

## 5.02 Key Terms

<b>Key Term</b>	<b>Definition</b>
<b>Business risk</b>	The possibility of loss (failure) or gain (success) inherent in conducting business.
<b>Command economic system</b>	An economic system in which all or many of the means of production and distribution are owned and controlled by the government.
<b>Communism</b>	A command economic system in which the government controls the economic system and does not allow private ownership of the means of production and distribution.
<b>Competition</b>	The rivalry among two or more businesses to attract scarce customer dollars.
<b>Cost of goods</b>	The amount of money a business pays for the products it sells or for the raw materials from which it produces goods to sell; the amount of money a business pays for the products (or for any part of the products) it sells.
<b>Direct competition</b>	Rivalry between or among businesses that offer similar types of goods or services.
<b>Economic risks</b>	Risks that result from changes in overall business conditions.
<b>Economic system</b>	The organized way in which a country handles its economic decisions and solves its economic problems.
<b>Expenses</b>	Money spent or cost incurred in an organization's efforts to generate revenue, representing the cost of doing business.
<b>Guarantee</b>	A promise made to the consumer that a product's purchase price will be refunded if the product is not satisfactory.
<b>Human risk</b>	Perils caused by human errors as well as the unpredictability of customers, employees, or the work environment.
<b>Income</b>	The money received by resource owners and by producers for supplying goods and services to customers.
<b>Indirect competition</b>	Rivalry between or among businesses that offer dissimilar goods or services.
<b>Monopoly</b>	A type of market structure in which a market is controlled by one supplier, and there are no substitute goods or services readily available.
<b>Natural risks</b>	Perils resulting from environmental causes.
<b>Non-price competition</b>	A type of rivalry between or among businesses that involves factors other than price (e.g., customer services, modern facilities, trained personnel, and variety of products).
<b>Operating expenses</b>	All of the expenses involved in running a business.
<b>Oligopoly</b>	A market structure in which there are relatively few sellers, and industry leaders usually determine prices.
<b>Perfect competition</b>	A market structure in which there are many businesses selling a lot of identical products for about the same price to many buyers; also known as pure competition.
<b>Price competition</b>	A type of rivalry between or among businesses that focuses on the use of price to attract scarce customer dollars.
<b>Private enterprise system</b>	An economic system in which individuals and groups, rather than government, own or control the means of production—the human and natural resources and capital goods used to produce goods and

	services. Also known as free market economy, private profit system, market system, capitalistic system, or free enterprise system.
<b>Profit</b>	Monetary reward a business owner receives for taking the risk involved in investing in a business; income left once all expenses are paid.
<b>Profit motive</b>	The desire to make a profit which moves people to invest in business.
<b>Pure risks</b>	The possibility of loss to a business without any possibility of gain.
<b>Regulated monopoly</b>	Monopoly that the government allows to exist legally.
<b>Socialism</b>	A modified command economic system in which government owns the basic means of production and allows private ownership of businesses as well.
<b>Speculative risks</b>	Chances of loss that may result in loss, no change, or gain.
<b>Traditional economy</b>	An economic system in which people produce only what they must have in order to exist; all economic decisions are based on habit and tradition.
<b>Warranty</b>	A promise made by the seller to the customer that the seller will repair or replace a product that does not perform as expected. A promise to the purchaser that a product will be repaired or replaced if it proves to be defective.