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CAIE A2 LEVEL
BUSINESS (9609)

SUMMARIZED NOTES ON THE DEFINITIONS SYLLABUS

1. Definitions

1. Globalisation – the increasing freedom of movement of goods, capital and people around the world
2. Free trade – no restrictions or trade barriers exist that might prevent or limit trade between countries
3. Tariffs – taxes imposed on imported goods to make them more expensive than they would otherwise be
4. Quotas – limits on the physical quantity or value of certain goods that may be imported
5. Voluntary export limits – an exporting country agrees to limit the quantity of certain goods sold to one country (possibly to discourage the setting of tariffs/quotas)
6. Protectionism – using trade barriers to free trade to protect a country's own domestic industries
7. Multinational business – business organisation that has its headquarters in one country, but with operating branches, factories and assembly plants in other countries
8. Privatisation – selling state-owned and controlled business organisations to investors in the private sector
9. External growth – business expansion achieved by means of merging with or taking over another business, from either the same or different industry
10. Merger – an agreement by shareholders and managers of two businesses to bring both firms together under a common board of directors with shareholders in both businesses owning shares in the newly merged business
11. Takeover – when a company buys more than 50% of the shares of another company and becomes the controlling owner of it – often to as 'acquisition'
12. Synergy – literally means that 'the whole is greater than the sum of parts', so in integration it is often assumed that the new, larger business will be more successful than the two formerly separate, businesses were
13. Monopoly – theoretically a situation in which there is only one supplier, but this is very rare: for government policy purposes this is usually redefined as a business controlling at least 25% of the market
14. Social audit – a report on the impact a business has on society – this can cover pollution levels, health and safety record, sources of supplies, customer satisfaction and contribution to the community
15. Information technology – the use of electronic technology to gather, store, process and communicate information
16. Innovation – creating more effective processes, products or ways of doing things in a business
17. Computer-aided design (CAD) – using computers and IT when designing products
18. Computer-aided manufacturing (CAM) – the use of computers and computer-controlled machinery to speed up the production process and make it more flexible
19. Environmental audits – assess the impact of a business's activities on the environment
20. Social audit – a report on the impact a business has on society. This can cover pollution levels, health and safety record, sources of supplies, customer satisfaction and contribution to the community
21. Pressure groups – organisations created by people with a common interest or aim who put pressure on businesses and governments to change policies so that an objective is reached
22. Economic growth – an increase in a country's productive potential measured by an increase in its real GDP
23. Gross domestic product (GDP) – the total value of goods and services produced in a country in one year – real GDP has been adjusted for inflation.
24. Business investment – expenditure by businesses on capital equipment, new technology and research and development
25. Business cycle – the regular swings in economic activity, measured by real GDP, that occur in most economies, varying from boom conditions (high demand and rapid growth) to recession when total national output declines
26. Recession – a period of six months or more of declining real GDP
27. Inflation – an increase in the average price level of goods and services – it results in a fall in the value of money
28. Deflation – a fall in the average price level of goods and services
29. Working population – all those in the population of working age who are willing and able to work
30. Unemployment – this exists when members of the working population are willing and able to work, but are unable to find a job
31. Cyclical unemployment – unemployment resulting from low demand for goods and services in the economy during a period of slow economic growth or recession
32. Structural unemployment – unemployment caused by the decline in important industries, leading to significant job losses in one sector of industry
33. Frictional unemployment – unemployment resulting from workers losing or leaving jobs and taking a substantial period of time to find alternative employment
34. Balance of payments (current account) – this account records the value of trade in goods and services between one country and the rest of the world. A deficit means that the value of goods and services imported exceeds the value of goods and services exported

