Leaving Certificate Business

Definitions

Unit 1: People in Business

1. **An entrepreneur** is a person who takes the initiative and bears the risk of setting up a new business

2. **An investor** puts money into a business in the hope of earning a return
e.g. bank, government (grants), family and the public.

3. **Suppliers** supply raw materials to other firms
e.g. timber merchants supply milled timber to furniture makers

4. **Producers** are firms who supply finished goods to the market.
They are also called manufacturers.

5. **Service providers** are firms who supply services to businesses to increase their **efficiency.**
e.g. banking, transport, waste disposal, telephone, electricity, insurance and post.

6. **An employee** is a person hired by the employer to do work in return for pay.

7. **An employer** is a person who hires other people to work for them in return for pay.

8. **Consumers** are people who buy goods and services for their own use.

9. **Interest groups** are pressure groups who protect and promote the interests of their members and try to influence decision-making.
e.g. ICTU, IBEC, Consumers Association of Ireland (CAI), SIMI, IFA and Greenpeace.

10. **Conflict** of interest is when people disagree or have a difference of interest, which leads to one side taking action against the other.

Law of contract

11. A contract is a **legally binding agreement** between at two or more people.

12. An **offer** is a promise/proposal made by one party to another. It can be made orally, in writing or by conduct.

13. **Acceptance** means accepting an offer and all its conditions, either orally, in writing or by conduct.

14. **Consideration** is the **payment** that passes between the parties of a contract. It must be **real and** have a **measurable value.**

15. **Intention to contract** is when both parties intend the agreement to be legally binding.

16. **Capacity to contract** is the ability to enter into a legally binding agreement

17. **Legality of form** means that some contracts must be in written form

18. **Consent to contract** means that both parties must consent to enter into a contract of their own free will and knowing all of the important facts.

19. **Legality of purpose** means that the nature of the contract itself must be legal e.g. an agreement to sell illegal drugs isn't a valid contract

TERMINATION OF CONTRACT

20. **Performance** - The parties of the contract have carried out their side of the contract as agreed.

21. **Breach** - When one party has failed to perform their obligations in the contract the contract is said to be breached (broken). When one party breaks the conditions of the contract, the other party has the right to end the contract.

22. **Agreement** - The parties to the contract agree to end the contract.

23. **Frustration -** Some unforeseen event occurs which makes it impossible to continue with the contract e.g. death

REMEDIES FOR BREACH OF CONTRACT

24. **Rescind (cancel) the contract**

The contract is cancelled by the injured party. The court places both parties back in the same position they were in before they entered the contract

25. **Sue for Damages**

The injured party can sue for damages (monetary compensation) to put them in the same financial position they would have been in if the contract has been performed according to its terms.

26. **Specific Performance**
The court orders that the contract be carried out as originally agreed

<u>Consumer</u>
27. A **consumer** is a person who buys goods and services for their own use.

<u>Industrial Relations</u>
<u>The Industrial Relations Act (1990)</u>

28. **Industrial relations** is the term used to describe the relationship between employers and employees.

29. **Work to rule** is when employees follow the rules in the firm to he letter of the law, slowing down production and sometimes making it impossible to operate

30. **Go slow** is when employees do their work but at a greatly reduced pace

31. **Token stoppage** is when employees have a short but complete stoppage of work which is designed to make the point to the employer that the employees are serious

32. **Strike** is when employees withdraw their work to force the employer to give in to their demands.

33. **Overtime ban** is when employees refuse to work overtime

34. **Official strike** is a strike **<u>approved by the trade union</u>** that has been **<u>approved by a secret ballot</u>** and **<u>one week's notice</u>** of the strike has been given to the employer

35. **Unofficial Strike** is a strike where the above conditions aren't met. The employer can sue the strike leaders for losses suffered.

36. **Conciliator/Mediator** is an independent person who **listens to both sides** and makes **recommendations** to help solve the conflict. They try to get the parties to reach a resolution themselves.
37. **Arbitrator** is an independent person who **listens to both sides** makes a **decision** that both parties accept e.g. a barrister

38. **Picketing** is the act of gathering peacefully outside a particular place, usually with placards with the intention of watching and dissuading other workers, delivery lorries and customers from entering.

39. **Balloting**

A union must conduct a secret ballot of workers in deciding to go on strike
At least one week's notice must be given to management of the intention to go out on strike
If a secret ballot takes place and if workers engage in industrial action, they are protected from being sued by the employer for any loss arising from their action.

40. **Conciliation** occurs when an **independent third party** assists the two sides in a dispute to negotiate their own solution. The State conciliation service was established by the 1990 Act and it is called the Labour Relations Commission (LRC).

