

5.2 Glossary of terms

5179 Business Organisation and Environment	
break-even	The point at which a company's revenue equals costs – the point beyond which a company begins to make profit. Fixed costs are absorbed and profit is made by deducting variable costs from additional revenue.
budgeting	Financial planning, involving forecasts of sales, costs, profits and cash flows.
business confidence	Reflection of optimism or pessimism about ongoing and future business prospects.
business (or enterprise) culture	The economic, political and social climate which encourages business (especially small and medium-sized businesses) and the profit motive.
casual employee	An employee who is usually paid by the hour or day, and is taken on only when needed.
centralisation	All authority to take decisions is held by the senior manager(s).
chain of command	The levels of management and the way authority is organised.
codes of conduct	Company regulations governing employee behaviour, dress and personal adornment.
competitiveness	Reflection of, for example, organisation skills, market strategy, market penetration, pricing and cost control.
<i>communications</i>	The exchange (i.e. sending and receiving) of information.
horizontal communications	Information exchanged at the same level, e.g. between departments.
vertical communications	Information sent up and down the chain of command.
consultation	The process of seeking the views of others before making a decision.
consumer credit	The means by which people can defer full payment for goods by entering a credit contract, e.g. hire purchase – also known as 'buy now, pay later'.
consumer protection	Legislation and regulation designed to protect consumers from fraudulent sales methods, and from goods which are not fit for the purpose intended or are not of merchantable quality.
cooperative society	A mutual organisation financed, owned and run by its members.
costs: direct or variable	Costs which vary with output, e.g. piece rate costs not directly attributable to a product.
indirect or fixed	Costs which have to be paid, whether or not there is any production.
marginal	The cost of producing one extra unit.
customer profile and psychological factors	The description of an organisation's customers in terms of for example, age, class, income, residential area, profession and the factors which influence their buying patterns.
customer services	Activities which affect the process of buying, e.g. free delivery, credit schemes, after-sales service.

debenture	This is properly called stock – it is a means of raising long-term capital for a company. The assets of the company are collateral so, if the debenture holders are not paid their annual interest, they can sell assets.
decentralisation	Authority to take decisions is delegated downwards through the chain of command. Decentralisation gives more responsibility to employees.
director	A private or public company acts through human agents, i.e. directors, who have the overall responsibility for the policies and direction of the organisation.
disposable income	The amount a person has left out of wages or salary after the payment of taxes and essential expenses. The more disposable income people have, the more they can spend on luxuries.
dispute	Conflict between employees and management.
economic growth	A measure of how much an economy produces and how much the income per head increases over a period of time.
<i>economy</i>	The nation, seen or considered in terms of its business activity.
market economy	A system which relies on the market mechanism, i.e. interaction between supply and demand, to determine the allocation of resources.
mixed economy	An economic system allowing both the state and the free market to allocate resources.
planned economy	A system where production and distribution are organised by the state.
enterprise	Generally a business, but it also refers to a person's ability to create and organise a business.
external environmental pressures	Factors or influences beyond the control of a business, e.g. government regulation, import controls.
fixed-term contract	An employment contract offering work for a specific period of time, e.g. 18 months.
flexitime	An arrangement allowing employees to complete their working week at times largely convenient to them. Usually, employees must work a minimum number of hours in any particular time period, but starting and finishing times are flexible.
freelance	A self-employed, fee-earning person who sells their expertise to a variety of clients.
goal setting	Goals are objectives or targets which can be used to measure the success, progress or failure of a business.
grievances	Complaints brought by employees, because of real or alleged breaches in the terms and conditions of employment.
incentive	Financial (or non-financial) reward, to stimulate employee performance.
inflation	A fall in the value of money; a tendency for prices to rise faster than wages.
investment allowance	A tax incentive to allow a company to claim tax relief on a major investment, e.g. new factory or the installation of hi-tech equipment.

inward investment	Capital attracted to a region or a country from outside, i.e. an importation of financial support.
jargon	Language or terms used specifically by an industry or profession; expressions which mean little to those not involved in a particular business activity.
job creation schemes	Government and/or business-sponsored schemes to create work and employment in economically depressed areas.
job sharing	A means by which a full-time job can be undertaken by two people working part time, e.g. 2½ days each.
<i>leadership style</i>	The ways in which the head or senior management team of an organisation treats and deals with employees. The leadership style will determine the degree of trust, flexibility, consultation and delegation.
autocratic	Objectives and tasks are dictated from the top.
democratic	Permits involvement of employees in decision-making.
laissez-faire	Allows employees to undertake tasks with minimal direction and supervision.
participative	Consultation with staff before making decisions.
leasing	Acquiring assets by renting or hiring.
manager	A person responsible for planning, co-ordinating and directing resources. This is a general term, identifying an organisational role from supervisor to managing director.
margin of safety	The amount demand can fall before a business slips below the break even point and makes a loss.
market penetration	A strategy based on pricing (e.g. destroyer) to achieve a high market share.
<i>market place:</i> domestic	Buying and selling in the home market.
global	A presence on all continents.
international	Conducting business on a world-wide basis.
market research	The process of investigating and analysing information about market behaviour and possibilities.
marketing mix	The marketing variables of Price, Product, Place and Promotion (the 4Ps). The most important variable is Product.
marketing planning	A business's objectives and its market strategy.
mission statement	A statement or policy detailing the aims and objectives of an organisation. It provides a focus for both employees and clients.
motivational methods	Ways of encouraging employees to work efficiently and effectively, and to help satisfy their needs.
mutuality sector	The not-for-profit organisations, e.g. charities, life assurance societies, co-operatives.
nationalised industry	The majority or all of an industry is in state ownership, i.e. the public sector. Controlled and financed by the government.

