



GCSE Business Paper 2 - Key Terms

Term	Definition and facts
Production processes	
Job production	Is the process of production where products are made individually
Batch production	Is the process of production where one type of product is made and then production is switched to make a different product
Flow production	Is production on one product that takes place continuously using a production or assembly line. This is sometimes called mass production
Automation	Is a production process involving machinery that is not controlled by a person but usually controlled by a computer.
Robotics	Is the use of robots in the process of production
Product processes	Are the three methods or processes of production - job, batch and flow.
Quality of goods and services	
Quality control	Is a system for inspecting the quality of the goods or services produced and that they are of a good standard.
Quality assurance	Is an approach that involves the whole business focusing on quality, thus aiming to prevent quality problems arising.
Quality	Is about a product being fit for purpose.
Returns	Are goods which customers take back to the shop because there are problems with the quality of them.
Recalls	Are when a fault occurs with a product and the business asks for the product to be brought back so it can be repaired or replaced.
The sales process and customer service	
E-commerce	Is the bringing together of buying and selling electronically.
Customer service	Is the name given to an area of business that deals with customer enquiries.
Customer engagement	is the contact between the business and customer
Click and collect	Is ordering online and collecting goods from store at a later time.
Face to Face selling	Is usually completed in a shop where there is direct contact between buyer and seller.



Telesales	Is sales completed over the telephone.
After-sales service	Is advice and help given to a customer after they have bought a product or service.
Product knowledge	Is the detailed knowledge of a product or service that staff within a business use to help persuade a customer to buy
Consumer law	
Fit for purpose	Means that goods must do what they are meant to do.
As described	Means that goods must be as the business described them,
Consumer law	Is the area of law which protects the customers of a business. This is mainly through the Consumer Rights Act of 2015.
Satisfactory quality of goods	Means that how the goods are made will reflect the price. A high priced product must be of high quality.
Reputation	Of a business is what customers say and feel about a business. Damage so a reputation can seriously affect a business.
Business location	
Transport infrastructure	Is the provision of roads, railways, ports and airports in an area for transporting goods and people.
Proximity	Means 'nearness to'. It can refer to proximity to the market, to raw materials and to labour supplies.
Location	Refers to the place where a business is sited.
Labour	Is a factor of production. It is the labour employed by businesses to produce goods and services.
Raw materials	Are materials that are processed in some way as part of the manufacture of a product
Working with suppliers	
Logistics	Is the management of the transportation and storage of goods.
Procurement	Is the management of purchasing within a business
Suppliers	Are parties who supply goods and/or services to a business
The role of the finance function	
Finance function	Is sometimes referred to as the finance department. Only found in larger businesses.
Financial information	Includes details of profit, loss, cash flow, break-even, profit margin and average rate of return. These can be used in helping business decision-making.



Sources of finance

Interest	Is the amount of money that has to be paid on borrowed money.
Security	Is something of value that is offered to a lender as a form of guarantee of payment.
Time period	Is the length of time for which the finance is required.
Loans	Are sums borrowed for a certain period at an agreed rate of interest.
Overdraft	Is an arrangement with a bank that a business can spend more money that it has in its account.
Trade credit	Is when the business has the goods to sell and agrees to pay at some time later,
Retained profit	Is the profit that is not distributed to shareholders as dividend
Sale of assets	Are items sold by the business
Owners' capital	Is the money from saving put in to the business by the owner
Taking on a partner	Is adding a new partner who contributes some new capital.
Share issue	Is the money raised from investors by selling new shares.
Crowdfunding	Is money raised through an appeal to the public

Revenue, costs, profit and loss

Revenue	Is the money from sales
Fixed costs	Are costs that stay the same as output changes, for example, rent
Variable costs	Are costs that change as output changes, for example, wages.
Total costs	Are the addition of fixed and variable costs.
Gross profit	Is sales minus the cost of sales
Net profit	Is gross profit minus the expenses of operating the business
Gross profit margin	Is gross profit divided by sales multiplied by 100
Net profit margin	Is net profit divided by sales multiplied by 100
Average rate of return (ARR)	Is a method of measuring and comparing the profitability of an investment over the life of the investment
Loss	Occurs in a business when costs are greater than revenue.
Profitability ratios	Are calculations such as gross profit margin and net profit margin which help to interpret financial data
Expenses	Are the costs of operating a business