41. **Arbitration** occurs when two sides to a dispute are unable to negotiate a solution and they ask an **independent third party** to make a recommendation as to how the dispute can be settled. The State's arbitration body is the Labour Court

The Unfair Dismissals Act (1977-1993)

42. **Unfair dismissals** are dismissals due to
    - Pregnancy
    - Race or colour
    - Membership of the travelling community
    - Membership of a trade union or being involved in a strike
    - Sexual orientation
    - Religious or political beliefs
    - Gender
    - Marital status

43. **Dismissals regarded as fair** are

- **Incompetence** of a worker or lack of **qualifications** i.e. they are unable to do the job
- **Misconduct**
- **Redundancy** due to economic reasons

The Employment Equality Act (1998)

44. **Discrimination** is “the treatment of one person in a less favourable way than another person is, has been, or would be treated”.

45. **Harassment** is any act or conduct which is unwelcome and offensive no matter what form it takes (including spoken words, gestures or the production, display or circulation of written material)

Unit 2: Enterprise

46. **Enterprise** is the ability of a person to be innovative and proactive in life. It’s being willing to do something new and challenging with the possible risk of failure.

47. **Entrepreneurship** is the process of identifying a need and filling it.

48. **Entrepreneur is a person who** provides the initiative and carries the risk in setting up a business.

49. **Intrapreneur** is a person who is innovative and enterprising within a business

Unit 3: Managing I

50. **Management** is the process of deciding on the right thing to do and then getting it done through people

51. **Leadership** is the ability to **influence** others and **direct** them towards achieving the goals of the organisation.

MOTIVATION

52. **Motivation** is the process of **inspiring** and **encouraging** staff to achieve the goals of the organisation

53. **Communication** is the exchange of information in an organisation. It involves a sender, message, medium and receiver.

LEADERSHIP

54. **Delegation** is passing on jobs/**responsibility**/power for certain jobs to subordinates while at the same time **monitoring** and checking the work of the subordinate involved

55. **Autocratic leaders** do not share their authority with subordinates but prefer to make decisions themselves.

56. **Democratic leaders** are willing to delegate power and responsibility to subordinates and make decisions with the agreement of the majority.

57. **Laissez- faire** (French for "leave to do") **leaders** set general goals for staff and steps back letting them get on with the job in whatever way they think best.

COMMUNICATION

58. **External communication** is communication with a number of groups in the outside world.

59. **Internal communication** is communication inside a business

60. **Downward communication** involves communication from the top to the bottom of a business e.g. orders given by managers to staff. It is in one direction with no feedback

61. **Upward Communication** involves communication from the bottom to the top of a business e.g. complaints or advice from workers. It will often lead to a management response, so it's two-way communication.

62. **Horizontal (Lateral) Communication** involves communication between employees at the same level in the business e.g. managers talking to other managers, supervisors talking to other supervisors. It is essential that horizontal communication is a two-way communication.

63. **Formal Communication** passes through approved channels of communication e.g. notice board. This communication is planned

64. **Informal Communication (the grapevine)** refers to the informal network of communication that exists in every organisation.

65. **Verbal (Oral) communication** means sending messages (communicating) by speaking e.g. telephone conversations, meetings and speeches

66. **Written communication** means sending messages (communicating) by means of writing text e.g. fax, e-mail, memo, letter, report.

67. **Visual communication** means sending messages (communicating) by means of images e.g. tables, bar chart, pie chart, line graph, breakeven chart, pictogram.

68. A **meeting** is defined as the coming together of at least two people for a lawful purpose

69. **Videoconferencing** is a method of holding a meeting using a telecommunications network.

The location of the people at the meeting doesn't matter as technology allows for picture and sound to be transmitted across locations. Travel costs are reduced and speed of communication is increased

70. **Board Meeting.** The regular meeting of the Board of Directors of a company, usually held monthly to review progress and plan ahead.

71. **Ad hoc meeting.** A once off meeting to discuss and solve a problem/issue that has arisen

72. **Annual General Meeting (AGM).** A meeting of directors and shareholders held once a year

73. **Extra General Meeting (EGM).** A meeting of shareholders to discuss an important issue that can't wait until the next AGM e.g. an impending acquisition/takeover

74. The **Notice** gives the date, time and venue of the meeting

75. An **agenda** is a programme for the meeting, that is a list of matters to be discussed and the order in which they will be discussed i.e. it's a list of topics to be discussed at a meeting, as agreed by the chairperson and secretary.

76. **Minutes** are a written record of the issues discussed at a meeting

77. **Standing orders** are the rules about conducting a meeting.

78. **Motion** is the topic under discussion

79. **Quorum** is the minimum number of people that must be present at a meeting to make it valid/legal. It's stated in the rules of the company.

80. **A Proxy** is a person authorised to represent a shareholder at an AGM and to vote in accordance with the instructions given by the shareholder

81. **In camera** is a meeting held in private. The public and press are not allowed to attend

82. **Voting by Poll** is when voters sign a form "for" or "against" a motion

83. **Voting by ballot** is when voters indicate their choice, which is put in a ballot box (same as general election)

84. **Voting by a show of hands** is when voters are asked to vote by raising their hand. The chairperson counts the votes and announces the result.