35. Exchange rate – the price of one currency in terms of another
36. Exchange rate depreciation – a fall in the external value of a currency as measured by its exchange rate against other currencies. If $1 falls in value from €2 to €1.5, the value of the dollar has depreciated in value
37. Imports – goods and services purchased from other countries
38. Exports – goods and services sold to consumers and business in other countries
39. Exchange rate appreciation – a rise in the external value of a currency as measured by its exchange rate against other currencies. If $1 rises from €1.5 to €1.8, the value of the dollar has appreciated
40. Fiscal policy – concerned with decisions about government expenditure, tax rates and government borrowing – these operate largely through the government's annual budget decisions
41. Government budget deficit – the value of government spending exceeds revenue from taxation
42. Government budget surplus – taxation revenue exceeds the value of government spending
43. Monetary policy – is concerned with decisions about the rate of interest and the supply of money in the economy
44. Market failure – when markets fail to achieve the most efficient allocation of resources and there is under- or overproduction of certain goods or services
45. External costs – costs of an economic activity that are not paid for by the producer or consumer, but by the rest of society
46. Income elasticity of demand – measures the responsiveness of demand for a product after a change in consumer incomes
47. Hard HRM – an approach to managing staff that focuses on cutting costs, e.g., temporary and part-time employment contracts, offering maximum flexibility but with minimum training costs
48. Soft HRM – an approach to managing staff that focuses on developing staff so that they reach self-fulfilment and are motivated to work hard and stay with the business
49. Part-time employment contract – employment contract that is for less than the normal full working week of, say, 40 hours, e.g., eight hours per week
50. Temporary employment contract – employment contract that lasts for a fixed time period, e.g., six months
51. Flexi-time contract – employment contract that allows staff to be called in at times most convenient to employers and employees, e.g., at busy times of day
52. Outsourcing – not employing staff directly, but using an outside agency or organisation to carry out some business functions
53. Teleworking – staff working from home but keeping contact with the office by means of modern IT communications
54. Zero-hours contract – no minimum hours of work are offered and workers are only called in-and paid-when work is available
55. Labour productivity – the output per worker in a given time period
    Labour productivity = total output in time period/total workers employed
56. Absenteeism – measures the rate of workforce absence as a proportion of the employee total
    Absenteeism = no. of employees absents/total no. of employees * 100
57. Workforce planning – analysing and forecasting the numbers of workers and the skills of those workers that will be required by the organisation to achieve its objectives
58. Workforce audit – a check on the skills and qualifications of all existing workers/managers
59. Trade union – an organisation of working people with the objective of improving the pay and working conditions of their members and providing them with support and legal services
60. Trade union recognition – when an employer formally agrees to conduct negotiations on pay and working conditions with a trade union rather than bargain individually with each worker
61. Collective bargaining – the process of negotiating the terms of employment between an employer and a group of workers who are usually represented by a trade union official
62. Terms of employment – include working conditions, pay, work hours, shift length, holidays, sick leave, retirement benefits and health care benefits
63. Single-union agreement – an employer recognises just one union for purposes of collective bargaining
64. No-strike agreement – unions agree to sign a no-strike agreement with employers in exchange for greater involvement in decisions that affect the workforce
65. Industrial action – measures taken by the workforce or trade union to put pressure on management to settle an industrial dispute in favour of employees
66. Organisational structure – the internal, formal framework of a business that shows the way in which management is organised and linked together and how authority is passed through the organisation
67. Matrix structure – an organisational structure that creates project teams that cut across traditional functional departments
68. Level of hierarchy – a stage of the organisational structure at which the personnel on it have equal status and authority
69. Chain of command – this is the route through which authority is passed down an organisation – from the chief executive and the board of directors
70. Span of control – the number of subordinates reporting directly to a manager
71. Delegation – passing authority down the organisational hierarchy

