### BUSINESS

#### Syllabus overview

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- advantages and disadvantages of being a small business
- strengths and weaknesses of family businesses
- the importance of small businesses and their role in the economy
- the role of small businesses as part of the industry structure in some industries

### 1.3.3 Internal growth
- why and how a business might grow internally

### 1.4 Business objectives

#### 1.4.1 Business objectives in the private and public sectors
- the nature and importance of business objectives at corporate, departmental and individual levels
- corporate social responsibility (CSR) as a business objective

#### 1.4.2 Objectives and business decisions
- relationship between mission statement, objectives, strategy and tactics
- the different stages of business decision making and the role of objectives in the stages of business decision making
- how objectives might change over time
- translation of objectives into targets and budgets
- the communication of objectives and their likely impact on the workforce
- how ethics may influence business objectives and activities

### 1.5 Stakeholders in a business

#### 1.5.1 Business stakeholders
- individuals or groups interested in the activities of business, e.g. owners/shareholders, managers, employees, customers, suppliers, lenders, government and the local community
- roles, rights and responsibilities of stakeholders

#### 1.5.2 The importance and influence of stakeholders on business activities
- impact of business decisions/actions on stakeholders, and their reactions
- how and why a business needs to be accountable to its stakeholders
- how conflict might arise from stakeholders having different aims
- how changing business objectives might affect its stakeholders

### People in organisations

#### 2.1 Management and leadership

##### 2.1.1 Management and managers
- the functions of management, including Mintzberg’s roles of management
- functions, roles and styles

##### 2.1.2 Leadership
- the purpose of leadership
### 2.1.3 Choice of leadership style

- leadership roles in business (directors, managers, supervisors, work representatives)
- qualities of a good leader
- leadership styles: autocratic, democratic, laissez-faire
- McGregor's leadership styles

**Pages 74–85**

### 2.1.4 Emotional Intelligence/Emotional quotient (EQ)

- Goleman's four competencies of emotional intelligence: self-awareness, social awareness, self-management and social skills

**Pages 74–85**

### 2.2 Motivation

#### 2.2.1 Motivation as a tool of management and leadership

- the need to motivate employees to achieve the objectives of a business

**Pages 86–100**

#### 2.2.2 Human needs

- a simple explanation of human need
- how human needs may or may not be satisfied at work

**Pages 86–100**

#### 2.2.3 Motivation theories

- ideas of the main content theorists (Maslow, Taylor, Mayo, Herzberg) and process theorists (McClelland, Vroom)

**Pages 86–100**

#### 2.2.4 Motivation methods in practice: financial motivators, non-financial motivators

- the theories in practical situations
- different payment methods (time based, salary, piece rates, commission, bonuses, profit sharing, performance related pay)
- different types of non-financial motivators (training, induction, opportunities for promotion, development, status, job re-design, team working, empowerment, participation, fringe benefits/perks)
- ways in which employees can participate in the management and control of business activity

**Pages 86–100**

### 2.3 Human resource management (HRM)

#### 2.3.1 Purpose and roles of HRM

- the role of HRM in meeting organisation objectives: recruitment, selection, training, induction, advice, guidance, workforce planning

**Pages 101–121**

#### 2.3.2 Recruitment and selection

- labour turnover, methods of recruitment and selection

**Pages 101–121**

#### 2.3.3 Job descriptions, person specifications, job advertisements

- purposes of job descriptions, person specifications and job advertisements

**Pages 101–121**

#### 2.3.4 Employment contracts

- main features of a contract of employment

**Pages 101–121**

#### 2.3.5 Redundancy and dismissal

- difference between redundancy and dismissal

**Pages 101–121**

#### 2.3.6 Staff morale and welfare

- relationship between HRM, staff morale and welfare in a business including the concept of work-life balance
- policies for diversity and equality

**Pages 101–121**
2.3.7 Staff training

- the purpose of staff development/training as a means of securing required skills and motivating the workforce

3. Marketing

3.1 What is marketing?

3.1.1 Role of marketing and its relationship with other business activities

- the link between marketing objectives and corporate objectives
- marketing objectives