negotiation	The process by which opposing interests (e.g. employees and employers) try to come to mutually acceptable decisions.
objectives	The long-term targets of a business.
<i>organisational structure</i>	The formal organisation of a company, which may adopt one or a mixture of forms.
committee	A means to determine policy. It encourages employee participation and offers the opportunity to debate issues. Committees are used widely in local and national government.
functional	The flow of responsibility and authority is determined by function rather than departmental structure.
line	A simple structure based on functional departments, with a clear line of responsibility and authority from top to bottom.
line and staff	A combination of line and functional. Managers have advisory rather than executive authority.
matrix	A way of organising a business by putting functional managers in charge of teams of specialists (who are also responsible to line managers).
overheads	Also called indirect or fixed costs, e.g. rent, lighting and heating.
partnership	A business owned and financed by 2 to 20 (more in certain cases like banking) partners. A partnership has unlimited liability.
planning permission	In order to build, say, a new factory or office block, an organisation must seek permission from an appropriate authority (e.g. local government).
plough-back profits	Profits retained for renewal and expansion.
pressure group	A group of people with a specific campaign (e.g. a protest against an airport extension, or whale hunting) who seek to influence the policy and decision makers.
<i>pricing:</i>	
absorption cost	Also known as full cost pricing – each product item must bear its share of indirect costs or overheads.
contribution	A contribution is made towards covering indirect or overhead costs. The contribution per unit is the price minus the variable cost per unit.
cost-plus	The average cost of production plus mark-up.
customer-value	The price reflects what people are prepared to pay to obtain status products.
destroyer	Also known as 'predatory pricing' – reducing prices to eliminate or 'destroy' the competition.
discounts and sales	Reductions in price for purchasing in quantity, or for paying cash for a large item, and periodic reductions in price to clear stock.
market-led penetration	The price is dictated by what the market can bear. This is used to introduce a new product in the market – the price is attractive enough to encourage customers to switch brands. In the longer term, once brand loyalty has been established, the price may rise.

price discrimination	Offering the same product or service at different prices, e.g. concessionary rail fares for pensioners or students.
skimming	Charging a higher price for a new product, but for a limited period. High profits are made whilst the product has no competition.
private company	Usually a small or medium-sized organisation, often a family business, not quoted on the stock exchange. It has limited liability.
productivity	The efficiency of an organisation, generally measured in terms of output per employee.
profit	The remainder after all costs have been deducted from revenue. It is the reward for taking business risks, i.e. the justification for being in business.
public corporation	A major business organisation in the public sector, similar to a nationalised industry.
public limited company (plc)	A large business, identified by plc at the end of its name. It is likely to be on the stock exchange and have a wide spread of shareholders.
quality circles	Shop floor discussion groups, whose task is to provide solutions to quality problems.
resources	Essentially, the factors of production (e.g. land, labour, capital and enterprise). They can be renewable or non-renewable.
rolling contract	An employment contract, e.g. for six months, which may be extended at any time, but for not more than six months. It is possible for a person to be employed by a firm for three years on a series of contract extensions.
shares	Shares represent part ownership, and shareholders are the owners of a company. Shares earn an annual dividend, and give the holders the right to vote at the AGM.
SME	Small and medium-sized enterprise. A small business has between 10 and 99 employees and a turnover of less than about \$2.2m; a medium-sized business employs 100–499 people with a turnover of \$2.2–9.2m.
social costs	The costs to the whole community of a business decision, e.g. if an organisation reduces its labour force, the unemployment affects the entire community.
sole trader	Mostly a one-person business, but essentially a business which is the financial responsibility of one person.
span of control	The number of people working directly under a manager.
staff association	Similar to, but not to be confused, with a trade union. It represents employees' interests in a particular organisation, but tends to be 'white collar'.
subsidies	Payments made by government to an industry or organisation, e.g. to help it to compete against foreign competition, or to take on more labour in a depressed region.
substitute goods and services	The availability of alternatives.

