

Edexcel GCSE Business: Key terms for Theme 1

Theme 1: Investigating small business

1.1 Enterprise and entrepreneurship

Key word	Definition
Enterprise	Entrepreneurial activity (can also mean a business or company)
Entrepreneur	Someone who creates a business, taking on financial risks with the aim of making a profit from the business
Consumer	Someone who buys and uses goods and services
Obsolete	Out of date or not used anymore
E-commerce	Using the internet to carry out business transactions
M-commerce	Using mobile technologies, such as smartphones and tablets, to carry out business transactions
Social media	Websites that allow users to interact with other users, by sharing text-based messages, pictures or links to online content
Payment platform	Enable businesses to take online payments from customers. They are usually free for the customer to use, but take a small amount of commission from the seller
Marketplace	The activities involved in buying and selling particular types of goods and services, in competition with other companies
Data	Information, particularly statistics, that can be collected and analysed
Demographic	Relating to the population, such as average age, average income and so on
Risk	The possibility that an enterprise will have lower than anticipated profits or experience a loss

Financial reward	The money that an entrepreneur or investor receives when a business succeeds
Market research	The process of gathering information about the market and customers' needs and wants in order to help inform business decisions, including product design and marketing
Revenue forecast	A prediction of future revenue based on expected sales; this is either a judgement or based on previous sales patterns
Cash flow	The amount of money coming in and going out of the business and the timing of the movement
Sales revenue	The amount of money that comes in from a business's sales
Investment	Putting money into a business with the intention of making a profit
Start-up	A new business, usually with only a small number of employees – perhaps only one
Intuition	Knowing something instinctively or understanding something easily without conscious thought
Stakeholder	Anyone who has an interest in the activities of a business, such as its workers, its suppliers, its directors, the local community and the government
Ethics	Moral principles or standards that guide the behaviour of a person or business
Unique selling point (USP)	Something that makes a product stand out from its competitors
Values	Standards of behaviour or moral principles
Loyalty	Wanting to always support something or someone
Market share	The proportion of sales in a market that taken by one business
Economy	The system by which a country's money and goods are produced and used

1.2 Spotting a business opportunity

Key word	Definition
Convenience	A good or service's ability to fit in well with a customer's lifestyle or routine, the ease with which it can be used and/or its easy to reach location
Viable	Able to work properly or successfully
Market research	The process of gathering information about the market and customers' needs and wants in order to help inform business decision, including product design and marketing

Focus group	A group of people who discuss their views on a product, service advertisement or idea, either face-to-face or online
Target market	A particular group of consumers at which a business aims its products and services
Sample	A portion of the population asked for their opinions in order to draw conclusions about the behaviour of the whole population
Generation Y (also known as Millennials)	The people born shortly before the 21 st century, usually defined as born between 1980 and 2000
Data	Information, particularly statistics, that can be collected and analysed
Biased	Unbalanced or inclined to agree with a particular judgement or ideas rather than presenting the evidence fairly
Ethics	Moral principles or standards that guide the behaviour of a person or business
Source	A place, person or thing, such as a book or report, that can provide information to be used in research
Chamber of commerce	A local association that promotes the interest of businesses in a county or region
Trade association	Organisation founded and funded by businesses that operate in a specific industry
Analysis	The process of looking at data to identify patterns or trends
Incentive	Something such as a payment or gift that encourages someone to do something
Valid	Having a solid or accurate basis of facts
Segmentation	The process of breaking something into smaller parts
Demographics	Relating to the structure of a population
Axes	The reference lines on a graph
SWOT analysis	A study undertaken by a business to identify the strengths and weaknesses, opportunities and threats

1.3 Putting a business idea into practice

Key word	Definition
Market share	The proportion of sales in a market that are taken by one business

Profit	The amount of revenue left over once costs have been deducted
Social objectives	Likely to be non-financial, such as to reduce the carbon emissions of a business or improve the quality of life for a local community
Income stream	The source of regular income that a business receives. This could be through the money it receives from customers, or other seas such investment income
Viable	Capable of working or succeeding
Income statement	A financial statement showing the amount of money earned and spent in a particular period and resulting profit and loss
Stakeholder	Anyone who has an interest in the activities of a business, such as its workers, its suppliers, the local community and the government
Break-even point	The point where revenue received meets all of the costs of the business
Credit	The amount of money that a financial institution or supplier will allow a business to use, which it must pay back in the future at an agreed time
Overheads	Fixed costs that come from running an office, shop or factory, which are not affected by the number of specific products or services that are sold
Insolvent	A business that is unable to pay its debts and/or owes more money than it is owed
Consumables	Items that get 'used up', such as pens, paper, staples and other items that a business has to replace regularly
Trade credit	A credit arrangement that is offered only to businesses by suppliers
Overdraft	A facility offered by a bank that allows an account holder to borrow money at short notice
Cheque	A written order to a bank to pay an amount of money from an account holder's account to a specified person
Venture capital	Money to invest in a business is sourced from individuals, or groups of people, who wish to invest their own money into new businesses
Return on investment	The amount of money that an investor gets back in return for investing a business
Shareholders	Investors who are part-owners of a company
Share capital	Money to invest in a business is raised by the business issuing shares that it then sells to those who wish to invest in the company
Credit check	A check on the financial status of a business or individual to ensure that the business or the individual has a reliable credit history and does not have any existing outstanding debts
Security	When the lenders asks the borrow to put up an asset, such as a house, or a valuable item owned by the business

Asset	Any item of value that a business owns, such as its machinery or premises
Guarantor	A named person who guarantees to pay the repayments on a loan should the person who has taken out the loan not be able to make the payments
Retained profit	Money that a business keeps, rather than paying out to its shareholders