85. **Memos (Memorandums)** are used for internal communication.

86. **Business Letters** are used to communicate externally with suppliers, customers, banks, Revenue Commissioners etc.

87. **Report** is a written account of the findings after an investigation is carried out into a specific matter

88. **Term of Reference** is the purpose of the report. The writer should keep within these parameters and not stray from it. It outlines what precisely the report is about.

89. **Data** is information that can be processed automatically

90. **Data Subject** is anyone whose information is kept on computer e.g. an employee

91. **Data Controller** is anyone who keeps or uses personal data e.g. a company

92. **Data Commissioner** oversees the Data Protection Act 1988 and maintains a register of Data Controllers

PLANNING

93. **Planning** is the process of setting the objectives of the business and putting in place a strategy (course of action) to effectively achieve them

94. A **plan** is a pre-determined course of action.

95. **Strategic planning** is long term planning, over five years. Without a long-term plan a firm is like a ship without a rudder, it goes around in circles and never moves forward. These plans are drawn up by senior management e.g. plan to launch a new product.

96. **Tactical planning** is short term planning, covering a period of one or two years. These plans are drawn up by middle management and relate to a particular function of the business e.g. plan to launch a new advertising campaign.

97. **Contingency Plan** is a back-up plan, prepared to cope with emergencies and unexpected circumstance e.g. breakdown in production, disruption of supply of an essential raw material, sudden increase in demand, quality control mishap.

98. **Co-ordination** is the process of **synchronising** the work of different departments and people to achieve the desired objectives of the business

99. **Policies** are the means used to achieve objectives. They are usually written and direct managers to make decisions in order to achieve objectives e.g. promotion, marketing, recruitment, stock level policies

100. **Objectives** are particular goals that an organisation is trying to achieve

101. **General Objectives** apply to the whole company e.g. to achieve 10% increase in profits in the company.

102. **Specific Objectives** are targets for a particular department or project e.g. Sales to increase by 50% next year, for the sales department

103. **Mission Statement** is a statement setting out the general **purpose** and objectives of an organisation. It’s the reason for the existence of the organisation.

<u>ORGANISING</u>

104. **Organising** means putting a **<u>structure in place</u>** in an organisation so that its activities are coordinated and its objectives are achieved.

105. **Organisational Structure** refers to the chain of command in a firm, showing the formal relationship between staff.

106. A **formal structure** sets out a chain of command in an organisation

107. An **informal structure** refers to the informal network of relationships in an organisation i.e. it's where managers and employees communicate informally in the canteen, corridors or sports club outside of their formal place on the organisational chart

108. **Chain of command** shows who gives orders to whom

109. **Span of Control** is the number of subordinates reporting to a manager.). It can be *<u>wide</u>* if the manager has a lot of direct subordinates or *<u>narrow</u>* if there are few. Narrow is more effective as the person in charge can get to know all of their subordinates personally (better decision making and high motivation)

110. **De-layering:** refers to the reduction in the number of management layers in an organisation It flattens *the traditional functional structure* e.g. In 1991 Telecom Éireann (now Eircom) reduced its layers from 12 to 5.

111. **Product Structure** divides the organisation along product lines

112. **Geographical Structure** divides the organisation according to the geographical markets it serves.

113. **Shamrock Structure** divides the organisation into 3 categories of workers; core, contract and flexible.

114. **Core Workers** are the main employees of the business e.g. principal, vice-principal and teachers in a school

115. **Contract workers** are workers that are taken on as required. They may not work only for the business e.g. substitute teachers in a school

116. **Flexible workers** are part-time workers e.g. teacher who job shares

CONTROLLING

117. **Controlling** means regularly comparing **actual performance** with the **desired performance** and **correcting** any differences which arise.

118. **Stock control** is a system for ensuring that the firm has the correct amount of stock at all times – never too muck, never too little.

119. **Just-in-time** means that stock is delivered only when it is needed for production to begin.

120. **Credit control** is a system for controlling the amount of credit, the payment period given to customers and ensuring that payments are made on time.

121. **Budgetary control** is controlling the finances of a business by using budgets i.e. planned income and planned expenditure. The variance/difference between the planned and actual should be investigated

122. **Quality Control** is a system for ensuring that the product meets the standards expected by customer's i.e. finding and eliminating quality problems

123. **Staff control** is having the right number of staff with the right skills at the right time.

Unit 4: Managing II

FINANCE

124. **Bank Overdraft** is when the holder of a current account is granted permission by the bank to withdraw more than the amount of money in their account, up to a specified limit (overdraft limit or line of credit, which is negotiated with the bank manager)

125. **Creditors** are people or firms to whom a business **owes** money

126. **Accrued Expenses (unpaid bills)** refers to expenses that a business has incurred but not yet paid for e.g. telephone bill, ESB bill, PAYE or VAT receipts.

