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# Subject content

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This syllabus gives you the flexibility to design a course that will interest, challenge and engage your learners. Where appropriate you are responsible for selecting topics, subject contexts, resources and examples to support your learners' study. These should be appropriate for the learners' age, cultural background and learning context as well as complying with your school policies and local legal requirements.

In all of the following, candidates are required to apply their understanding to a variety of simple business situations. Candidates should be able to make simple decisions based upon the analysis and evaluation of information provided.

## 1 Understanding business activity

### 1.1 Business activity

- 1.1.1 The purpose and nature of business activity:
- Concepts of needs, wants, scarcity and opportunity cost
  - Importance of specialisation
  - Purpose of business activity
  - The concept of adding value and how added value can be increased

### 1.2 Classification of businesses

- 1.2.1 Economic sectors in terms of primary, secondary and tertiary sectors:
- Basis of business classification, using examples to illustrate the classification
  - Reasons for the changing importance of business classification, e.g. in developed and developing economies
- 1.2.2 Classify business enterprises between private sector and public sector in a mixed economy

### 1.3 Enterprise, business growth and size

- 1.3.1 Enterprise and entrepreneurship:
- Characteristics of successful entrepreneurs
  - Contents of a business plan and how business plans assist entrepreneurs
  - Why and how governments support business start-ups, e.g. grants, training schemes
- 1.3.2 The methods and problems of measuring business size:
- Methods of measuring business size, e.g. number of people employed, value of output, capital employed (profit is not a method of measuring business size)
  - Limitations of methods of measuring business size

### 1.3 Enterprise, business growth and size continued

1.3.3 Why some businesses grow and others remain small:

- Why the owners of a business may want to expand the business
- Different ways in which businesses can grow, e.g. internal/external
- Problems linked to business growth and how these might be overcome
- Why some businesses remain small

1.3.4 Why some (new or established) businesses fail:

- Causes of business failure, e.g. lack of management skills, changes in the business environment, liquidity problems
- Why new businesses are at a greater risk of failing

### 1.4 Types of business organisation

1.4.1 The main features of different forms of business organisation:

- Sole traders, partnerships, private and public limited companies, franchises and joint ventures
- Differences between unincorporated businesses and limited companies
- Concepts of risk, ownership and limited liability
- Recommend and justify a suitable form of business organisation to owners/management in a given situation
- Business organisations in the public sector, e.g. public corporations

### 1.5 Business objectives and stakeholder objectives

1.5.1 Businesses can have several objectives and the importance of them can change:

- Need for business objectives and the importance of them
- Different business objectives, e.g. survival, growth, profit and market share
- Objectives of social enterprises

1.5.2 The role of stakeholder groups involved in business activity:

- Main internal and external stakeholder groups
- Objectives of different stakeholder groups
- How these objectives might conflict with each other, use examples

1.5.3 Differences in the objectives of private sector and public sector enterprises

## 2 People in business

### 2.1 Motivating employees

2.1.1 The importance of a well-motivated workforce:

- Why people work and what motivation means
- The benefits of a well-motivated workforce: labour productivity, reduced absenteeism and labour turnover
- The concept of human needs, e.g. Maslow's hierarchy
- Key motivational theories: Taylor and Herzberg

2.1.2 Methods of motivation:

- Financial rewards, e.g. wage, salary, bonus, commission and profit sharing
- Non-financial methods, e.g. job enrichment, job rotation, teamworking, training, opportunities for promotion
- Recommend and justify appropriate method(s) of motivation in given circumstances

### 2.2 Organisation and management

2.2.1 Draw, interpret and understand simple organisational charts:

- Simple hierarchical structures: levels of hierarchy, span of control, chain of command e.g. tall/short
- Roles and responsibilities of directors, managers, supervisors, other employees in an organisation and inter-relationships between them

2.2.2 The role of management:

- Functions of management, e.g. planning, organising, coordinating, commanding and controlling
- Importance of delegation; trust versus control

