1.1 Enterprise and entrepreneurship

Dynamic nature of business	The idea that business is ever-changing because external factors, such as technology, are always changing
Demand	The number of units that customers want – and can afford – to buy.
Entrepreneurs	Business people who see opportunities and are willing to take risks in making them happen
Obsolete	A product or service with sales that have declined or come to an end as customers find something new.
Adapting existing products	Finding new products based on the original one
Competitive advantage	A feature of a business that helps it to succeed against rivals. Original ideas: ideas that have not been done before.
Business risks	Business failure and lack of financial security.
Customer needs	The products or services people need to make life comfortable
How to add value	Convenience, branding, quality, design, unique selling points.
The role of entrepreneurship	Organises resources, makes business decisions, takes risks
Business Rewards	Business success, profit, independence
Why new business ideas come about	Changes in technology, changes in what consumers want. products and services becoming obsolete.
USP Unique selling point	An original feature of a product that rivals aren't offering.
Branding	Giving a product or service 'personality', with a name and logo that makes it stand out

1.2 Spotting a business opportunity

Types of customer needs	price, quality, choice, convenience
Identifying customers	Finding out who they are: their age, gender, incomes, where they live and what they want
Understanding customers	Learning why customers do what they do, making it easier to see how to make a product that better suits them.
Importance of understanding customers	Generating sales, business survival.
Market Research	The action or activity of gathering information about consumers' needs and preferences.
Purpose of market research	To identify and understand customer needs, to identify gaps in the market, to reduce risk and to inform business decisions.
Primary research	First hand e.g. Survey, questionnaire, focus group, observation
Secondary research	When a company uses research that has already been carried out for general purposes e.g. Internet, market reports, government reports.
Qualitative data	In-depth research into the opinions and views of a small group of potential or actual customers; it can provide insight into why consumers buy what they buy.

1.2 Spotting a business opportunity continued

Quantitative data	Factual research among a large enough sample of people to provide statistically reliable results - a survey of 500 people aged 15–24 years.
Market segmentation	Dividing customers within a market into smaller groups with common wants or needs.
Identifying market segments	location, demographics, lifestyle, income, age
Market mapping	To identify a gap in the market and the competition.
Demographics	The study of the statistical differences that exist within a population, both now and in the future.
Competitive environment	The strength of competition between companies in the same market.
Understanding the competitive environment	Strengths and weaknesses of competitors based on: price, quality, location, product range and customer service

Topic 1.3 Putting a business idea into practice

Aims and Objectives	Aims are long term goals, objectives are short term targets- usually linked to the aims
SMART Objectives	Targets that are specific, measurable, achievable, realistic and time-bound.
Financial aims and objectives	survival, profit, sales, market share, financial security
Non-financial aims and objectives	Social objectives, personal satisfaction, challenge, independence and control.
Survival	keeping the business going, which ultimately depends on determination and cash.
Revenue	This is the income generated from sales - Revenue = Price x quantity sold
Fixed Costs	Costs are what the business pay to operate their business. Fixed costs have to be paid regardless of how many items are sold. Examples of fixed costs include: rent, salaries, insurance.
Variable Costs	Costs that vary as output varies, such as raw materials. e. Examples include: packaging and raw materials. Variable costs = Variable cost per unit x Units produced.
Total Costs	All the costs for a set period of time, such as a month. Total costs = variable costs + fixed costs
Profit	Profit is the difference between revenue and costs. Total revenue – total costs
Break-even	The level of sales at which total costs are equal to total revenue. At this point the business
Break- even formula	Break-even output = fixed costs / Price variable costs per unit
Margin of safety	The amount by which demand can fall before the business starts making losses.