Break even	
Break even forecast	Is a prediction about the break-even quantity based on estimates of future sales revenues and costs
Break even quantity	Is the amount a business must sell to earn enough revenue to just cover its costs so that it does not make a profit nor a loss.
Margin of safety	Is the amount by which a business' actual output is greater than its break-even output.
Cash and cash flow	
Cash flow forecast	Is a statement showing the expected flow of money into and out of a business over a period of time
Net cash flow	Is total inflow minus total outflow
Opening balance	Is the amount of cash available at the beginning of the month that was the closing balance at the end of the previous month.
Closing balance	Is the amount of cash left at the end of a month. This becomes the opening balance at the start of the next month.
Total inflow	Is the total amount of cash flowing into a business
Total outflow	Is the total amount of cash flowing out of a business
Negative cash flow	Is when during one month, more cash is flowing out of a business than is flowing into it. It is sometimes called a cash flow deficit.
Positive cash flow	Is when, during one month, more cash is flowing into the business than is flowing out of it. It is sometimes called a cash flow surplus
Income	Is money that the business receives
Expenditure	Is money that the business pays out
Liquidity	is the ability of a business to pay its short term debts which must be paid in the near future
Short term debts/expenses	Are the bills that a business has to pay in the near future, for example the electricity
Cash	Is not simply notes and coins held in the business, but also money in a bank account
Profit	Is the revenue received by a business minus the costs of running the business
Ethical and environmental considerations	
Ethics	Is about what is right and wrong



Child labour	Is the use of young children, below the legal age for employment, in order to achieve low cost production
Ethical marketing	Is marketing activities that seek to give customers information to make good choices for themselves
Fairtrade	Is a movement that encourages businesses to pay a fair price to suppliers in developing countries and consumers to buy Fairtrade products
Environmentally friendly	Is an adjective that describes consumers and businesses that act to make production sustainable
Sustainable producton	Is ehnp production does not lead to the depletion (using up) of natural resources
Renewable resources	Are resources that can be used more than once, such a wind or water power, or that can be re created such as crops
Non renewable resources	Are resources that can only be used once
Recycling	Is when resources are re-used to produce something
Global warming	Is the rise in average temperatures that scientists say is taking place
Ethical businesses	Are businesses that behave in a morally correct way
Waste disposal	Is the porcess of getting rid of unwanted materials
Pollution	Is causing harm to the environment including air, land and water
Climate change	Is the process when average temperature rise or fall and patterns of weather change
The economic climate	
Economic climate	Refers to how well the country is doing int terms of the levels of income and employment
Income	Is the amount of money that people receive from work and from assets they own, such as shares and property
Customers	Are buyers who buy goods and services for the satisfaction or benefit they will get from them. Customers largely buy from retailers
Consumer income	Is the total amount of income that all the customers in the country receive and which they have available to spend
Level of employment	Is the number of people out of work in a country
Gross demestic product (GDP)	Is a measure of how much a country produces in a year. It influences the level of income and employment
Level of income	Is the average income of people in a country



Economic growth	Is a period when GDP is rising, causing income and employment to rise
Recession	Is a period when GDP is falling, causing income and employment to fall
Distribution of income	Refers to how the income is shared out amongst different people in the community. The distribution of income can become more unequal if the incomes of the rich are rising faster than the incomes of lower earners.
International economic climate	Refers to what is happening to income and employment in different parts of the world
Globalisation	
Globalisation	Is the process by which business activity around the world has become increasingly interconnected
International branding	Is creating an image or values for a product that are communicated in countries around the world
Capital	Is money or assets such as machines, buildings, vehicles
Free trade	Is the absence of restrictions on trade between countries
Trade	Is the import and export of goods and services
Tariff	Is a tax on a good or service that is imported
Quota	Is a limit in terms of weight or value on the amount of a good or service that can be imported
Regulations	are rules about the goods and services that can be sold in a country
Multinational companies	Are businesses that operate in different countries around the world
Unit cost	Is the cost per unit produced. The greater the productivity of workers, the lower the unit cost of production
Productivity	Is a measure of the output of each worker on average
The interdependent nature of business	
Interdependent nature of business	Refers to the links between the areas of business that must be considered when business people make decisions, risks and rewards and the use of financial information to aid business decision making
Business areas	Are the main activities involved in running a business and influences outside the business that will affect the business activities. These are listed as sections on the OCR Examination Board Specification.