<i>taxation:</i>	
direct	Taxes levied on individuals and companies.
indirect	Taxes on goods and services, e.g. Value Added Tax (VAT) or fuel tax.
team working	Employees working on a complete project, rather than specialising and (probably) undertaking repetitive work.
teleworking	Working from home, but being linked to the organisation electronically. Modern technology enables an employee to work any distance away from the organisational centre.
trade association	An organisation set up by the members of a trade or industry to represent their business interests, e.g. to lobby government, to undertake research etc.
trade credit	A business's debt to its suppliers. The usual credit period, i.e. time given to pay the invoice, is one month or 30 days, but it can be as long as 90 days.
trade cycle	The regular or cyclical movement in the economy from slump to boom, downturn to upturn (although most cycles are not so extreme) – thought to be about five years.
trade union	An organisation which represents employees' interests, e.g. pay and conditions, either on a trade or an industry basis.
transport infrastructure	The network of road, rail, water and air links in a country.
turnover	The sum total of all sales in a trading period.
venture capital	Firms, mostly SMEs, in need of development capital are financed by merchant banks. Venture capital is considered high risk capital, and is usually in the form of a loan and shares.
workforce planning	The effective employment of people by forecasting an organisation's requirements, taking into account, for example, the number of employees, training, retirements etc.
5172 Effective Business Communication	
abstract	A document that summarises information.
action points	A list of actions, agreed at a meeting, that must be undertaken by selected individuals.
agenda	A document that outlines the programme of discussion to be followed during a meeting, time allocated for discussion etc.
aims	Long-term intentions.
appendices	Additions to a report that contain explanatory information not necessary to the report as a whole, or that would interrupt the flow of text if included in the report.
bar chart	A diagram that gives a quick comparison between variables, e.g. the number of people working in each department.
briefing	A meeting held to give instructions.
business graphics	Visual diagrams which give a clear representation of data.

chairperson	The person responsible for the smooth running of a meeting.
communication	The process of transferring information from one person to another.
communication channels	The routes taken to transfer information from one person to another.
consultation	A meeting for discussion and information to be considered. Normally, a final decision is not made at this meeting.
counselling interview	A meeting to give advice and information.
criteria	The basis against which the standard is measured.
database	A system that holds an accumulation of information that can be manipulated in certain ways.
desk-top publishing	Computer software packages that allow both graphics and text to be manipulated to produce illustrated documents.
disciplinary interview (hearing)	A meeting to discuss an employee's inappropriate actions.
email	Electronic mail sent from one computer to another.
employment interview	A formal interview to find out about a person's suitability for a vacancy within an organisation.
external	Outside the organisation.
flow chart	A chart showing the relationship process, and procedures of business activities.
formal	Information being passed conforms to the official structures set within the organisation.
Gantt chart	A horizontal bar chart that displays a project's activities in the order that they need to be carried out, and the time required.
group attributes	The characteristics and qualities associated with a group.
hierarchy	The ranking of individuals within an organisation.
ideologies	Particular ideas or ways of thinking.
inappropriate action	Unsuitable responses or activities.
inappropriate language	The use of language that the receiver does not understand, e.g. jargon.
inappropriate medium	An unsuitable method used to convey communication.
incompatible technology	Systems that do not recognise information being sent, and therefore cannot decode messages.
induction interview	A training programme for new recruits that outlines the job, the layout, the health and safety procedures, and the security of an organisation.
informal	Information is passed outside the official channels of communication within an organisation.
internal	Within the organisation.
interviews	Special meetings where people can both speak and listen.
kinesics	Gestures, such as shrugs or eye movement.
line graph	A diagram that joins the points showing the relationship between two variables.

meeting	A gathering of two or more people.
memorandum (memo)	An official written internal document for information that is brief or urgent.
metacommunications	'Pregnant pauses' or silences that allow the receiver to understand the message being sent.
minutes	A written record of a meeting that took place, which summarises accurately the duration and discussions.
multimedia	Electronic means of communication that include audio elements to computer software programs.
non-verbal	Body language, e.g. eye contact, hand gestures etc.
objective	The plan of how you will achieve your aims.
office automation	Technology used in the office.
one-way methods	A communication where the sender receives no feedback.
organisational chart	A diagram showing the position of management and employees within an organisation.
performance appraisal interview	A meeting to discuss the effectiveness of an employee's contribution to the organisation over a period of time.
pie chart	A circle split into proportional 'slices', to represent different items.
presentation	A speech given to an audience.
quality circle	A group that meets to discuss work method and how these could be improved.
report	A written business document.
<i>route</i>	A method of passing information in an organisation.
diagonal	Passing information across different levels of the management hierarchy.
horizontal	Passing information on the same level of the management hierarchy.
vertical	Passing information up and down the management hierarchy.
secretary	A person who takes accurate minutes of a meeting.
seminar	A group which discusses a particular issue.
spreadsheet	A table used to manipulate data stored as figures, often used for accounting information.
table	Rows and columns of information (often figures).
termination interview	A meeting to inform an employee of their dismissal.
treasurer	The person who is responsible for the funds of an organisation.
two-way methods	A communication where the sender receives feedback.
visual communication	A message is made clear to the recipient by use of graphics, colours and fonts. Visual communication reduces written text and is easier to follow.
visual presentation	A speech given to an audience using visual aids (graphics and text presented on handouts, overheads, slides or computer generated).
word-processing	Using a computer to produce written business documents.