72. Centralisation: keeping all of the important decision-making powers within head office or the centre of the organisation
73. Decentralisation: decision-making powers are passed down the organisation to empower subordinates and regional/product managers
74. Delayering – removal of one or more of the levels of hierarchy from an organisational structure
75. Line managers – managers who have direct authority over people, decisions and resources within the hierarchy of an organisation
76. Staff managers – managers who, as specialists, provide support, information and assistance to line managers
77. Informal organisation – the network of personal and social relations that develop between people within an organisation
78. Effective communication – the exchange of information between people or groups, with feedback
79. Communication media – the methods used to communicate a message
80. Information overload: so much information and so many messages are received that the most important ones cannot be easily identified and quickly acted on – most likely to occur with electronic media.
81. Communication barriers – reasons why communication fails
82. Formal communication networks – the official communication channels and routes used within an organisation
83. Informal communication – unofficial channels of communication that exists between informal groups within an organisation
84. Marketing plan – a detailed, fully researched written report on marketing objectives and the marketing strategy to be used to achieve them
85. Income elasticity of demand – measures the responsiveness of demand for a product following a change in consumer incomes
    Income elasticity of demand = % change in demand for the product/% change in consumer incomes
86. Promotional elasticity of demand – measures the responsiveness of demand for a product following a change in the amount spent on promoting it
    Promotional elasticity of demand = % change in demand for the product/% change in promotional spending
87. Cross elasticity of demand – measures the responsiveness of demand for a product following a change in the price of another product
88. New product development (NPD) – the design, creation and marketing of new goods and services
89. Test marketing – the launch of the product on a small-scale market to test consumers' reactions to it
90. Research and development – the scientific research and technical development of new products and processes
91. Sales forecasting – predicting future sales levels and sales trends
92. Sales-force composite – a method of sales forecasting that adds together all of the individual predictions of future sales of all the sales representatives working for a business
93. Delphi method – a long-range qualitative forecasting technique that obtains forecasts from a panel of experts
94. Jury of experts – uses the specialists within a business to make forecasts for the future
95. The trend – the underlying movement in a time series
96. Seasonal fluctuations – the regular and repeated variations that occur in sales data within a period of 12 months
97. Cyclical fluctuations – these variations in sales occur over periods of time of much more than a year and are due to the business cycle
98. Random fluctuations – these can occur at any time and will cause unusual and unpredictable sales figures – examples include exceptionally poor weather or negative public image following a high-profile product failure
99. Globalisation – the growing trend towards worldwide markets in products, capital and labour, unrestricted by barriers
100. Multinational companies – businesses that have operations in more than one country
101. Free international trade – international trade that is allowed to take place without restrictions such as 'protectionist' tariff s and quotas
102. Tariff – tax imposed on an imported product
103. Quota – a physical limit placed on the quantity of imports of certain products
104. International marketing – selling products in markets other than the original domestic market
105. BRICS – the acronym for five rapidly developing economies with great market opportunities – Brazil, Russia, India, China and South Africa
106. Pan-global marketing – adopting a standardised product across the globe as if the entire world were a single market – selling the same goods in the same way everywhere
107. Global localisation – adapting the marketing mix, including differentiated products, to meet national and regional tastes and cultures
108. Capacity utilisation – the proportion of maximum output capacity currently being achieved
109. Excess capacity – exists when the current levels of demand are less than the full capacity output of a business – also known as spare capacity
110. Rationalisation – reducing capacity by cutting overheads to increase efficiency of operations, such as closing a factory or off ice department, often involving redundancies
111. Full capacity – when a business produces at maximum output Capacity shortage – when the demand for a business's products exceeds production capacity