3.1.2 Supply and demand

- factors influencing the supply and demand for the products/services of a business
- interactions between price, supply and demand

3.1.3 Features of markets: location, size, share, competitors, growth

- how markets may differ: such as consumer/producer markets; national, regional and international markets
- difference between product and customer (market) orientation
- problems associated with measuring market share and market growth

3.1.4 Industrial and consumer markets

- implications of changes in market share and growth
- classification of products
- how marketing might differ for different types of goods and services

3.1.5 Niche versus mass marketing

- reasons for, and benefits/limitations of mass marketing and niche marketing

3.1.6 Market segmentation

- benefits and limitations of market segmentation
- methods of market segmentation including geographic, demographic and psychographic

3.2 Market research

3.2.1 Primary and secondary research

- purpose of market research in determining customer characteristics/consumer profiles, wants and needs

3.2.2 Methods of information gathering

- distinction between primary (field) and secondary desk research, and the main features of each
- methods of primary research and their advantages and disadvantages including focus groups and surveys
- sources of secondary information including printed, paid for and web-based sources of information

3.2.3 Sampling methods

- random, stratified and quota sampling; the appropriateness of each to given situations
- limitations of sampling
- the reliability of data collection

Pages

- 3.1.1 Role of marketing and its relationship with other business activities: Pages 123–139
- 3.1.2 Supply and demand: Pages 123–139
- 3.1.3 Features of markets: location, size, share, competitors, growth: Pages 123–139
- 3.1.4 Industrial and consumer markets: Pages 123–139
- 3.1.5 Niche versus mass marketing: Pages 123–139
- 3.1.6 Market segmentation: Pages 123–139
- 3.2.1 Primary and secondary research: Pages 140–156
- 3.2.2 Methods of information gathering: Pages 140–156
- 3.2.3 Sampling methods: Pages 140–156
### 3.2.4 Market research results
- analysis of results obtained from market research
- interpretation of information *(Candidates will not be required to draw bar charts, pie charts, etc., or demonstrate knowledge of advantages and disadvantages of different presentation methods.)*

**Pages 140–156**

### 3.2.5 Cost effectiveness
- cost effectiveness of market research in given situations (treated descriptively)

**Pages 140–156**

### 3.3 The marketing mix

#### 3.3.1 The elements of the marketing mix (the 4Ps)
- the 4Ps: Product, Price, Promotion, Place (distribution channels)

**Pages 157–189**

#### 3.3.2 The role of the customer (the 4Cs)
- the relationship between the customer and the business (the 4Cs): Customer solution, Cost to customer, Communication with customer, Convenience to customer
- ways in which customer relations can be improved
- how the 4Cs relate to the 4Ps

**Pages 157–189**

#### 3.3.3 Product
- goods, services
- recognising that products have a combination of tangible and intangible attributes
- the importance of product development
- product differentiation and USP (Unique Selling Point)

**Pages 157–189**

#### 3.3.4 Product Life Cycle
- how Product Life Cycle stage influences marketing activities
- product portfolio analysis as ways of achieving marketing objectives
- decisions about extension strategies
- use and value of alternative pricing strategies including competitive, penetration, skimming, price discrimination, cost-based pricing

**Pages 157–189**

#### 3.3.5 Types of pricing strategies
- define, calculate and interpret price elasticity of demand and suitable prices

**Pages 157–189**

#### 3.3.6 Price elasticity of demand
- usefulness of price elasticity of demand when making pricing decisions

**Pages 157–189**

#### 3.3.7 Promotion methods
- above the line and below the line promotion
- the role of packaging in promotion
- branding as part of product/promotion

**Pages 157–189**

#### 3.3.8 Channels of distribution
- choosing between alternative types of channel

**Pages 157–189**

#### 3.3.9 Using the Internet for the 4Ps/4Cs
- distribution online advertising, catalogues, sales, dynamic pricing, distribution (download of digital products), social media, viral marketing, e-commerce

**Pages 157–189**

#### 3.3.10 Consistency in the marketing mix
- the need for the marketing mix to be consistent with the business, the product type and the market