5173 Business Finance	
<i>accounting:</i>	
cost	A subsidiary of management accountancy which looks to establish precise information regarding the cost of the business activity.
financial	The preparation of business accounts from business records.
management	The preparation of financial statements, reports and data, for use by managers.
accruals	Costs and revenue, matched with the period in which they occur.
<i>assets</i>	Physical items or claims held by a business which have a monetary value attached to them.
tangible assets	Physical assets, e.g. land, building equipment etc.
intangible assets	Non-physical assets, e.g. patents, trademarks, copyright etc.
current assets	Short-term assets which could be converted into cash within one year.
fixed assets	Longer-term assets which are not liquid in the short term.
net assets	Total assets minus total liabilities.
auditing	An accounting procedure which independently checks the accuracy of a company's accounts.
balance sheet	A summary of the financial position of a business at a point in time, including liabilities and assets.
bank loan	A fixed sum of money, lent for a fixed period of time, at a fixed rate of interest, from one of the commercial banks.
bank reconciliation	The agreement of the bank columns of a cash book.
book value	The current value of an asset: historic cost minus accumulated depreciation.
break-even	The quantity of sales at which total costs equal total revenue.
budgetary control	The monitoring of financial targets for the future.
business entity	Business identity as 'an artificial legal person'.
capital	The money invested in a business by its owners.
capital expenditure	Spending on assets which will last for more than one production time period.
cash book	A ledger which is used for entry of incoming and outgoing payments.
cash flow	Cash inflows and outflows over a period of time.
consistency	The maintenance of valuation decisions.
copyright	The exclusive legal right to an originator of material over that material, e.g. to print, publish, perform or film it.
<i>cost</i>	The expense incurred in operating a business.
direct costs	Costs that a business can link directly with the output of a business, e.g. raw materials.
fixed costs	Costs which do not vary with the number of output units produced.

indirect costs	Costs which cannot be attributed to just one product.
marginal costs	The addition to total costs of producing one extra unit of output.
unit/average cost	The cost of producing a single unit of output: the total cost of production divided by the total output.
variable costs	Costs which vary with the number of output units produced.
credit	A positive entry in an account book, recording a payment received.
credit note	A supplier's note agreeing or certifying a rebate, usually issued on goods returned.
day book	An account book used for the initiation of credit transactions where goods are sold on credit.
debit	A negative entry in an account book, recording a payment made.
debt factoring	Operated by special agencies that 'buy' debts of firms for cash. A short-term source of finance, where the risk of collecting the debt becomes that of a third party (called the factor).
<i>depreciation</i>	The fall in value of assets over time.
reducing balance	A method reducing the value of assets by a fixed percentage each year.
straight-line method	Reducing the value of the asset by calculating the residual value and subtracting from historic cost and then dividing by useful life of the asset.
disclosure	Assumed compliance with accounting standards.
double-entry bookkeeping	A system where entries are made onto books or ledgers as both a credit and as a debit.
forecast	An estimate or calculation of budgets for the future.
going concern	The notion that the business will continue to operate. This ensures that closing balances become opening balances.
historic cost	The valuation of assets at their original cost.
incorporated body	A company recognised in law.
investment	The production of items that are not for immediate consumption; the purchase by a company of equipment and materials that will add to capital stock.
<i>investment appraisal</i>	The analysis of the viability of an investment project.
average rate of return	The measurement of net return per annum expressed as a percentage of initial investment.
internal rate of return	The rate of return at which the net present value is equal to zero.
net present value	The present value of a future income stream minus the initial cost of the investment.
invoice	A list of goods shipped or sent, or services rendered, with prices and charges.
journal	See 'day book'.

<i>ledgers</i>	Account ruled books used for recording information, in money values, of the day-to-day trading of a business.
nominal/general ledger	A ledger recording sales, purchase, bank receipts and payments, cash receipts and payments, transfer of money from accounts etc.
purchase ledger	A ledger recording the goods and services purchased by a business.
sales ledger	A ledger recording the sales made by the business.
<i>liabilities</i>	Items owed by the business – they can be long term or current.
current liabilities	Liabilities that are likely to require repayment within one year.
long-term liabilities	Liabilities with a repayment period beyond one year.
limited liability	The responsibility to the debts of a business is linked to the initial contribution of capital by the owners.
liquidity	The ease with which an asset can be turned into cash.
margin of safety	The difference in quantity terms between the break-even point and the full capacity output of the firm.
matching	The process of relating costs and revenues to the time period in which they occur.
materiality	Items are ignored if they are insignificant to overall results.
money-cycle	Also known as 'circular flow'. The way in which money flows from businesses to households by the exchange of goods and services and factors of production.
money terms	The values of goods and services expressed accurately in terms of currency units.
overdraft	A situation where withdrawals exceed payments in an account.
partnership	An association consisting of 2 to 20 people, who agree to contribute money, labour and skill to a business for the benefit of all, and to share the profits and losses.
patent	A government authority to an individual or organisation, conferring a right or a title.
<i>profit</i>	Total revenue minus total cost.
gross profit	Sales revenue minus cost of sales.
net profit	Gross profit minus trading expenses.
profit centre	Calculating profit for a particular product or section of a business.
profit and loss account	An account showing how the net profit of a business and the retained profit of a company are calculated.
ratio analysis	The interpretation of accounts data to aid decision making.
raw materials	Inputs into production that are provided by nature.
realisation	Profits earned when products are sold legally.
receipt	A record of a payment made.
retained profit	Those profits kept in the business after the owners have taken their share of the profits.