2.2.3 Leadership styles:

- Features of the main leadership styles, e.g. autocratic, democratic and laissez-faire
- Recommend and justify an appropriate leadership style in given circumstances

2.2.4 Trade unions:

- What a trade union is and the effects of employees being union members

## 2.3 Recruitment, selection and training of employees

- 2.3.1 Recruitment and selecting employees:
- Recruitment and selection methods
  - Difference between internal recruitment and external recruitment
  - Main stages in recruitment and selection of employees
  - Recommend and justify who to employ in given circumstances
  - Benefits and limitations of part-time employees and full-time employees
- 2.3.2 The importance of training and the methods of training:
- Importance of training to a business and to employees
  - Benefits and limitations of induction training, on-the-job training and off-the-job training
- 2.3.3 Why reducing the size of the workforce might be necessary:
- Difference between dismissal and redundancy with examples
  - Understand situations in which downsizing the workforce might be necessary, e.g. automation or reduced demand for products
  - Recommend and justify which employees to make redundant in given circumstances
- 2.3.4 Legal controls over employment issues and their impact on employers and employees:
- Legal controls over employment contracts, unfair dismissal, discrimination, health and safety, legal minimum wage

## 2.4 Internal and external communication

- 2.4.1 Why effective communication is important and the methods used to achieve it:
- Effective communication and its importance to business
  - Benefits and limitations of different communication methods including those based on information technology (IT)
  - Recommend and justify which communication method to use in given circumstances
- 2.4.2 Demonstrate an awareness of communication barriers:
- How communication barriers arise and problems of ineffective communication; how communication barriers can be reduced or removed

### 3 Marketing

#### 3.1 Marketing, competition and the customer

3.1.1 The role of marketing:

- Identifying customer needs
- Satisfying customer needs
- Maintaining customer loyalty
- Building customer relationships

3.1.2 Market changes:

- Why customer/consumer spending patterns may change
- The importance of changing customer needs
- Why some markets have become more competitive
- How businesses can respond to changing spending patterns and increased competition

3.1.3 Concepts of niche marketing and mass marketing:

- Benefits and limitations of both approaches to marketing

3.1.4 How and why market segmentation is undertaken:

- How markets can be segmented, e.g. according to age, socio-economic grouping, location, gender
- Potential benefits of segmentation to business
- Recommend and justify an appropriate method of segmentation in given circumstances

#### 3.2 Market research

3.2.1 The role of market research and methods used:

- Market-orientated businesses (uses of market research information to a business)
- Primary research and secondary research (benefits and limitations of each)
- Methods of primary research, e.g. postal questionnaire, online survey, interviews, focus groups
- The need for sampling
- Methods of secondary research, e.g. online, accessing government sources, paying for commercial market research reports
- Factors influencing the accuracy of market research data

3.2.2 Presentation and use of market research results:

- Analyse market research data shown in the form of graphs, charts and diagrams; draw simple conclusions from such data

### 3.3 Marketing mix

#### 3.3.1 Product:

- The limitations and benefits of developing new products
- Brand image; impact on sales and customer loyalty
- The role of packaging
- The product life cycle: main stages and extension strategies; draw and interpret a product life cycle diagram
- How stages of the product life cycle can influence marketing decisions, e.g. promotion and pricing decisions

#### 3.3.2 Price:

- Pricing methods (benefits and limitations of different methods), e.g. cost plus, competitive, penetration, skimming, and promotional
- Recommend and justify an appropriate pricing method in given circumstances
- Understand the significance of price elasticity: difference between price elastic demand and price inelastic demand; importance of the concept in pricing decisions (*knowledge of the formula and calculations of PED will **not** be assessed*)

#### 3.3.3 Place – distribution channels:

- Advantages and disadvantages of different channels, e.g. use of wholesalers, retailers or direct to consumers
- Recommend and justify an appropriate distribution channel in given circumstances