**Pages 157–189**
### 4. Operations and project management

#### 4.1 The nature of operations

##### 4.1.1 Inputs, outputs and the transformation process

- operations encompasses products and services
- process: from idea/need to final product/service
- resources: land, labour, capital (including intellectual capital)

#### 4.1.2 Effectiveness, efficiency and productivity

- difference between effectiveness and efficiency
- productivity: measuring efficiency

#### 4.1.3 Value added

- how ‘value added’ is linked to marketing, the operations process and operations decisions

#### 4.1.4 Capital versus labour intensity

- benefits and limitations of capital and labour intensive processes

#### 4.2 Operations planning

##### 4.2.1 Operations decisions

- the influence of marketing, availability of resources and technology (e.g. CAD and CAM) on operations decisions

[Note: Candidates are expected to know what is meant by Computer Aided Design and Computer Aided Manufacture. They must understand how CAD and CAM can be applied in a business, including the advantages and disadvantages.]

##### 4.2.2 Flexibility and innovation

- the need for flexibility with regard to volume, delivery time and specification

##### 4.2.3 Operations methods: job, batch, flow, mass customisation

- process innovation – changing current processes or adopting new ways of producing products (e.g. automation/robotics) or delivering services (e.g. improving workflow)
- problems of changing from one method to another
- factors that determine (a) location and (b) relocation: geographic, demographic, legal, political, resources, infrastructure, marketing
- differences between local, regional, national and international location decisions
- factors that influence the scale of a business
- causes and examples of internal/external economies/diseconomies of scale
- links between economies/diseconomies of scale and unit costs

##### 4.2.4 Location

- factors that determine (a) location and (b) relocation: geographic, demographic, legal, political, resources, infrastructure, marketing
- differences between local, regional, national and international location decisions

##### 4.2.5 Scale of operation

- factors that influence the scale of a business
- causes and examples of internal/external economies/diseconomies of scale
- links between economies/diseconomies of scale and unit costs

Pages 191–202

Pages 203–228
### 4.3 Inventory management

#### 4.3.1 Purpose, costs and benefits of inventory
- purpose of inventory within a business (raw materials, work in progress, finished products)
- costs and benefits of holding inventory

#### 4.3.2 Managing inventory
- buffer inventory, reorder level and lead time
- interpretation of simple inventory control charts
- inventory control methods including buffer inventory and Just in Time (JIT) [Note: While candidates should appreciate the need for inventory control and the general methods which may be employed, the mathematics of the methods will not be examined.]

### 5. Finance and accounting

#### 5.1 The need for business finance

##### 5.1.1 Start up capital, capital for expansion
- why businesses need finance to start up and to grow
- why different needs for finance might mean different sources are appropriate

##### 5.1.2 Working capital
- the meaning and significance of working capital as a source of finance
- significance of the distinction between revenue expenditure and capital expenditure

#### 5.2 Sources of finance

##### 5.2.1 Legal structure and sources of finance
- the relationship between the legal structure of a business and its sources of finance

##### 5.2.2 Short term finance and long term finance
- distinction between short and long term sources of finance

##### 5.2.3 Internal sources
- internal sources of finance: retained profits, sale of unwanted assets, sale and leaseback of non-current assets, working capital

##### 5.2.4 External sources
- external sources of finance: share capital, new partners, venture capital, overdrafts, leasing, hire purchase, bank loans, mortgages, debentures, micro-finance, crowd funding and government grants

##### 5.2.5 Factors influencing the sources of finance
- factors influencing the choice of sources of finance in a given situation: cost, flexibility, need to retain control, the use to which it is put, level of existing debt

##### 5.2.6 Selecting the source of finance
- the appropriateness of each possible source in a given situation

#### 5.3 Costs

##### 5.3.1 Cost information
- the need for accurate cost data
- types of costs: fixed, variable, marginal; direct and indirect
- problems of trying to allocate costs in given situations
### 5.3.2 Uses of cost information
- cost information for decision making purposes, e.g. average, marginal, total costs
- how costs can be used for pricing decisions
- how costs can be used to monitor and improve business performance, including using cost information to calculate profits

### 5.3.3 Break-even analysis
- determining the minimum level of production needed to break even or the profit made
- define, calculate and interpret the margin of safety
- uses and limitations of break-even analysis