<i>share capital</i>	Funds introduced into the business through the issue of shares.
authorised	The maximum amount of money that can legally be raised through the sales of shares.
bonus (scrip) issue	The 'free' issue of additional shares to existing shareholders from retained profits.
issued	The current amount of share capital sold.
rights issue	The preferential sale of shares to current shareholders.
<i>shares</i>	The division of capital into smaller equal portions.
cumulative shares	Shares which allow for dividends unpaid in one year to be paid in subsequent years.
ordinary shares	Shares which attract variable dividend payments and have strong voting rights – also known as equities.
preference shares	Shares carrying a fixed rate of dividend which is payable from a company's available profits. Preference shares have limited voting rights.
<i>stock valuation</i>	The prudent valuation of the current worth of stocks held.
AVCO	Average Cost method
FIFO	First In/First Out method
LIFO	Last In/First Out method
sole trader	A business in which the owner provides the capital and takes all the profits, and carries the risk of the business alone.
trade credit	An agreement allowing a business to buy goods and services, and to pay for them over a fixed period of time.
trademark	A device or word secured by legal registration.
trading account	The financial statement that records the trading activities of the business and generates the gross profit figure.
transnational/multinational	An organisation whose operations extend beyond national boundaries.
variance analysis	An investigation into the differences between actual and forecasted figures.
venture capital	Also known as 'risk capital'. Capital is provided by an outside investment wishing to make long-term financial gains.
working capital	The excess of current assets over current liabilities.
5174 Marketing	
<i>ad hoc</i> market research	Marketing research carried out as and when required.
Ansoff matrix	A simple matrix developed by Igor Ansoff to show strategic options for products and markets.
attitude surveys	Research carried out to establish individuals' feelings or attitudes towards products, concepts etc.
bias	Errors in sample statistical survey results which may be due to the use of an unrepresentative sample, or to undue influence upon the response by the agency conducting the survey.

Boston matrix	A matrix produced by the Boston Consulting Group in 1968 to help businesses in their product management, and as an analytical tool in their strategic management and portfolio analysis.
competitive advantage	Some benefit or value provided by a product or company, often unique to the organisation concerned, that gives it superiority in the market place.
concentrated marketing	A strategy by which an organisation goes after a large share of one or a few markets.
consumer behaviour	The buying habits or patterns of behaviour of the consuming public, either in general or in specific groups.
consumer panels	Groups of consumers, selected as representative of the population, to report on their purchases and purchasing behaviour.
continuous research	Research studies undertaken on a regular ongoing basis. This is used by many sponsoring companies as a performance-monitoring method.
control	Measures by which the implementation of a plan can be monitored.
corporate objectives	Objectives for the organisation as a whole.
customer care	A marketing concept in which everyone in the whole organisation is encouraged to think and act with the customer in mind. It has special significance in service organisations.
customer orientation	A preoccupation with customer needs within an organisation. It is the basis for marketing theory and practice which dictates that competitive survival, growth and returns on investment are proper rewards for the achievement of consumer satisfaction.
demographic segmentation	The division of a market into groups based on demographic variables, e.g. age, sex, income, occupation, education, religion, race, family size, family life cycle.
differentiated marketing	A strategy in which an organisation decides to target several market segments, and designs different offers for each.
differentiation	Providing a product with a benefit, enabling it to be promoted as a unique brand to one segment of the market. People see it as valuable and they will pay for it, as they believe it is not available elsewhere.
DMU (decision making unit)	A group of people who together contribute to a decision on whether or not, and what, to purchase. It is used more in industrial marketing, but can apply, for example, to a consumer situation (e.g. the multiple household). It usually comprises specifier, influencer, authoriser, gatekeeper, purchaser and user.
field research	That part of a market research survey involving contact with customers, or a representative sample of the population.
focus groups	A small sample group of typical consumers, under the direction of a leader who explores their response to a stimulus, such as an advertisement or new product concept.
marketing audit	The assessment of a company's market place, including its size, the competitors' strengths and weaknesses, distribution channels and the company's present marketing activities, and then relating them to what the company should be doing.