127. **Factoring** involves a firm selling its trade debtors to a finance company or bank who specialises in collecting debts.

128. **Factoring with recourse** means that if the debtor can't pay, the finance company has recourse (come back) to the firm who sold the debt.

129. **Factoring without recourse** means that if the debtor can't pay, the finance company accepts responsibility for any bad debts that occur.

130. **Credit cards** are plastic cards that can be used by a business or householder to pay for goods and services without the need for cash.

131. **Hire Purchase (Buy now pay later)** is a form of credit that allows customers to have immediate use of goods while paying for them over an agreed period of time in instalments.

132. **Leasing** involves renting an asset

133. **Term Loan or Personal Loan** are loans given to households for up to five years are called personal loans and medium term loans for businesses.

134. **Long Term loans/Mortgages and Debenture loans** are borrowed from financial institutions and must be repaid with interest within five to twenty years

135. **A mortgage** is a loan to enable a person to purchase property. The lender keeps the title deeds and if the borrower defaults on payment, the lender can sell the property to recoup the balance of the loan.

136. **A Debenture** is a long term loan that is repaid in one lump sum on an agreed date in the future i.e. maturity date. A Debenture has a fixed rate of interest and interest is tax deductible.

137. **Retained Earnings** are profits ploughed back into a business to create growth.

138. **Equity Capital** is provided by shareholders who purchase ordinary shares in the hope of a future dividend i.e. buying shares

139. **Venture Capital** is finance provided for risky new ventures or for business expansion.

140. A **Cash Flow forecast** is a plan of the cash to be received and cash to be paid for a period of time (normally 1 year) into the future.

INSURANCE

141. **Insurance** is a contract whereby a person (the insured) pays a fee (premium) to an insurance company (insurer), which in return will compensate the person for any financial loss suffered

142. **Insurable Interest -** The insured must have a financial interest in what is insured i.e. they must <u>benefit</u> from its existence and <u>suffer</u> from its loss e.g. you can't insure your neighbour's property.

143. **Utmost Good Faith** - All material facts (all information that could affect premium calculation) must be revealed when filling in an application form. **A material fact is anything which would affect the level of risk the insurer is being asked to cover or the premium charged**

144. **Indemnity -** A person cannot make a profit from insurance, with the exception of <u>personal accident</u> and <u>life assurance,</u> as it's impossible to calculate the value of a lost life or limb.

145. **Subrogation (Right to sue) it's related to indemnity**

Once compensation has been paid, the insurance company has the legal right to sue any other party who was responsible for the loss or damage or can take over damaged stock. e.g. having paid compensation on stock damaged in a fire, the insurance company can sue the electrician whose negligence caused the damage.

146. **Contribution (Multiple insurers) it's related to indemnity**

When the same item is insured with more than one insurer, they will share the compensation in proportion to the amount of risk covered i.e. compensation is shared between the insurance companies

147. **Average Clause -** is when the insured person has **under-insured** the item (exposure unit) and receives compensation in proportion to the amount of insurance paid. The maximum compensation payable is the insured amount but if there is a partial loss, the insured receives a fraction of the loss

i.e. $\frac{\text{Insured amount}}{\text{Market Value}} \times \text{loss suffered}$

148. **Risk** is the possibility of suffering some loss or damage

149. **Risk management** means eliminating and reducing risks so as to reduce the amount of insurance required and the cost of insurance e.g. install smoke alarms to reduce the risk of fire.

150. **Actuaries** are specialist mathematicians who calculate the set and set the premium.

151. **An assessor** inspects the damage and works out the compensation.

TAXATION

152. **Tax** is a compulsory payment made by businesses and consumers to the government to finance government expenditure

153. **Form 12 -** This is a form that must be filled in by all first time employees and is used by the Revenue Commissioners to determine the rate of tax that will apply and the tax free allowances that you are entitled to.

154. **P60 -** This form is given to the employee at the end of each tax year. It shows the amount of income, the income tax and the PRSI paid by the employee up to the end of that tax year. (April 5)

155. **P45** - The P45 is also called a cessation certificate. It is given by an employer to an employee when they leave a job. The form shows how much tax and PRSI the employee has paid up to the date of leaving. This form should be given to the new employer to determine the correct TFA. or it is also used to claim social welfare payments.
156. **P21 -** A P21 is an Income Balancing statement. It compares the taxes that have actually been paid during the tax year with the amount that should have been paid. If tax has been overpaid the taxpayer will receive a refund from the revenue commissioners. If underpaid the amount will be deducted from the employees income in the next tax year.

157. **P35** is prepared by the employer each year and given to the Revenue Commissioners. This proves that the employer has made the correct deductions for tax and PRSI for each employee.