1.4 Making the business effective

Key word	Definition
Limited liability	The level of risk is limited to the amount of money that has been invested in the business or promised as investment
Assets	Items you own, such as a house or car
Incorporated	A business that is registered as a company, so the business and the owners are separate in the eyes of the law
Unlimited liability	The level of risk goes beyond the amount invested, so the personal assets of the business owner can be used to pay off the business's debts
Unincorporated	A business that is not registered as a company, so the owners and the business are the same body in the eyes of the law
Sole trade	A type of unincorporated business that is owned by just one person
Partnership	A business that is owned by a group of two or more people who share the financial risk, the decision-making and the profits
Deed of partnership	A legal document that defines the terms of a partnership
Private limited company	An incorporated business that is owned by shareholders
Shareholders	Investors who are the part-owners of a company. They invest in the business in return for a share of the profits and voting rights at the AGM
Franchise	When one business gives another business permission to trade using its name and products in return for a fee and share of its profits
Franchisor	An established business that gives permission to an entrepreneur to trade using its name and products
Franchisee	An entrepreneur who pays a fee to trade using the name and products of an established business
Labour	Workers or the workforce

Footfall	The number of people passing a particular location within a given time period
Demographics	The characteristics of the population, such as gender, age, religion and wealth
National Living Wage	The minimum amount that a business is legally allowed to pay its employees
Bulk-gaining product	A product that is bigger than the raw materials used to make it, such as a bicycle
Bulk-reducing product	A product that is smaller than the raw materials it uses, such as paper
Convenience good	A product that a customer buys frequently or routinely
Shopping good	A product that a customer takes time to consider before purchasing, by looking at or weighing up a number of options before choosing one
Topography	The physical characteristics of a landscape, such as being flat or hilly
Inertia	A tendency to keep things as they are rather than change
E-commerce	Using the internet to carry out business transactions
M-commerce	Using mobile technologies, such as smartphones and tablets, to carry out business transactions
Multi-channel	Using a number of methods to reach a customer, including physical stores and e-commerce
Undercut	Sell the same product for a lower price than competitors
Price war	When competing businesses try to undercut each other by lowering prices. This leads to an ongoing battle where only the customer benefits, not the businesses
Product differentiation	Designing a product with some unique features that distinguish it from similar products sold by competitors
Brand loyalty	A customer's willingness to buy a product from a particular business rather than from its competitors
Market share	The percentage of the total sales of a product in a market that is taken by one business in that market
Recession	A period of economic decline characterised by the fact the economy has failed to grow for 6 consecutive months
Promotional mix	The combination of promotional activities that a business uses to make customers aware of a product, with the aim of increasing sales
Business plan	A document that outlines how an entrepreneur is going to set up a new business
SMART objectives	Objectives that are Specific, Measurable, Achievable, Realistic, and Time-bound

Market research	The process of gathering information about the market and customers' needs and wants in order to help inform business decisions, including product design and marketing
Target market	That group of people that a business has identified as potential customers
Revenue	The money that will come into a business from sales
Profit	The amount of revenue left over once costs have been deducted
Cash flow	The amount of money coming in and going out of the business and the timing of its movement
Budgets	Pre-set financial targets for a business to achieve, like a sales budget, or abide by, such as an expenditure budget, in a given period of time
Negative cash balance	Occurs if the business's opening balance results in the negative amount at the end of the period, leading to a cash shortage
Overdraft	A facility provided by a bank allowing a current account holder to withdraw more money than there is in the account
Bank loan	A fixed sum of money lent by a bank to an individual or a business for a specific purpose, which must be repaid with interest in set payments over an agreed period of time

1.5 Understanding external influences

Key word	Definition
Stakeholder	Anyone who has an interest in the activities of a business, such as its workers, its suppliers, its directors, the local community and the government
Shareholders	Investors who are part-owners of a company
Private limited company	An incorporated business that owned by shareholders who invest in the business in return for a share of the profits and voting rights at the annual general meeting (AGM)
Public limited company	An incorporated business that can sell shares to the public (also known as a PLC)
Stock exchange	A place where shares in PLCs can be bought or sold
Profit	The amount of revenue left over once costs have been deducted
Payment terms	The period of time that a business has to pay its suppliers
Ethics	Moral principles or standards that guide the behaviour of a person or business

Conflict	A serious disagreement, usually between people, countries or ideas
Real-time	Live or as it happens
Cookies	Small files stored on a customer's computer when the customer visits a website, which record details about that visit and can be accessed by the website when the customer visits it again
Legislation	The laws that a business must comply with
Reasonable care	In consumer law, this means offering a service that is suitable for customers, such as providing a meal that can be eaten
Induction	The period of time after an employee starts a job when they must be shown how to safely and within the employer's expectations
Comply	Obeys a command or meet a set of standards
Minimum wage	The lowest legal rate of pay for employees, depending on their age and their type of employment
Discrimination	When someone is treated differently to someone else because of a particular characteristic, such as a disability, their ethnicity or their sex
Protected characteristic	Characteristics that cannot be used in the recruitment process to reject a candidate, such as age, disability, sex or gender, marriage status, pregnancy, race religion or believe, or sexual orientation
Levy	A tax on a particular product or service
Globalisation	When businesses operate and in international scale and gain international influence or power
Bank of England	The central bank of the United Kingdom. It manages the country's debts, sets interest rates and influences the exchange rate between the pound and other currencies
Tax	A proportion of an individual's income or a business's profits that must be paid to the government
Imports	The flow of goods and services into a country from another country
Exports	The flow of goods and services out of a country to another country
Gross profit	The amount of profit that a business makes before the business's costs are deducted
Obsolete	Out of date or not used anymore