KEY TERMS – UNIT 3 PRODUCTION, FINANCE AND THE EXTERNAL BUSINESS ENVIRONMENT

JOB PRODUCTION - The method of production were products are made individually.

BATCH PRODUCTION – Method of production where one type of product is made and made and then production is switched to make a different product.

FLOW PRODUCTION – Production of one product takes place continuously using a production or assembly line. Sometimes called mass production.

AUTOMATION - Machines, controlled by computer, are introduced into the production process.

LEAN PRODUCTION – A production system which helps ensure that waste is kept to a minimum.

PRODUCTIVITY – A means of measuring the efficiency with which a business produces goods.

QUALITY CONTROL – A system of checking the quality of finished goods.

TQM – Total management control: the process where all workers are responsible for the quality throughout the process of production.

SALES REVENUE- The amount of money that a business receives from selling what it provides or produces

INELASTIC PRODUCTS – People will still buy these products if the price increases as they are essential products, e.g. petrol. This means that if price increase revenue will increase.

ELASTIC PRODUCTS – People will cut back on these items if the price increases and will buy more if the price falls. Clothing is an elastic product and revenue will increase if the price falls.

FIXED COSTS - The costs that do not change as a business changes the amount it produces.

VARIABLE COSTS – Those costs that rise as business increases production and fall when it reduces production

TOTAL COSTS – The fixed and variable costs of a particular level of production added together.

AVERAGE COSTS – The cost of each unit produced.

BREAK-EVEN POINT- When total revenue is equal to total cost. Profits are zero.

BREAK-EVEN FORMULA – Fixed costs / price – variable costs

ECONOMIES OF SCALE – Occur when a business increases its scale of production and this leads to a decrease in average costs. Bulk-buying is a type of economy of scale.

INTEREST RATE – The charge made to businesses and people for lending money.

OVERDRAFT – A short term method of finance. The bank allows the business to withdraw more than is in their current account. Interest charged is high.

TRADE CREDIT – Goods and materials are obtained from a supplier and payment is made at a later date.

RETAINED PROFIT – Profit which is kept by the business for its own use.

HIRE PURCHASE – A business uses equipment but does not own it until the final payment has been made.

SHARE ISSUE – Finance is raised from selling shares. This finance does not have to be paid back. However, dividends will need to be paid and shareholders can vote. Only Plc's like AS plc can sell shares on the stock exchange.

DIVIDEND – That part of the company's profit paid out to shareholders of limited companies.

MORTGAGE –Allows a business to borrow a large sum of money to purchase or improve a building.

PROFIT –Money left over from sales after all costs have been paid.

GROSS PROFIT – Sales revenue minus cost of sales (variable costs).

NET PROFIT – Gross profit minus all expenses

NET PROFIT MARGIN – Net profit / sales revenue x 100

GROSS PROFIT MARGIN – Gross profit / sales revenue x 100

OPPORTUNITY COST – The cost of having to miss out on something else.

CASH FLOW FORECAST – A statement showing the expected flow of money into and out of the business over a period of time.

PERFECT COMPETITION – A market in which there are a large number of sellers, all competing for customers.

MONOPOLY – When one single business has least a 25% share of the market.

MARKET SHARE – The percentage of the total sales in a market accounted for by a firm.

BUSINESS ETHICS – When businesses act in a morally correct way.

RECESSION – A period of falling consumer incomes, demand and output.

INWARD INVESTMENT – When foreign firms set up in the UK. This brings wealth and jobs to an area and can lead to the multiplier (see below).

MULTIPLIER – The amount by which an increase or decrease in spending on a specific item is multiplied in its effect on total spending in the economy.

INFRASTRUCTURE – The provision of roads, railways, ports and airports in an area or country.

TARIFF – Taxes on imports that raise the price of imports so that it will be harder for foreign firms to sell their goods.

QUOTA – Limits on the amounts of a good or service that can be imported. This restricts competition from foreign firms.

EXCHANGE RATES – The amount of one currency that another can buy.

INFLATION – When prices of a range of goods and services increase throughout the economy.

GLOBLISATION – The process by which business activities in different countries are becoming more and more connected with each other.

EUROPEAN UNION – A collection of 27 countries in Europe which trade together without restrictions such as tariffs and quotas.