158. **Corporation Tax** is the tax payable on a company's profits.

159. **Value Added Tax (VAT)** is an indirect tax charged on the sale of most goods and services

160. **Customs Duties** are taxes on goods imported by firms. These taxes don't apply to imports from countries in the EU.

161. **Deposit Interest Retention Tax (DIRT)** is automatically deducted from interest earned in bank and building society accounts and passed to the Revenue Commissioners

162. **Motor Tax** is a tax on all roadworthy vehicles, paid to local authorities. It can be paid quarterly (4 times per year) or annually

163. **Capital Gains Tax** is paid on profits from the sale/disposal of an asset (e.g. property or shares)

164. **Capital Acquisitions Tax** is paid by the receiver of a gift (if still alive) or inheritance (if dead)

HUMAN RESOURCE MANAGEMENT

165. **Human resource management** is the strategic management of human resources (people) in an organisation.

166. **Manpower Planning** involves identifying the type and number of employees needed in a company and planning to meet those needs

167. **Recruitment** is the process of attracting a group of suitable applicants for a job/position

168. **Selection** is the process of choosing the most suitable applicant(s)

169. A **job description** describes the work involved and responsibilities of the job It includes (job title, salary, place of work, duties, supervisors title, promotion prospects etc.)

170. A **person specification** describes/specifies the qualities of the ideal person to fill the job. It includes (characteristics, qualifications, skills, experience)

171. **Internal Recruitment** is filling the job from the existing workforce e.g. transfers, promotions and demotions.

172. **External Recruitment** is filling the job from outside the existing workforce e.g. advertisements, employment agencies.

173. **Training** equips workers with the skills and knowledge necessary to perform their jobs

174. **Development** involves the growth of the whole person rather than teaching them the skills of the job.

175. A **trade union** is a body representing employees. Their role is to protect and improve employee's pay, working conditions etc.
176. A **shop steward** is an elected representative of the trade union in a workplace. He/She acts as a communication link between management and workers and the union and its members.

177. **Performance Appraisal** involves regular meetings between a manager and an employee to review and assess past performance, set future performance targets. It can be used help in promotion and pay.

178. **Reward** is the payment for work done.

179. **Profit Sharing** is a financial reward for employees where they are paid a percentage of the profits if they are over a certain amount.

180. **Share Options** is a financial reward for employees where they are given the option of owning shares in the company at a preferential rate.

181. **Share Ownership** is a financial reward for employees where free shares are given to them, often instead of a bonus.

182. **Benefits in kind** is a non- financial reward for employees where they receive "perks" e.g. company car, holidays, medical insurance, subsidised canteen

183. **Teamwork** is a group of people working together towards achieving a common objective.

CHANGING ROLE OF MANAGEMENT

184. **Empowerment** means giving real decision-making power and increased responsibility to those workers where it will be most effective i.e. workers that are close to the customer

185. **Job Enlargement** means increasing the variety of tasks (responsibilities) an employee does, to make their job more challenging and interesting.

186. **Job rotation** is moving employees from one task to another on a temporary basis so that they aren't confined to one repetitive task. It builds up skills and helps the firm adapt to change. It also motivates the employee by reducing boredom

187. **Job Enrichment** means giving employees not only more tasks (responsibilities) but also freedom to make decisions in carrying out their existing job. Workers are praised, given responsibility and allowed to use their initiative.

188. **Total Quality management (TQM)** is a style of management that tries to create a **culture of quality** throughout the organisation i.e. constant focus on **quality** in **all** aspects of a business to ensure **customer's needs** are met.

Unit 5: Business In Action

189. I**dea Generation** is a systematic approach to generating ideas for new products and finding new ways to serve a market.

190. **Market Research** is the gathering, recording and analysis of all information needed to accurately identify and satisfy customers' needs (GRA, IS)

191. **Desk Research** is the sourcing of information that already exists

192. **Field Research** is the generating of original (new) information by going out into the marketplace (the field)

193. **Product screening** means selecting particular product/service ideas for further development

194. **Concept Development** is the stage at which the firm decides what exact needs the product will satisfy

195. **A product concept** is a precise statement of the need the product will fulfil and the form that it will take.

196. **A Feasibility study** is a study (research) carried out on the product/service to see if it would be viable both commercially and technically (will it make money and can it be made)

197. **A prototype** is the first working example of a new product.

198. **Test marketing** Test marketing is carried out to find out customers' reaction to the product before going into full production with it

Marketing

199. **Marketing** is the management process responsible for identifying, anticipating and satisfying the needs of customers, profitably. (IAS P)
Definition from the Institute of Marketing

200. The **Marketing Concept (customer orientation)** involves a firm concentrating on putting its customer's needs at the centre of all its effort.