### 5.4 Accounting fundamentals
#### 5.4.1 Income statement
- contents of an income statement including: cost of sales, gross profit, profit for the year, retained profit

#### 5.4.2 Statement of financial position
- contents of a statement of financial position including: non-current assets, current assets, current liabilities, working capital, net assets, non-current liabilities, reserves and equity

#### 5.4.3 Liquidity ratios
- acid test ratio, current ratio

#### 5.4.4 Profitability ratios
- gross profit margin, profit margin

#### 5.4.5 Practical use of ratio analysis
- how each of these ratios is used
- reasons for the results obtained
- ways that businesses might try to improve ratio results, including reducing working capital problems

#### 5.4.6 Main users of accounts
- comparison of ratios results between businesses
- limitations of these accounting ratios
- identification of the kind of information that individual stakeholder groups might seek

#### 5.4.7 Limitations of published accounts
- limitations of the usefulness of published accounts: historical, may not reflect the future, may be out of date, does not reflect qualitative aspects of a business, possibility of ‘window dressing’, may not have details of the performance of individual parts of a business
- [Note: Knowledge of specific Accounting Standards is not required. International accounting terminology will be used.]

### 5.5 Forecasting cash flows and managing working capital
#### 5.5.1 Purposes of cash flow forecasts
- difference between cash and profits
- the need to hold a suitable level of cash within a business, and the consequences of not doing so
### 5.5.2 Cash flow forecasts in practice
- uses of cash flow forecasts
- construction of cash flow forecasts, including recognising the uncertainty of cash flows
- interpretation of simple cash flow forecasts from given data
- amendment of cash flow forecasts in the light of changes in business circumstances

### 5.5.3 Methods of improving cash flow
- how reducing costs or improving the management of trade receivables and trade payables, can improve cash flow
- further methods of improving cash flows: debt factoring, sale and leaseback, leasing, hire purchase
- recognising of situations in which the various methods of improving cash flow can be used

### Additional A Level content

#### 1. Business and its environment

**1.1 Enterprise** No content beyond Cambridge International AS Level.

**1.2 Business structure** No content beyond Cambridge International AS Level.

**1.2.1 Local, national and multinational businesses**
- benefits and disadvantages that multinationals might bring to a country

**1.2.2 Multinationals**
- main differences between local, national and multinational businesses
- the growing importance of international trading links and their impact on business activity

**1.2.3 Privatisation**
- possible relationships between multinationals and the state
- advantages and disadvantages of privatisation in a given situation

#### 1.3 Size of business

**1.3.1 External growth**
- the difference types of merger and takeover: horizontal, vertical (backward and forward), conglomerate, friendly merger, hostile takeover
- impact of a merger/takeover may or may not achieve objectives, e.g. synergy
- why merger/takeover may or may not achieve objectives, e.g. synergy
- the importance of joint ventures and strategic alliances as methods of external growth

**1.4 Business objectives** No content beyond Cambridge International AS Level.

#### 1.5 Stakeholders in a business

**1.6 External influences on business activity**

**1.6.1 Political and legal**
- how a government might use the law to seek to control: employment, conditions of work (including health and safety), minimum wage, marketing behaviour, competition, location decisions, particular goods and services
- how international agreements might have an impact on businesses
### 1.6.2 Economic constraints and enablers

- how the state might intervene to help businesses (small and large)
- how the state might intervene to constrain businesses (small and large)
- how the state might deal with market failure
- the key macroeconomic objectives of governments: low unemployment, low inflation, stable exchange rates, growth, transfer of wealth
- how these macroeconomic objectives can have an impact on business activity
- how a government might place a different emphasis on macroeconomic objectives from time to time
- policy instruments used to achieve macroeconomic objectives, e.g. monetary, fiscal and exchange rate policies
- how changes in macroeconomic performance and policies may affect business behaviour

**Pages 308–338**

### 1.6.3 Social

- the impact of and issues associated with corporate social responsibility (CSR), e.g. accounting practices, paying incentives for the award of contracts, social accounting

**Pages 308–338**

### 1.6.4 Technological (including the Internet)

- problems of introducing technological change

**Pages 308–338**

### 1.6.5 Other businesses

- how businesses are constrained by and rely on other businesses

**Pages 308–338**

### 1.6.6 Demographic

- how a business might react to a given demographic change

**Pages 308–338**

### 1.6.7 Environmental

- how (physical) environmental issues might influence business behaviour

**Pages 308–338**

### 2. People in organisations

#### 2.1 Management and leadership

No content beyond Cambridge International AS Level.