#### 3.3.4 Promotion:

- The aims of promotion
- Different forms of promotion and how they influence sales, e.g. advertising, sales promotion
- The need for cost-effectiveness in spending the marketing budget on promotion

#### 3.3.5 Technology and the marketing mix:

- Define and explain the concept of e-commerce
- The opportunities and threats of e-commerce to business and consumers
- Use of the internet and social media networks for promotion

### 3.4 Marketing strategy

- 3.4.1 Justify marketing strategies appropriate to a given situation:
- Importance of different elements of the marketing mix in influencing consumer decisions in given circumstances
  - Recommend and justify an appropriate marketing strategy in given circumstances
- 3.4.2 The nature and impact of legal controls related to marketing:
- Impact of legal controls on marketing strategy, e.g. misleading promotion, faulty and dangerous goods
- 3.4.3 The opportunities and problems of entering new foreign markets:
- Growth potential of new markets in other countries
  - Problems of entering foreign markets, e.g. cultural differences and lack of knowledge
  - Benefits and limitations of methods to overcome such problems, e.g. joint ventures, licensing

## 4 Operations management

### 4.1 Production of goods and services

- 4.1.1 The meaning of production:
- Managing resources effectively to produce goods and services
  - Difference between production and productivity
  - Benefits of increasing efficiency and how to increase it, e.g. increasing productivity by automation and technology, improved labour skills
  - Why businesses hold inventories
  - The concept of lean production: how to achieve it, e.g. just-in-time inventory control and Kaizen; benefits of lean production
- 4.1.2 The main methods of production:
- Features, benefits and limitations of job, batch and flow production
  - Recommend and justify an appropriate production method for a given situation
- 4.1.3 How technology has changed and is changing production methods, e.g. using computers in design and manufacturing

## 4.2 Costs, scale of production and break-even analysis

### 4.2.1 Identify and classify costs:

- Classifying costs using examples, e.g. fixed, variable, average, total
- Use cost data to help make simple cost-based decisions, e.g. to stop production or continue

### 4.2.2 Economies and diseconomies of scale:

- The concept of economies of scale with examples, e.g. purchasing, marketing, financial, managerial, technical
- The concept of diseconomies of scale with examples, e.g. poor communication, lack of commitment from employees, weak coordination

### 4.2.3 Break-even analysis:

- The concept of break-even
- Construct, complete or amend a simple break-even chart
- Interpret a given chart and use it to analyse a situation
- Calculate break-even output from given data
- Define, calculate and interpret the margin of safety
- Use break-even analysis to help make simple decisions, e.g. impact of higher price
- Understand the limitations of break-even analysis

## 4.3 Achieving quality production

### 4.3.1 Why quality is important and how quality production might be achieved:

- What quality means and why it is important for all businesses
- The concept of quality control and how businesses implement quality control
- The concept of quality assurance and how this can be implemented

## 4.4 Location decisions

### 4.4.1 The main factors influencing the location and relocation decisions of a business:

- Factors relevant to the location decision of manufacturing businesses and service businesses
- Factors that a business could consider when deciding which country to locate operations in
- The role of legal controls on location decisions
- Recommend and justify an appropriate location for a business in given circumstances



## 5 Financial information and decisions

### 5.1 Business finance: needs and sources

5.1.1 The need for business finance:

- The main reasons why businesses need finance, e.g. start-up capital, capital for expansion and additional working capital
- Understand the difference between short-term and long-term finance needs

5.1.2 The main sources of finance:

- Internal sources and external sources with examples
- Short-term and long-term sources with examples, e.g. overdraft for short-term finance and debt or equity for long-term finance
- Importance of alternative sources of capital, e.g. micro-finance, crowd-funding
- The main factors considered in making the financial choice, e.g. size and legal form of business, amount required, length of time, existing loans
- Recommend and justify appropriate source(s) of finance in given circumstances