marketing mix	A planned mixture of the elements of marketing in a marketing plan. The aim is to combine them in such a way as to achieve the greatest effect at minimum cost. Also referred to as the 4Ps or the 7Ps.
marketing objective	An organisation aims to be in the market place within a specified time. This may be broken down into products and territories, coupled with sales turnover figures and market share.
marketing orientation	An organisation seeking to identify and quantify customer requirements, and to plan output and profitability accordingly.
marketing planning process	The process of analysing marketing opportunities, selecting target markets, developing appropriate marketing mixes, and putting in measures to control the process.
marketing research	Any research activity that provides information relating to marketing operations. The term embraces conventional market research, but also included are motivation studies, advertisement attention value, packaging effectiveness, logistics and media research, as well as analysis of internal and external statistics of relevance.
market share	The share of a particular market an organisation holds.
market trends	The direction of developments in a market.
niche marketing	Directing marketing activities into a particular market segment.
organisational behaviour	The way in which people behave in an organisation, having regard to the corporate hierarchy and corporate culture, and as distinct from consumer behaviour (e.g. in marketing, organisational purchasing has been held to be largely objective, compared with consumer subjectivity).
PESTLE factors	Political, Economic, Social, Technological, Legal and Environmental analysis of an organisation's environment.
place	One of the elements of the 4Ps marketing mix. It relates to the outlets and channels of distribution in marketing, and also to delivery time in the business-to-business sector.
Porter's generic strategies	Three competitive strategies that organisations can adopt: cost leadership, differentiation, or focus/niching. It is important to ensure that the organisation does not let itself be 'stuck in the middle', with no defined strategy.
price	An agreed exchange value, forming the essential basis for a trading agreement.
primary research	Information gathered for a specific purpose.
product life cycle (PLC)	The stages in the life cycle of a product: introductory, growth, maturity and decline. At each stage, a different marketing mix is appropriate.
product mix	The combination of all product lines and items offered by an organisation.
product specification	The stage of the business buying process in which the buying organisation specifies the best technical product characteristics.
promotion mix	The combination of advertising, public relations, personal selling and sales promotion that a company uses to achieve its promotional objectives.

psychological pricing	A pricing strategy in which the price is used to say something about the product.
psychographics	A technique devoted to the segmentation of markets, using psychological criteria to distinguish between the different segments.
qualitative research	Research used to identify customers' motivations, attitudes and behaviour.
quantitative research	Research which collects sufficient data to allow statistical analysis.
relationship marketing	The deliberate building of extra strong relations with existing and past customers. This is based on the rationale that new and further business from that source is easier, faster, and much less expensive than gaining new customers. The development of effective relationships should involve a wide range of one's own staff with as many relevant customer staff.
sample	A section of the population, selected for marketing research to represent the population as a whole.
secondary research	Information that already exists, having been gathered for another purpose.
segmentation	The breakdown of market into discrete and identifiable elements, each of which may have its own special requirements of a product, and each of which is likely to exhibit different habits affecting its exposure to advertising media. Other marketing factors (e.g. optimum price, quality, packaging and distribution) are likely to differ from one segment to another. Typical breakdowns are based on age, social standing, income, sex, geographical location, or leisure pursuits.
societal marketing	A marketing principle which involves the consideration of customers' wants, company requirements, consumers' long term interests and society's long term interests.
strategy	A plan, sometimes in outline only, for reaching certain objectives. It is usually quantified and more often on a relatively long time base.
SWOT	Strengths, Weaknesses, Opportunities, Threats – a situation assessment used in marketing planning.
test marketing	A method of testing a marketing plan on a limited scale, simulating as nearly as possible all the factors involved in a national campaign. It is usually carried out in a restricted but representative location, often a particular TV region. This procedure enables a marketing company to obtain an indication of likely market acceptance, without the full commitment and expense of a national launch. It also exposes the product and the plan to competitors, and consequently the results of the test can seldom be regarded as absolutely conclusive.
TQM (total quality management)	An important management procedure in which high quality standards are set for all operations, including marketing, and subsequently measured and monitored. Many business practices are expected to conform to laid down national and international standards, from which they gain an important competitive advantage.
undifferentiated marketing	Products or services are aimed at the entire population, without any attempt to offer or suggest a unique benefit to any segment.

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absenteeism	Not genuine absence from work, but deliberate absence or truancy, caused by poor working conditions, low pay, boring work etc.
annualised hours	An example of flexible working, the measurement of work in hours per year rather than per week. This method involves the employee working more hours in busy periods, and vice versa.
appraisal	The process of assessing the progress and effectiveness of an employee.
aptitude test	A means of measuring or assessing a person's mental and physical abilities to perform certain tasks.
bonus	An additional payment for reaching a sales or production target, or in recognition of service, or a share of profits.
centralisation	All authority to take decisions is held by the senior management.
certification	The award of a certificate or statement, as evidence that a person has achieved a certain standard in training. The certificate may be issued by a college, the company, a professional association or the government.
collective bargaining agreement	An agreement resulting from negotiation between employers and employees (usually a trade union), which affects a whole category of employees within an industry or organisation.
conflict	Basic disagreement between employees and employers. The reason for conflict may be pay, conditions, redundancy proposals etc. Conflict may result in strike action.
consultation	The process of seeking the views of others before making a decision.
contracting out	Giving tasks to independent or outside suppliers, rather than directly employing the staff to do them, e.g. cleaning, computer servicing, catering.
CV (i.e. curriculum vitae)	A document that normally accompanies an application form, and contains the details about a candidate's career history.
decentralisation	The authority to take decisions is delegated downwards through the chain of command, giving more responsibility to those in less senior positions.
differentials	Differences in pay between one grade or level of employee and another. Differentials normally reflect the degree of skill and responsibility.
disciplinary procedure	The process by which employees are reprimanded, punished or even dismissed in the event of their failure to work according to their employment contract and/or company code of conduct.
discrimination	The unfair selection or categorising of people for reasons other than ability (e.g. race, colour, gender).
dismissal	The loss of one's job, also known as 'being given the sack', owing to incompetence or some infringement of conduct or rule.
employee relations	Generally, the relationships at work between management and workforce, union and non-union members. It includes policies affecting the workforce.

