Glossary

1 Business activity and economic sectors

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| **Term** | **Definition** |
| **Added value** | The difference between the selling price of a product and the cost of bought-in materials and resources needed to produce it. |
| **Business** | An organisation that combines factors of production to make products (goods and services) which satisfy people’s wants. |
| **Capital** | The money invested into a business by the owners. |
| **Factors of production** | Those resources needed to produce goods or services. There are four factors of production and they are in limited supply. |
| **Goods** | Tangible products made by businesses to be sold to customers, such as cars and clothes. |
| **Opportunity cost** | The value of the next best alternative given up when choosing one option over another. |
| **Primary sector** | The sector of industry that extracts and uses the natural resources from the Earth to produce raw materials used by other businesses. |
| **Private sector** | The part of the economy owned and operated by individuals and companies, usually for profit, and is not state/government controlled. |
| **Public sector** | Organisations in the economy that are owned and controlled by the government. |
| **Secondary sector** | The sector of industry that manufactures goods using the raw materials provided by the primary sector. |
| **Services** | Intangible products, such as banking or transport, that are provided by businesses to customers. |
| **Tertiary sector** | The sector of industry that provides services to consumers and the other economic sectors. |