112. Outsourcing – using another business (a 'third party') to undertake a part of the production process rather than doing it within the business using the firm's own employees
113. Business-process outsourcing (BPO) – a form of outsourcing that uses a third party to take responsibility for certain business functions, such as HR and finance
114. Lean production – producing goods and services with the minimum of wasted resources while maintaining high quality
115. Simultaneous engineering – product development is organised so that different stages are done at the same time instead of in sequence
116. Cell production – splitting flow production into self-contained groups that are responsible for whole work units
117. Kaizen – Japanese term meaning continuous improvement
118. Quality product – a good or service that meets customers' expectations and is therefore 'fit for purpose'
119. Quality standards – the expectations of customers expressed in terms of the minimum acceptable production or service standards
120. Quality control – this is based on inspection of the product or a sample of products
121. Quality assurance – a system of agreeing and meeting quality standards at each stage of production to ensure consumer satisfaction
122. ISO 9000 – this is an internationally recognised certificate that acknowledges the existence of a quality procedure that meets certain conditions
123. Total quality management – an approach to quality that aims to involve all employees in quality-improvement
124. Internal customers – people within the organisation who depend upon the quality of work being done by others
125. Zero defects – achieving perfect products every time
126. Benchmarking – involves management identifying the best firms in the industry and then comparing the performance standards – including quality – of these businesses with those of their own business
127. Project – a specific and temporary activity with a start and end date, clear goals, defined responsibilities and a budget
128. Project management – using modern management techniques to carry out and complete a project from start to finish in order to achieve pre-set targets of quality, time and cost
129. Critical path analysis – a planning technique that identifies all tasks in a project, puts them in the correct sequence and allows for the identification of the critical path
130. Critical path – the sequence of activities that must be completed on time for the whole project to be completed by the agreed date
131. Network diagram – the diagram used in critical path analysis that shows the logical sequence of activities and the logical dependencies between them – so the critical path can be identified
132. Cost centre – a section of a business, such as a department, to which costs can be allocated or charged
133. Profit centre – a section of a business to which both costs and revenues can be allocated – so profit can be calculated
134. Full costing – a method of costing in which all fixed and variable costs are allocated to products, services or divisions of a business
135. Contribution or marginal costing – costing method that allocates only direct costs to cost/profit centres, not overhead costs
136. Budget – a detailed financial plan for the future
137. Budget holder – individual responsible for the initial setting and achievement of a budget
138. Variance analysis – calculating differences between budgets and actual performance, and analysing reasons for such differences
139. Delegated budgets – giving some delegated authority over the setting and achievement of budgets to junior managers
140. Incremental budgeting – uses least year's budget as a basis and an adjustment is made for the coming year
141. Zero budgeting – setting budgets to zero each year and budget holders have to argue their case to receive any finance
142. Flexible budgeting – cost budgets for each expense are allowed to vary if sales or production vary from budgeted levels
143. Adverse variance – exists when the difference between the budgeted and actual figure leads to a lower-than-expected profit
144. Favourable variance – exists when the difference between the budgeted and actual figure leads to a higher-than-expected profit
145. Intellectual property – the amount by which the market value of a firm exceeds its tangible assets less liabilities – an intangible asset
146. Market value – the estimated total value of a company if it were taken over
147. Capital expenditure – any item bought by a business and retained for more than one year, that is the purchase of fixed or non-current assets
148. Revenue expenditure – any expenditure on costs other than non-current asset expenditure
149. Depreciation – the decline in the estimated value of a noncurrent asset over time
    Assets decline in value for two main reasons: normal wear and tear through usage & technological change, making either the asset, or the product it is used to make, obsolete
150. Net book value – the current Statement of financial position value of a non-current asset = original cost – accumulated depreciation