employers' association	An organisation representing the interest of employers, within either an economic sector or an industry. Its activities include research, public relations, negotiation and lobbying.
employment contract	A legal document or agreement that sets out the terms and conditions of either a specific job or a category of job.
employment protection	The structure of laws, regulations and agreements that safeguard employees from, for example, unfair dismissal, exploitation, or inadequate pay.
equal opportunities	Employees and prospective employees have equal chances of advancement and employment, regardless of their religion, gender, disability or race.
exit interviews	Interviewing all personnel leaving the company, in order to find out why they are going. It is a means of monitoring whether people are happy or discontented at work.
fixed rate	A rate of pay that is fixed, and generally applied to work that is not easily measured.
fixed-term contract	An employment contract for a specific period of time, usually for a particular task.
flexitime	An arrangement allowing employees to complete their working week at times largely convenient to them. Generally, employees must work a minimum number of hours in any particular time period, but starting and finishing times are flexible.
fringe benefits	Benefits given to employees in addition to wages or salary (e.g. company car, subsidised meals, medical insurance). Fringe benefits help to motivate staff and to maintain their loyalty.
functional working structure	The flow of responsibility and authority is determined by function, with little or no reference to departmental structure. Each function is managed or directed by a specialist, and this structure reduces the authority of line management.
grievance procedure	The means by which employees can seek to resolve complaints of alleged or real breaches of the terms and conditions of their employment.
health and safety	Employers should provide, as far as is practicable, a safe working environment and appropriate safety equipment, clothing and training.
human resource management	The employment, training and development of a company's workforce, to be effective and efficient.
induction training	An initial or introductory programme, designed to ease new employees into a company. The emphasis is on rules and procedures, key personnel, terms and conditions.
job creation	Schemes sponsored by government and/or business, to create employment in economically depressed areas.
job description	A detailed statement identifying what a job entails (i.e. the nature of the work, responsibilities, tasks, measurement of performance, accountability).

job satisfaction	The extent to which employees feel positively about themselves and their work, which can be encouraged by recognition of effort. The lack of job satisfaction will lead to absenteeism, high staff turnover etc.
kaizen	The concept of continual improvement, based on shop-floor ideas on how to solve production problems and complete tasks more efficiently.
labour retention rate	The measurement of how stable the workforce is (i.e. determining the proportion of employees remaining in the company).
labour turnover rate	The rate at which people leave the organisation.
lifelong learning	The idea that learning (education and training) is an ongoing experience.
line managers	Managers who operate in a hierarchical structure. A certain amount of authority and responsibility is delegated to them, and they may delegate in turn.
matrix working structure	A structure that emphasises the use of project teams. It encourages the skills of people, regardless of their status within the organisation.
media	The means or channels through which jobs can be advertised, including radio, television, magazines and journals, cinema, posters, newspapers.
mediation	The process of getting both sides in a dispute to come to an agreement.
minimum wage	An agreed or suggested minimum rate of pay, for an industry or for the workforce as a whole. It is designed to protect the lower paid, as it attempts to achieve a living wage.
mission statement	The aims of the organisation are set out in an attempt to encourage a sense of common purpose. It provides a focus on the organisation's goals and culture.
motivation	The inner force or drive that reflects the way people respond to work and tasks generally. A well-motivated person will achieve more.
negotiation	The process by which opposing interests (e.g. employers and employees), try to come to mutually acceptable decisions.
operational purpose (human resources)	The targets that must be achieved by human resources in order that the strategic targets or purposes can be fulfilled. Operational targets are short to medium term.
payment by results	Sometimes referred to as PBR. A system of wages designed to achieve specific targets or a higher rate of output generally. Commission is an example of PBR.
pensions	Income on retirement, funded by payments made through the government, an employer or the individual, during their working life.
person specification	A description of the qualities, attributes and characteristics required in a person to carry out a particular job.
piece-work	A method of wages based on output. The employee receives a payment or rate for each item produced.
problem-solving mechanism	A process which seeks to resolve problems and conflicts at work through, for example, disciplinary and grievance procedures.

