisation is the process in which the economies of countries have become increasingly integrated and inter-dependent. |
| Growth | The first stage in the business cycle where the economy is expanding. |
| Health and Safety | The legislation that is designed to protect the employees and customers of a business. |
| Import | An import is the purchase of a good or service from a foreign business that leads to a flow of money out of the home country. |
| Income tax | A tax on the value of income earned by workers; this includes sole traders who have to pay income tax on their net earnings. We do not have Income Tax in the Cayman Islands. |
| Inflation | Inflation is how the price of goods and services change over time. |
| Interest Rates | The percentage reward or payment over a period of time that is given to savers or paid by borrowers on savings or loan. These can be fixed (they stay the same over the period of the loan) or variable (they fluctuate over the period of the loan). |
| Multi National Company (MNC) | Businesses with factories, production or service operations in more than one country. |
| Pressure Groups | A group that tries to influence public policy in the interest of a particular cause. |
| Quotas | Limits on the physical number of goods that can be imported over a period. |
| Recession | A decline in a country’s GDP which results in falling demand for most products. |
| Slump | A lowest point in the business cycle, unemployment will be very high. |
| Sustainable development | Economic development that is conducted without reducing or destroying natural resources. |
| Tariffs | Taxes put on goods imported into a country which make them more expensive than domestic products. |

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| Tax | Tax is an amount of money that you have to pay to the government so that it can pay for public services. |
| Unemployment | The rate of economically active individuals in a country that are actively seeking work. |

**Command Words!**

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| **Command Word** | **What it means** |
| Calculate | Work out from given facts, figures or information. |
| Consider | Review and respond to given information. |
| Define | Give precise meaning. |
| Explain | Set out purposes or reasons/make the relationships between things evident/provide why and/or how and support with relevant evidence. |
| Identify | Name/select/recognise. |
| Justify | Support a case with evidence/argument. |
| Outline | Set out main points. |
| State | Express in clear terms. |

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