### 5.2 Cash-flow forecasting and working capital

5.2.1 The importance of cash and of cash-flow forecasting:

- Why cash is important to a business
- What a cash-flow forecast is, how a simple one is constructed and the importance of it
- Amend or complete a simple cash-flow forecast
- How to interpret a simple cash-flow forecast
- How a short-term cash-flow problem might be overcome, e.g. overdraft, delaying supplier payments, asking debtors to pay more quickly

5.2.2 Working capital:

- The concept and importance of working capital

### 5.3 Income statements

5.3.1 What profit is and why it is important:

- How a profit is made
- Importance of profit to private sector businesses, e.g. reward for risk-taking/enterprise, source of finance
- Difference between profit and cash

### 5.3 Income statements continued

#### 5.3.2 Income statements:

- Main features of an income statement, e.g. revenue, cost of sales, gross profit, profit and retained profit
- Use simple income statements in decision-making based on profit calculations (*constructing income statements will **not** be assessed*)

### 5.4 Statement of financial position

#### 5.4.1 The main elements of a statement of financial position:

- The main classifications of assets and liabilities, using examples

#### 5.4.2 Interpret a simple statement of financial position and make deductions from it, e.g. how a business is financing its activities and what assets it owns, sale of inventories to raise finance (*constructing statements of financial position will **not** be assessed*)

### 5.5 Analysis of accounts

#### 5.5.1 Profitability:

- The concept and importance of profitability

#### 5.5.2 Liquidity:

- The concept and importance of liquidity

#### 5.5.3 How to interpret the financial performance of a business by calculating and analysing profitability ratios and liquidity ratios:

- Gross profit margin
- Profit margin
- Return on Capital Employed
- Current ratio
- Acid test ratio

#### 5.5.4 Why and how accounts are used:

- Needs of different users of accounts and ratio analysis
- How users of accounts and ratio results might use information to help make decisions, e.g. whether to lend to or invest in the business

## 6 External influences on business activity

### 6.1 Economic issues

- 6.1.1 Business cycle:
- Main stages of the business cycle, e.g. growth, boom, recession, slump
  - Impact on businesses of changes in employment levels, inflation and Gross Domestic Product (GDP)
- 6.1.2 How government control over the economy affects business activity and how businesses may respond:
- Identify government economic objectives, e.g. increasing Gross Domestic Product (GDP)
  - Impact of changes in taxes and government spending
  - Impact of changes in interest rates
  - How businesses might respond to these changes

### 6.2 Environmental and ethical issues

- 6.2.1 Environmental concerns and ethical issues as both opportunities and constraints for businesses:
- How business activity can impact on the environment, e.g. global warming
  - The concept of externalities: possible external costs and external benefits of business decisions
  - Sustainable development; how business activity can contribute to this
  - How and why business might respond to environmental pressures and opportunities, e.g. pressure groups
  - The role of legal controls over business activity affecting the environment, e.g. pollution controls
  - Ethical issues a business might face: conflicts between profits and ethics
  - How business might react and respond to ethical issues, e.g. child labour, paying fair prices to suppliers

### 6.3 Business and the international economy

- 6.3.1 The importance of globalisation:
- The concept of globalisation and the reasons for it
  - Opportunities and threats of globalisation for businesses
  - Why governments might introduce import tariffs and import quotas

### 6.3 Business and the international economy continued

6.3.2 Reasons for the importance and growth of multinational companies (MNCs):

- Benefits to a business of becoming a multinational and the impact on its stakeholders
- Potential benefits to a country and/or economy where a MNC is located, e.g. jobs, exports, increased choice, investment
- Potential drawbacks to a country and/or economy where a MNC is located, e.g. reduced sales of local businesses, repatriation of profits

6.3.3 The impact of exchange rate changes:

- Depreciation and appreciation of an exchange rate
- How exchange rate changes can affect businesses as importers and exporters of products, e.g. prices, competitiveness, profitability (*exchange rate calculations will **not** be assessed*)