#### 2.2 Motivation

No content beyond Cambridge International AS Level.

#### 2.3 Human resource management (HRM)

##### 2.3.1 Approaches to HRM

- the difference between ‘hard’ and ‘soft’ HRM
- flexibility, e.g. advantages and disadvantages of temporary contracts or flexible contracts, e.g. zero hours contracts and part-time against full-time workers
- the measurement, causes and consequences of poor employee performance
- strategies for improving employee performance
- Management by Objectives (MBO) – implementation and usefulness

**Pages 101–121 and 340–357**

##### 2.3.2 Labour legislation

- the need for labour legislation and the broad principles that often underlie it

**Pages 101–121 and 340–357**

##### 2.3.3 Cooperation between management and workforce

- how cooperation between management and the workforce can be of benefit to both

**Pages 101–121 and 340–357**
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<td>• why some organisations are structured by product and others by function or geographical area</td>
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<td>• strengths and weaknesses of the different methods of communication</td>
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### 2.5.3 Channels of communication
- how communication works within an organisation
- difference between one- and two-way communication; difference between vertical and horizontal communication
- problems associated with different channels of communication

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### 2.5.4 Barriers to communication
- barriers to communication: attitudes, perceptions, noise, language, inappropriate medium, etc.

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### 2.5.5 The role of management in facilitating communication
- the role of informal communications within a business
- ways in which communication can influence the efficiency of a business
- ways of improving communication in a given situation

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### 3. Marketing

#### 3.1 What is marketing?
No content beyond Cambridge International AS Level.

#### 3.2 Market research
No content beyond Cambridge International AS Level.

#### 3.3 The marketing mix
No content beyond Cambridge International AS Level.

#### 3.4 Marketing planning

##### 3.4.1 Market planning
- the detailed marketing plan; associated benefits

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##### 3.4.2 Elasticity
- income elasticity, promotional elasticity, cross elasticity; usefulness of the concept of elasticity in its various forms

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##### 3.4.3 Product development
- product development as a process from original conception to launch and beyond
- sources of new ideas for product development
- the importance of Research and Development

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##### 3.4.4 Forecasting
- the need to forecast marketing data
- calculation and use of moving average method to forecast sales

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##### 3.4.5 Coordinated marketing mix
- the need for and development of a coordinated marketing mix
- development of marketing strategies that are focused towards achieving specific marketing objectives

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#### 3.5 Globalisation and international marketing

##### 3.5.1 Globalisation
- economic globalisation within the context of the broader concept of ‘globalisation’
- the implication of international marketing for a specific business/situation

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<tr>
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</table>
### 3.5.2 Strategies for international marketing
- the importance of international marketing for a specific business/situation
- international markets – identification, selection and entry
- whether a business in a given situation should develop an international market through pan-global marketing or maintain local differences
- choosing a strategy, in a given situation, to develop a global market
- factors influencing the method of entry into international markets

<table>
<thead>
<tr>
<th>4. Operations and project management</th>
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<tbody>
<tr>
<td><strong>4.1 The nature of the operations</strong> No content beyond Cambridge International AS Level.</td>
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<tr>
<td><strong>4.2 Operations planning</strong></td>
</tr>
<tr>
<td><strong>4.2.1 Enterprise resource planning (ERP)</strong></td>
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<tr>
<td>- main features of an ERP programme</td>
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<tr>
<td>- how ERP can improve a business’ efficiency in relation to: inventory control, costing and pricing, capacity utilisation, responses to change, management information</td>
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| **4.3 Inventory management** No content beyond Cambridge International AS Level. |
| **4.4 Capacity utilisation** |
| **4.4.1 Measurement and significance of capacity** |
| - how capacity utilisation can be measured |
| - implications of operating under or over maximum capacity |