151. Straight-line depreciation – a constant amount of depreciation is subtracted from the value of the asset each year.
Straight line depreciation = original cost of asset-expected residual value/expected useful life of asset (years)
152. Net realisable value – the amount for which an asset (usually an inventory) can be sold minus the cost of selling it – it is only used on Statements of financial position when NRV is estimated to be below historical cost
153. Return on capital employed (%) – operating profit/capital employed × 100
154. Capital employed – the total value of all long-term finance invested in the business: it is equal to (non-current assets + current assets) − current liabilities or non-current liabilities + shareholders' equity
155. Inventory turnover ratio – cost of goods sold/value of inventories
156. Day's sales in receivables ratio – trade accounts receivable * 365/revenue
157. Share price – the quoted price of one share on the stock exchange Dividend – the share of the company profits paid to shareholders
158. Dividend yield ratio – dividend per share * 100/current share price
159. Dividend per share – total annual dividends/total number of issued shares
160. Dividend cover ratio – profit for the year/annual dividends
161. Price/earnings ratio – current share price/earnings per share
162. Earnings per share – profit for the year/annual dividends This is the amount of profit (after tax and interest) earned per share
163. Investment appraisal – evaluating the profitability or desirability of an investment project
164. Annual forecasted net cash flow – forecast cash inflows minus forecast cash outflows
165. Payback period – length of time it takes for the net cash inflows to pay back the original capital cost of the investment
166. Accounting rate of return – measures the annual profitability of an investment as a percentage of the initial investment
ARR (%) = annual profit (net cash flow)/initial capital cost × 100 An alternative formula is:
ARR (%) = annual profit (net cash flow)/average capital cost × 100 where the average capital cost = initial capital cost – residual capital value/2
167. Net present value (NPV) – today's value of the estimated cash flows resulting from an investment
168. Internal rate of return (IRR) – the rate of discount that yields a net present value of zero – the higher the IRR, the more profitable the investment project is
169. Criterion rate or levels – the minimum levels (maximum for payback period) set by management for investment appraisal results for a project to be accepted
170. Corporate strategy – a long-term plan of action for the whole organisation, designed to achieve a particular goal
171. Tactic – short-term policy or decision aimed at resolving a particular problem or meeting a specific part of the overall strategy
172. Strategic management – the role of management when setting long-term goals and implementing cross-functional decisions that should enable a business to reach these goals
173. Competitive advantage – a superiority gained by a business when it can provide the same value product/service as competitors but at a lower price, or can charge higher prices by providing greater value through differentiation
174. Strategic analysis – the process of conducting research into the business environment within which an organisation operates, and into the organisation itself, to help form future strategies
175. SWOT analysis – a form of strategic analysis that identifies and analyses the main internal strengths and weaknesses and external opportunities and threats that will influence the future direction and success of a business
176. PEST analysis – the strategic analysis of a firm's macroenvironment, including political, economic, social and technological factors
177. Mission statement – a statement of the business's core purpose and focus, phrased in a way to motivate employees and to stimulate interest by outside groups
178. Vision statement – a statement of what the organisation would like to achieve or accomplish in the long term
179. Boston Matrix – a method of analysing the product portfolio of a business in terms of market share and market growth
180. Core competence – an important business capability that gives a firm competitive advantage
181. Core product – product based on a business's core competences, but not necessarily for final consumer or end user
182. Ansoff 's matrix – a model used to show the degree of risk associated with the four growth strategies of market penetration, market development, product development and diversification
183. Market penetration – achieving higher market shares in existing markets with existing products
184. Product development – the development and sale of new products or new developments of existing products in existing markets
185. Market development – the strategy of selling existing products in new markets
186. Diversification – the process of selling different, unrelated goods or services in new markets

187. Force-field analysis – technique for identifying and analysing the positive factors that support a decision ('driving forces') and negative factors that constrain it ('restraining forces')
188. Decision tree – a diagram that sets out the options connected with a decision and the outcomes and economic returns that may result
189. Expected value – the likely financial result of an outcome obtained by multiplying the probability of an event occurring by the forecast economic return if it does occur
190. Strategic implementation – the process of planning, allocating and controlling resources to support the chosen strategies
191. Business plan – a written document that describes a business, its objectives and its strategies, the market it is in and its financial forecasts
192. Corporate plan – this is a methodical plan containing details of the organisation's central objectives and the strategies to be followed to achieve them
193. Corporate culture – the values, attitudes and beliefs of the people working in an organisation that control the way they interact with each other and with external stakeholder groups
194. Task culture – based on cooperation and teamwork
195. Person culture – when individuals are given the freedom to express themselves fully and make decisions for themselves
196. Entrepreneurial culture – this encourages management and workers to take risks, to come up with new ideas and test out new business ventures
197. Power culture – concentrating power among just a few people
198. Role culture – each member of staff has a clearly defined job title and role
199. Change management – planning, implementing, controlling and reviewing the movement of an organisation from its current state to a new one
200. Business process re-engineering – fundamentally rethinking and redesigning the processes of a business to achieve a dramatic improvement in performance
201. Project champion – a person assigned to support and drive a project forward, who explains the benefits of change and assists and supports the team putting change into practice
202. Project groups – these are created by an organisation to address a problem that requires input from different specialists
203. Contingency plan – preparing an organisation's resources for unlikely events

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