

1. average propensity to consume (APC)	the proportion of total income that is spent on consumption	15. life cycle theory of consumption	a theory that states that consumers save according to their stage of the life cycle, where the bulk of the saving takes place during the working age
2. average propensity to save (APS)	the proportion of total income that is not spent, but is saved for future consumption	16. marginal propensity to consume (MPC)	the proportion of each extra dollar earned that is spent on consumption
3. business firm	an organisation that uses entrepreneurial skills to combine the factors of production to produce goods and services	17. marginal propensity to save (MPS)	the proportion of each extra dollar earned that is not spent, but is saved for future consumption
4. capital	the manufactured products used to produce goods and services, commonly described as the 'produced means of production'	18. niche market	a segment of a mass market for a good or service that can be defined by the specific tastes or characteristics of the target customers
5. complement	a good that is used in conjunction with another good e.g. DVDs would be a complement for DVD players	19. productivity	the quantity of goods and services the economy can produce with a given amount of inputs such as capital and labour
6. consumer sovereignty	the concept that consumers decide what goods and services will be produced by exercising their freedom to choose their purchases	20. profit motive	the process by which a business seeks to maximise profit by using the lowest-cost combination of resources and charging the highest possible price
7. consumption function	a graphical representation of the relationship between income and consumption for an individual or an economy	21. satisficing behaviour	the idea that firms will attempt to pursue a satisfactory level in all goals (profit maximisation, sales maximisation) rather than maximising any single goal
8. ethical decision-making	when business decisions about production methods, employment and other matters are made taking into consideration the impacts on broader society and the environment, and not simply to maximise profits of the firm	22. social welfare payments	payments made to increase the incomes of individuals or families in need of assistance by the government
9. external diseconomies of scale	the disadvantages faced by a firm because of the growth of the industry in which the firm is operating and are not the result of the firm changing its own scale of operations	23. specialisation	where the factors of production are used more intensively to complete a narrow range of tasks in the production process
10. external economies of scale	the advantages that accrue to a firm because of the growth of the industry in which the firm is operating and are not the result of the firm changing its own scale of operations	24. substitute	a good that consumers may choose to buy in place of another good, such as butter and margarine or tea and coffee
11. individual demand	the demand of each consumer for a particular good or service	25. technical optimum	the most efficient level of production for a firm; average costs being at their lowest possible level
12. industry	the collection of firms involved in making a similar range of items that usually compete with each other e.g. the car industry	26. utility	the satisfaction or pleasure that individuals derive from the consumption of goods and services
13. internal diseconomies of scale	the cost disadvantages (specifically, the increase in marginal costs per unit) faced by a firm expanding its scale of operations beyond a certain point		
14. internal economies of scale	the cost saving advantages that result from a firm expanding its scale of operations		