Topic 1.3 Putting a business idea into practice continued

The importance of cash to a business	To pay suppliers, overheads and employees, to prevent business failure (insolvency), the difference between cash and profit.
Cash Flow	The movement of money into and out of the firm's bank account. It is the difference between cash inflows (receipts) and cash outflows (payments).
Cash flow forecast	A prediction of future cash flows.
Closing balance	the amount of cash left in the bank at the end of the month. Closing balance = net cash flow + opening balance.
Negative Cash Flow	when cash outflows are greater than cash inflows
Net Cash Flow	net cash flow = cash inflows – cash outflows.
Opening balance	The amount of cash in the bank at the start of the month. Opening balance = closing balance of the previous period.
Short term source of finance	Is finance that is required for less than a year - overdraft and trade credit
Long term source of finance	Is required for longer than a year. A business might need finance for: start up capital, buying fixed assets like buildings or machinery - Personal savings, venture capital, share capital, loans, retained profit and crowd funding.
Crowdfunding	Raising capital online from many small investors (but not through the stock market).
Dividends	Payments made to shareholders from the company's yearly profits. The directors of the company decide how large a dividend payment to make
Retained Profits	Profit kept within the business (not paid out in dividends); this is the best source of finance for expansion.
Share Capital	Raising finance by selling part ownership in the business. Shareholders have the right to question the directors and to receive part of the yearly profits.
Trade Credit	When a supplier provides goods but is willing to wait to be paid – for perhaps up to three months. This helps with cash flow.
Venture Capital	A combination of share capital and loan capital, provided by an investor willing to take a chance on the success of a small to medium-sized business.

1.4 Making the business effective

Limited Liability	Restricting the losses suffered by owners/shareholders to the sum they invested in the business
Unlimited liability	Treating the business and the individual owner as inseparable, therefore making the individual responsible for all the debts of a failed business.
Sole Trader	A business run by one person; that person has unlimited liability for any business debts.
Franchising	Paying a franchise owner for the right to use an established business name, branding and business methods.
Public Limited Company (PLC)	Larger businesses may choose to become a public limited company (Plc). In a Plc, **shares** are sold to the public on the **stock market**. People who own shares are called 'shareholders'. They have limited liability
Private Limited Company (ltd)	Can be a small or large business which have **limited liability** and often these types of business have '**Ltd**' after the business name and are owned by shareholders

1.4 Making the business effective continued

Partnerships	Partnerships are businesses with unlimited liability that are owned and run by 2-20 people
Factors- location	proximity to: market, labour, materials and competitors
Marketing Mix	◆ product ◆ price ◆ promotion ◆ place
Place	How and where the supplier is going to get the product or service to the consumer; it includes selling products to retailers
Price	Setting the price that retailers must pay.
Product	Targeting customers with a product that has the right blend of functional and aesthetic benefits without being too expensive to produce.
Promotion	All the methods that a business uses to persuade customers to buy, for example branding, packaging, advertising etc
Business Plan	A detailed document setting out the marketing and financial thinking behind a proposed new business. Including name, costs, aims etc

1.5 Understanding external influences on business

Stakeholders	All those groups with an interest in the success or failure of a business. E.g. customers, shareholders, employees etc
E-Commerce	Selling online rather than in a physical one-to-one transaction..
Payment systems	Ways of paying electronically such as PayPal.
Digital Communication	Messages or conversations conducted via email, text or social media.
Consumer Law	Acts of parliament that are intended to protect customers from misleading or dangerous practices by companies. Protects quality and consumer rights
Consumer Rights	Laws that empower the consumer to demand certain minimum standards from every business supplier
Employment Law	Law to protect employees from discrimination- recruitment, pay, discrimination and health and safety.
Legislation	Laws passed by acts of parliament; breaking these laws may result in a fine or even a prison sentence. It covers consumer law and employment law.
Economy	The state of a country or region in terms of the production and consumption of goods and services and the supply of money
The impact of the economic on business	Unemployment, changing levels of consumer income, inflation, changes in interest rates, government taxation, changes in exchange rates.
Inflation	The rate of increase in the average price level.
Taxation	Charges placed by government on goods, imported goods and the incomes of individuals and companies
Exchange rate	the value of one currency measured by how much it will buy of other currencies.