Unit 104: Employability in the construction and built environment sector

# Worksheet 8: Business terminology (tutor)

1. Fill in the definitions of the business terminology given in the table below.

| **Business terminology** | **Definition** |
| --- | --- |
| Loss | Loss within the construction industry can either be financial or due to loss of life from poor safety considerations. In financial accounting, a loss is a decrease in net income that is outside the normal operations of the business. Losses can result from several activities. |
| Bookkeeping | Bookkeeping is the recording of financial transactions and is part of the process of accounting in business. Transactions include purchases, sales, receipts, and payments by an individual person or an organisation/corporation. Construction companies must monitor their books to ensure that they are paying appropriate taxes and working within the law. |
| Auditing | A construction audit looks primarily at financial aspects, considering construction elements and safety as it relates to the monetary elements of a project. This can include inspecting materials and completed areas of a build to ensure all elements of a contract are being upheld. |
| Overheads | [Overheads](https://www.designingbuildings.co.uk/wiki/Overheads) are [priced](https://www.designingbuildings.co.uk/wiki/Priced) proportionately against a [project](https://www.designingbuildings.co.uk/wiki/Project) and are the calculated [costs](https://www.designingbuildings.co.uk/wiki/Cost) of running the [company](https://www.designingbuildings.co.uk/wiki/Company) contracted to carry out a [project](https://www.designingbuildings.co.uk/wiki/Project). Often these [costs](https://www.designingbuildings.co.uk/wiki/Cost) are described as head [office](https://www.designingbuildings.co.uk/wiki/Office) administrative [costs](https://www.designingbuildings.co.uk/wiki/Cost) (in some cases there may be factory or [manufacturing](https://www.designingbuildings.co.uk/wiki/Manufacturing) [overheads](https://www.designingbuildings.co.uk/wiki/Overheads)). Head [office](https://www.designingbuildings.co.uk/wiki/Office) or administrative [costs](https://www.designingbuildings.co.uk/wiki/Cost) might include; [property](https://www.designingbuildings.co.uk/wiki/Property) [costs](https://www.designingbuildings.co.uk/wiki/Cost), [finance](https://www.designingbuildings.co.uk/wiki/Finance) charges on [loans](https://www.designingbuildings.co.uk/wiki/Loan), [insurances](https://www.designingbuildings.co.uk/wiki/Insurance), staff, taxes, external advisors, marketing and tendering [activities](https://www.designingbuildings.co.uk/wiki/Activities). Most [contracting](https://www.designingbuildings.co.uk/wiki/Contracting) [organisations](https://www.designingbuildings.co.uk/wiki/Organisation) will calculate a percentage against [project costs](https://www.designingbuildings.co.uk/wiki/Project_cost) to be set against each [project](https://www.designingbuildings.co.uk/wiki/Project) somewhere between 2.5% and 10% to cover head [office](https://www.designingbuildings.co.uk/wiki/Office) [services](https://www.designingbuildings.co.uk/wiki/Services). |
| Growth | Construction companies are continually looking for growth and to retain staff and increase profit margins. Business Growth is a stage where the business reaches the point for expansion and seeks additional options to generate more profit. Business growth is a function of the business lifecycle, industry growth trends, and the owners desire for equity value creation. |
| Networking | Networking is a socioeconomic business activity by which businesspeople and entrepreneurs meet to form business relationships and to recognise, create, or act upon business opportunities, share information and seek potential partners for ventures. Construction networking can increase the chance of a business gaining more work or future contracts. |
| Profit | On [construction projects](https://www.designingbuildings.co.uk/wiki/Construction_project), [profit and overheads](https://www.designingbuildings.co.uk/wiki/Profit_and_overheads) are normally referred to in relation to [contractors](https://www.designingbuildings.co.uk/wiki/Contractors). In terms of individual [projects](https://www.designingbuildings.co.uk/wiki/Project), [profit](https://www.designingbuildings.co.uk/wiki/Profit) can be defined as the money the [project](https://www.designingbuildings.co.uk/wiki/Project) makes after [accounting](https://www.designingbuildings.co.uk/wiki/Accounting) for all [costs](https://www.designingbuildings.co.uk/wiki/Cost) and expenses. The percentage [profit](https://www.designingbuildings.co.uk/wiki/Profit) a [contractor](https://www.designingbuildings.co.uk/wiki/Contractors) might apply to their [tender price](https://www.designingbuildings.co.uk/wiki/Tender_price) will vary according to [risk](https://www.designingbuildings.co.uk/wiki/Risk), workload and economic climate. It can also relate to the [turnover](https://www.designingbuildings.co.uk/wiki/Turnover) of [capital](https://www.designingbuildings.co.uk/wiki/Capital) employed for each [project](https://www.designingbuildings.co.uk/wiki/Project); the more times a [contractor](https://www.designingbuildings.co.uk/wiki/Contractors) can [turnover](https://www.designingbuildings.co.uk/wiki/Turnover) its [capital](https://www.designingbuildings.co.uk/wiki/Capital) on a [project](https://www.designingbuildings.co.uk/wiki/Project) the more it can afford to cut [margins](https://www.designingbuildings.co.uk/wiki/Margin). |