201. A **marketing strategy** is a plan to identify customers' needs and to satisfy those needs to earn a profit**.** A marketing Strategy involves 4 important points

1. **Analysing the market** (Segment the market)
2. **Choose a target market** (Based on age, gender, income, lifestyle (casual/formal)
3. **Research the target market** Decide on the Product positioning/image in the market
4. **Choose the Marketing mix (4P's)** - product, price, promotion and place.

202. The marketing strategy is **implemented** through marketing mix policies (tactics) relating to the 4 P's (Product, price, place, promotion)

203. A **market** refers to the total potential buyers of a product/service

204. A **market segment** is a part of the total market in which people have similar needs.

205. **Marketing Mix (4 P's):** The marketing mix is referred to as the 4 P's i.e. the product being sold, the price being charged, the place where it can be found and the methods by which it is promoted

206. **Target Market** is that part of the market (i.e. the segment) at which the firm aims its product

207. **Niche Market** is a small specialised market e.g. clothing is the market, but the sale of ties "Tie Store" is a niche market. They're often referred to as "gaps in the market".

208. **Market Research** is the gathering, recording and analysis of all information needed to accurately identify and satisfy customers' needs (GRA, IS)

209. **Research & Development (R&D)** is researching and developing new ideas, products, product improvements and processes

PRODUCT

210. A **product** is anything that is offered to a market that satisfies a need or want.

211. A **brand** is a name, symbol or design that **<u>identifies</u>** the goods/services of a company and **<u>distinguishes</u>** them from competitors e.g. The Nike “Swoosh”, Adidas “three stripes”, Guinness “harp”.

212. **Product Life Cycle**

This shows how the market for a product changes over time. The stages of a product’s life include introduction, growth, maturity, saturation and decline (development is added at the beginning before the product is launched)

<u>PRICE</u>

213. **Price** is the amount charged for a product

214. **Cost-Plus Pricing.** The firm considers all the costs involved in getting the product to the market. Then it adds on a percentage for profit (profit margin)

215. **Premium (psychological) Pricing:** Some customers are willing to pay more for what they perceive as higher quality e.g. expensive restaurants

216. **Competitive pricing:** The price depends on what competitors are charging e.g. petrol stations stay roughly in line.

217. **Penetration Pricing:** This involves setting <u>a low price to gain market share</u> (penetrate the market). Higher sales will compensate for the low profit margin.

218. **Price Skimming**: Charging the maximum price that customers are prepared to pay. This involves setting <u>a high price when demand is high</u> e.g. price of holidays during Easter school break is higher than normal/ accommodation on international sporting weekends (6 Nations Rugby) is higher than at other times.

219. **Below-cost Selling (Loss Leaders):** Since the lifting of the ban on below-cost selling in 2006, supermarkets sell certain goods at less than cost price (loss leaders) in order to attract customers.

220. **Tactical Pricing (discounts):** This involves <u>adjusting prices</u> to reward customers for certain responses such as bulk buying (trade discount), early payment of bills (cash discount), buying out of season (seasonal discount) e.g. Hotels, travel agents and airlines offer seasonal discounts during off-peak periods

PROMOTION

221. **Promotion** is bringing the product to the attention of customers and persuading them to buy the products

222. Promotional Mix - The "promotional mix" is the combination of techniques a firm uses to promote its goods/services. It's made up of the following

- Advertising
- Sales Promotion
- Public Relations (PR)
- Personal Selling

223. **Advertising** is the communication of information about a product/service and persuading them to buy it

224. **Public Relations** involves establishing and maintaining a good public image for a firm and its products.

225. **Sales promotion** is short-term incentives to boost the sales of a product/service

226. **Personal Selling** involves direct contact with potential customers to try to persuade them to buy something e.g. post or telephone

PLACE

227. **Place** refers to the methods used to distribute the firms products.

228. The **distribution channel** is the network used in the physical distribution of a product from manufacturer to consumer

229. **Job Production** refers to products that are produced to order and are one-off products

Examples include one-off trophy, wedding dress, ship, hand-cut crystal

230. **Batch Production** involved producing a quantity of an identical product at one time and then switching production to another product.

Examples include clothing and footwear where different sizes and colour are produced in batches, books, furniture, tinned vegetables

231. **Mass Production** is the continuous production of a large quantity of identical products

Examples include cars, cigarettes, computer chips, razors, pens.

232. **A Business Plan** gives a firm direction because it sets down where the firm is going and what it hopes to achieve.

EXPANSION

233. Organic growth involves increasing the size of the existing business.

234. Inorganic growth involves increasing a businesses size by acquisition (take-over), merger (amalgamation) or alliance (joint venture).

235. Acquisition occurs when one company purchases 51% or more of the shares in another company in either a hostile or friendly manner.

236. A merger is a friendly or voluntary amalgamation where two firms agree to come together to run their firms as one.

237. An alliance is where two or more firms enter into an agreement to cooperate and share resources and expertise with each other in some business activity/project for a specified period of time..