professional body or association	An organisation that can be regarded as a form of trade union, as it may represent its membership in bargaining with employers, but it is also responsible for setting and maintaining professional standards.
profit-sharing	Employees are paid a share of the company's profits, usually in the form of an annual cash bonus.
promotion	The progress from one appointment or job to a better or higher one. Promotion implies improvement in status, pay and opportunity.
psychometric test	A test designed to measure or reveal a person's personality. It is usually applied to the recruitment process, and used to determine whether or not a candidate will fit into the organisation.
recruitment	The process of attracting suitable personnel to fill the vacancies in the organisation.
redundancy	A form of dismissal, except that redundancy can only occur if a particular job or function ceases to exist. A company cannot declare a person redundant and then appoint someone else to the same job.
references	Written statements in support of a candidate's job application, containing comments about the person's character, abilities and suitability. References are important to the recruitment process.
resignation	An employee voluntarily ends the employment contract by leaving the company. The period of notice they must give will depend upon the nature of the contract and the status of the employee.
retirement	An employee either reaches the end of their working life, or chooses to give up work altogether, to live on a pension.
salary	A method of pay based on a year's work (e.g. a job may carry a salary of \$20,000, and for that the employee is expected to do the job, regardless of the hours it takes).
selection	The process of choosing the most appropriate candidate from those available.
service contract	An employment contract mostly given to senior management, and usually specifying long periods of notice and high compensation payments (in the case of dismissal).
share option scheme	An incentive, usually offered to management, which permits them to buy company shares at a future date, say within three to five years, at today's price (e.g. if the current share price is 50 cents and a future purchase is made when the price is \$2, then the executive can sell the shares and make \$1.50 profit on each).
shift system	Work is undertaken during non-standard working hours, usually in 3 × 8-hour shifts in every 24-hour cycle. Shifts are introduced to maximise the use of plant and equipment, and to increase output.
sick pay	Paid to employees who are absent from work due to illness. The amount paid is less than the normal rate of pay, but is income related.
social costs	The costs to the whole community of a business decision (e.g. if a company issues redundancy notices, the resulting unemployment may affect the entire community).

strategic purpose (human resources)	The long-term objectives of human resources which reflect the company's goals.
succession planning	The policy to fill senior posts when managers leave or retire. It is based on appointing the best, in accordance with the organisation's development programme. In practical terms, it may not result in deputy or assistant managers being promoted.
support costs	Costs, additional to pay, involved in employing staff (e.g. protective clothing, training, company pension scheme).
task group	A group of employees brought together to deliver a particular element of a project – generally a temporary team, until the project is complete.
team performance	The assessment of a team's target setting and achievement.
total quality management (TQM)	A method of monitoring the production process, to prevent errors and poor quality. It attempts to influence the attitudes and actions of the workforce, in order to create a quality culture.
trade union	An organisation representing employees' interests (e.g. pay, safety, training, conditions).
training: off-the-job	All forms of training carried out away from the actual workplace (e.g. college, training centre, conference room).
training: on-the-job	Training or instruction carried out at the actual place of work.
training needs analysis	If training is to be cost effective it must reflect the actual rather than the assumed needs of the workplace. Training needs analysis identifies what is required.
turnover	The number of people that leave a business over a period, as a percentage of the average number of people employed.
wage	A method of pay based on one hour's work. The pay packet may be issued weekly, but it will represent the actual hours worked.
welfare activity	Apart from recruitment, training and discipline, human resources is concerned with the health and welfare of the workforce (e.g. protective clothing, medical examinations, safety, sports and social amenities, counselling).
worker director	A representative of the workforce who sits on the board of directors (as an acknowledged director, not just as an observer).
working at home	The employee's workbase is home, rather than the office or factory. The work may be simple table-top assembly, or organised electronically via a modem. It is also known as teleworking. It is possible to work for a company from the other side of the world.
works council	A meeting or committee, comprising representatives from both management and the general workforce, which discusses the development and improvement of the company and its processes.

6. Appendix

6.1 International standards terminology

The list below identifies the international standards terminology and current Cambridge/UK usage. Cambridge anticipates including well-known standards, which are relevant to the level of study, in question papers, mark schemes and associated documents.

Centres should use the new terminology in their teaching and learning materials so that candidates are familiar with the terms. Candidates will **not** lose marks for using different terms.

International usage	Current Cambridge/UK usage
Statement of financial position (balance sheet)	<i>Balance sheet</i>
Bank (and other) loans/ Interest bearing loans and borrowing	<i>Loans repayable after 12 months</i>
Bank overdrafts and loans/ Interest bearing loans and borrowing	<i>Loans repayable within 12 months</i>
Capital or equity/shareholders' equity	<i>Capital</i>
Cash (and cash equivalents)	<i>Bank and cash</i>
Cost of sales	<i>Cost of goods sold</i>
Current assets	<i>Current assets</i>
Current liabilities	<i>Current liabilities/ Creditors: amounts due within 12 months</i>
Finance costs	<i>Interest payable</i>
Finance income/investment revenues	<i>Interest receivable</i>
Financial statements	<i>Final accounts</i>
Gross profit	<i>Gross profit</i>
Income statement (statement of comprehensive income)	<i>Trading and profit and loss account</i>
Intangible assets	<i>Goodwill etc.</i>
Inventory/inventories (of raw materials and finished goods)	<i>Stock</i>
Investment property	<i>Investments</i>
Non-current assets	<i>Fixed assets</i>
Non-current liabilities	<i>Long term liabilities/ Creditors: amounts falling due after more than one year</i>
Operating profit	<i>Net profit</i>
Other operating expenses	<i>Sundry expenses (administration and distribution)</i>

Other operating income	<i>Sundry income</i>
Other payables	<i>Accruals</i>
Other receivables	<i>Prepayments</i>
Plant and equipment	<i>Plant and equipment</i>
Property	<i>Land and buildings</i>
Raw materials Ordinary goods purchased	<i>Purchases</i>
Revenue	<i>Sales</i>
Share capital	<i>Share capital</i>
Trade payables	<i>Creditors</i>
Trade receivables	<i>Debtors</i>
Work in progress	<i>Work in progress</i>