BUSINESS TERMS

1. Economies of Scale

Economies of Scale refer to those advantages that a firm benefit when it grow in size. These are the factors which lead to a fall in cost per unit while expanding the business. Common examples are bulk buying, financial, technical, managerial economies of scale.

2. Diseconomies of Scale

Diseconomies of scale are the disadvantages suffered by a firm when it grows too large (above its minimum efficient scale). In other words, they are those factors which lead to a rise in cost per unit when a business increases its scale of production. Common examples are communication problems, loss of control and so on.

3. Job Description

It is a document which gives details about the job such as tasks, responsibilities and duties expected to be carried out by the appropriate candidate. It is normally used in job advertisements and it also form part of the contract of employment. It includes Job Title, the department of the business in which the person will work and the main tasks of the employees

4. Dividends

Dividends are the rewards paid to shareholders for the investment made in terms of buying shares of company. Dividends are usually paid at the end of the financial year from the profits of a company after it has paid corporation tax. A fixed rate of dividend is usually rewarded to Preference shareholders while for Ordinary shareholders; the dividend varies depending on the profitability of the business.

5. Span of Control

It refers to the number of subordinates working directly under the supervision of a superior. If a manager controlling five subordinates, then we say that his span of management is 5. Span of control can be narrow or wide.

6. Fixed cost

Fixed Cost is an expense which does not vary irrespective of the level of output produced. If no output is produced, fixed cost is to be paid. An example of fixed cost is rent.

7. Variable cost

Variable cost is an expense which varies with the level of output. If no output is produced, then variable cost will be zero. An example of variable cost is wages (direct labour).

8. Multi-national Company

MNC is an incorporated business which has a head quarter in a home country and several branches in different host countries. For a company to be considered as MNC, there should be foreign direct investment, that is inflow of physical assets from the home country to the host country. Examples of MNC are, Shell, Indian oil and so on.

9. Private Sector

Private sector consists of all those businesses which are owned, controlled and financed by private individuals. Their main objective is to maximize profit from their investment. It includes businesses like sole trader, partnership and limited companies.

10. Public Sector

Public sector consists of all those businesses which are owned and controlled by the government or state agencies. Tax paid out by the population is used to finance the operation of these businesses. Their main objective is to maximize social welfare. It includes businesses such as local authorities, ministries, public corporation and so on.

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