238. **Equity Capital (Share Capital or Risk Capital)** is finance from shareholders/owners and doesn't have to be repaid unless the company is being wound up

239. **Loan Capital (Debt Capital)** is finance from financial institutions and must be repaid.

240. **Retained earnings (Ploughing back profits) a**re the profits that have been retained in the business over a number of years.

Unit 6: Domestic Environment

241. **An industry** refers to all businesses involved in a similar type of production e.g.dairy, brewing industry

242. The **primary** sector contains the extractive industries

243. The **manufacturing** industry converts raw materials into finished goods. This sector includes both the **manufacturing** and **construction industries**

244. **Indigenous companies** are Irish owned and locally based.

245. **Transnational Corporations** are firms which produce and market goods in more than one country. They have a global perspective and see the world as one giant market. E.g. Nestle, Nokia, Coca- Cola

246. **Agribusines**s refers to those industries that use agricultural produce such as beef and milk as their raw material

247. The **construction industry** involves the building of the country's infrastructure: roads, bridges, schools, hospitals, factories, offices, shops and housing

248. **Service industries** do not manufacture physical products but provide services to other businesses and individuals OR the service industry consists of firms who <u>provide services</u> to <u>other firms</u> and to the <u>public</u>.

249. A **sole trader** is a business owned and controlled by a single person. The sole trader receives all the profits and bears all the risks of losses. Examples include farmers, publicans and service firms (newsagents, painters etc.)

250. A **partnership** is when between 2 and 20 people form a business together in order to make a profit.

251. A **Private Limited Company (Ltd)** is formed when between one and fifty people establish a separate legal entity for the purpose of carrying on business.

252. **Memorandum of Association (external)**

This is a document for the public, setting out details such as the <u>name</u> of the company, its <u>purpose</u> and the <u>number of shares</u> held by each founder shareholder. It includes a statement that the company has limited liability and the signatures of founding members

253. **Articles of Association (internal)**
This is a document for shareholders setting out the internal rules of the company.

254. **Form A1** is a declaration of compliance with the provisions of the Companies Acts (1963-1990)

255. **Certificate of Incorporation.** This is the birth certificate of the limited company, which may then begin trading. The company is now a separate corporate body in the eyes of the law. It can enter into contracts, sue and be sued.

256. A **Public Limited Company (PLC)** is formed when seven or more shareholders establish a separate legal entity for the purpose of carrying on business. Shares in a PLC are quoted on the stock exchange.

257. A **business alliance** is a relationship (agreement) formed between two business enterprises to promote the business interests of both.

258. **Franchising** means the renting of a complete business idea, including name, logo and products to someone else

259. **Transnational Corporations** are firms which produce and market goods in more than one country. They have a global perspective and see the world as one giant market.

260. A **co-operative** is a business owned and run by a group of people, each of whom a financial interest in its success and an equal say in how it's managed.

261. **State-Owned Enterprises** are organisations or companies set up by the government.

262. **Privatisation** is the transfer of ownership of a company from the state (public sector) to the private sector.

263. **Indigenous companies** are Irish owned and locally based.

264. **Community development** means reviving and developing local areas and communities by
- encouraging local community initiatives and
- the development of locally owned and run businesses

265. **Leader Plus**. This is an EU initiative for promoting rural development

266. **County Enterprise Boards (CEB's).** These bodies give advice and provide grants for small enterprises in their county

267. **Area Partnership Companies (APC's)**. These companies encourage job creation and enterprise in special disadvantaged urban areas.

268. **FÁS schemes.** FÁS is the state's training and employment agency. It's Community Enterprise Scheme helps local groups to set up enterprises in their local areas

269. An economy is a system in any country that uses the four factors of production -land, labour, capital and enterprise to produce goods and services demanded by consumers OR

An economy can be defined as a legal, political and social framework within which business is conducted

270. **Land** is anything provided by nature e.g. land, minerals, water, timber etc. The economic return on land is **rent.**

271. **Labour** is the human element in the production process. The economic return on labour is **wages**

272. **Capital** are those things provided by man (man-made) e.g. machinery, equipment etc. The economic return on capital is **interest**

273. **Enterprise** is the human initiative needed for the production of wealth. They combine the other factors and take the risk of producing a new product or service. The economic return for a successful entrepreneur is **profit.**

274. **A centrally Planned Economy (or a Controlled Economy)** This is when the government makes the choice regarding what is to be produced and for whom made by the government e.g. China

275. **A Free Enterprise Economy (Market Economy)** This is when producers and consumers make the choice regarding what is to be produced and for whom. e.g. USA

276. **A Mixed Economy** This is an economy with elements of both a centrally planned and free enterprise. Both consumers and government decide on the way a country's resources are to be used e.g. Ireland

277. The **key economic variables** are indicators of an economy's health and are used as a way of tracking trends.

278. **Unemployment** refers to the number of people who are available and looking for work and cannot find a job

279. **Interest rates** are the cost of borrowing money.

280. **Inflation is** the annual percentage rise in prices from one year to the next. It's measured by the Consumer Price Index (CPI)

281. **A Tax is** a compulsory contribution of money to the government

282. **The exchange rate is** price at which one currency can be exchanged for another.

283. **Grants** refer to the non-repayable money that is given directly to businesses by government or the EU to promote enterprise and expansion

284. **Economic Growth** refers to the increase in the amount of goods and services produced by an economy from one year to the next

285. **Fiscal Policy** is the government's policy dealing with revenue (income) and expenditure e.g. an increase in VAT reduces sales

286. **Monetary Policy** is the government's policy dealing with controlling the amount of money in circulation for spending e.g. an increase in interest rates reduces borrowings. The European Central Bank (ECB) now controls this.

287. **Ethics** is defined as the study of right and wrong i.e. morality

288. **Ethical Responsibilities/Ethical Business Practice** are the responsibilities a business has to ensure it conducts itself in a fair, legal and honest manner in all dealings with stakeholders.

289. **Social Responsibilities** are our responsibilities to those people we come into contact with.

290. **Business Social Responsibilities** are the responsibilities a business has to its various stakeholders i.e. employees, environment, government, investors and local community.

291. **Code of Ethics** is a formal statement showing the kinds of behaviour expected from a business in its dealings with employees, customers and the community in which it operates.

292. **Whistle blowers** are staff whose ethical concerns are ignored within the business and who have the courage to report the wrongdoing to the authorities or the press.

293. **The environment** refers to the physical resources that surround us i.e. the world in which we live

294. **Private Costs** are the costs incurred by a firm when producing a good, such as raw materials, wages, advertising etc.

295. **Social Costs** are the costs to society as a result of a firms activities e.g. pollution, illness, traffic congestion etc.

296. **An Environmental Audit** is an independent study of the impact of the business on the environment. It looks at the 3 P's of environmental protection

- *product is safe and healthy*
- *production processes are clean, safe and quiet*
- *packaging is capable of being recycled*

Unit 7: International Environment

297. **International trade** refers to the importing (buying) and (exporting (selling) of goods and services between countries

298. **An open economy** is an economy that engages in international trade.

299. **Visible imports** are goods that Ireland buys from other countries e.g. oil, cars, wine

300. **Invisible imports** are services Ireland buys from other countries e.g. Irish person holidaying abroad, Irish person taking out a loan with a Dutch bank. These benefit the foreign economy.

301. **Import substitution** involves consumers and businesses purchasing Irish – made goods in place of imported goods.

302. **Visible exports** are goods that Ireland sells to other countries e.g. computers, chemical products, beef

303. **Invisible exports** are services Ireland sells to other countries e.g. tourists coming to Ireland, ESB International doing work abroad. Both benefit the Irish economy.

304. **Balance of Payments** is the difference between the export of goods and services and the import of goods and services i.e. Total Exports – Total Imports

305. **Balance of Trade** is the difference between visible exports and the visible imports i.e. Visible Exports – Visible Imports

306. **Protectionism** is when governments try to limit imports coming into their country to allow home industries to stay in business.

307. A **trading bloc** is a group of countries which agrees to operate a free trade area among themselves

308. **Import taxes** are a tax on certain goods coming into a country making these imports more expensive.

309. **Quotas** is where a limit is put on the quantity of certain goods imported into a country

310. **Embargo** is a total ban on the importation of certain goods into a country.

311. **Subsidies** are payments by governments to firms to reduce their costs of production.

312. **Globalisation** is where firms see the world as **one market**

313. **A transnational corporation (TNC)** is a company that produces goods or services in many countries

314. **Deregulation** is the removal of rules that restrict competition e.g. governments now have to open up state monopolies to competition e.g. air transport was controlled by government rules. It removes government influence in business

315. **The European Union (EU)** is the European block of countries, which provides for closer unification of the economic, social and political systems of the member states.

316. **The European Commission** is the management body of the EU. It's made up of commissioners who are selected by the governments of each member state.

317. **The European Parliament** is the only directly elected body at this level in the EU. It's made up of Members of European Parliament (MEP's) who are elected by the voters and as a result it represents the citizens of the EU.

318. **Council of Ministers** is the **main decision-making body of the EU**. It sets all the political objectives of the EU and **makes all final decisions** on new or proposed legislation. The Council of Ministers is made up of one government minister from each member state. Depending on the area being discussed, the relevant Minister in each member state will represent his/her country e.g. Finance, Education, Health, Environment ministers etc.

319. **European Court of Justice**

The European Court of Justice is the most important court in the EU. It's based in Luxembourg and its main role is to ensure that all EU laws are observed by member states.

320. **Court of Auditors**

The Court of Auditors checks all revenue and expenditure of the EU. This is important to prevent fraud.