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| **4.4.2 Increasing capacity utilisation** |
| - choosing methods of improving capacity utilisation (e.g. through rationalisation, sub-contracting) |

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| **4.4.3 Outsourcing** |
| - benefits of outsourcing in a given situation |

| Pages 423–431 |

| **4.5 Lean production and quality management** |
| **4.5.1 Lean production** |
| - links between lean production and inventory control, quality, employee roles, capacity management and efficiency |

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| **4.5.2 Kaizen** |
| - Kaizen (continuous improvement) in the context of lean production |

| Pages 432–445 |

| **4.5.3 Just in Time (JIT)** |
| - JIT in the context of lean production |
| - implications and justification of adopting a JIT approach |

| Pages 432–445 |

| **4.5.4 Quality control and assurance** |
| - quality in terms of what the customer demands |
| - the importance of quality assurance |
| - methods of quality control: inspection, testing, random sampling, involving the workforce in quality control |
| - the link between quality and training |

| Pages 432–445 |
### 4.5.5 Total Quality Management
- aims and effectiveness of TQM
- the potential of Kaizen in TQM

### 4.5.6 Benchmarking
- the importance of benchmarking in quality control

### 4.6 Project management
#### 4.6.1 The need for projects and project management
- projects as a response to the need for change
- reasons and impact of project failure, including examples

#### 4.6.2 Network diagrams
- main elements of a network diagram: activities, dummy activities, nodes
- construction of a network from given data

#### 4.6.3 Critical Path Analysis (CPA)
- finding the minimum project duration and the critical path
- calculation of total and free float
- interpretation of the results of the analysis of a network
- how minimum duration and floats might be used in project management
- CPA as a management tool

### 5. Finance and accounting (A Level)
#### 5.1 The need for business finance
*No content beyond Cambridge International AS Level.*

#### 5.2 Sources of finance
*No content beyond Cambridge International AS Level.*

#### 5.3 Costs
##### 5.3.1 Approaches to costing: full, contribution
- differences between full and contribution costing
- uses and limitations of the full costing method
- the nature of the technique of contribution costing
- the difference between contribution and profit
- limitations of contribution costing
- situations in which contribution costing would be and would not be used

##### 5.3.2 Solutions to costing problems
- solution of numerical problems involving costing methods
- using contribution costing to help with ‘accept/reject’ order decisions

#### 5.4 Accounting fundamentals
*No content beyond Cambridge International AS Level.*

#### 5.5 Forecasting and managing cash flows
*No content beyond Cambridge International AS Level.*

#### 5.6 Budgets
### 5.6.1 The purpose of budgets
- measuring performance
- benefits and drawbacks from the use of budgets
- how budgets might be produced
- use of flexible budgets and zero budgeting
- purposes of budgets for allocating resources, controlling and monitoring of a business
- role of budgets in appraising business

Pages 459–467

### 5.6.2 Variances: adverse, favourable
- the meaning of variances
- calculation and interpretation of variances (but not price/volume variances)

Pages 459–467

### 5.7 Contents of published accounts
#### 5.7.1 The income statement
- amendment of an income statement from given data
- the impact on the income statement of a given change

Pages 468-474

#### 5.7.2 The statement of financial position
- amendment of a statement of financial position from given data
- the relationships between items in the income statement and the statement of financial position
- the impact on the statement of financial position of a given change in valuing non-current assets or inventories

Pages 468-474

#### 5.7.3 Inventory valuation
- the difficulties of valuing inventory
- the net realisable value method [Note: LIFO and FIFO will not be examined]

Pages 468-474

#### 5.7.4 Depreciation
- the role of depreciation in the accounts
- the impact of depreciation (straight line method only) on the balance sheet and the income statement

Pages 468-474

### 5.8 Analysis of published accounts
#### 5.8.1 Profitability ratio
- return on capital employed

Pages 475-485

#### 5.8.2 Financial efficiency ratios
- inventory turnover, days' sales in trade receivables
- all the usual definitions of gearing are acceptable, e.g. Debt/Equity and Debt/(Debt + Equity). It is the interpretation of the calculation that is important when selecting a source of finance

Pages 475-485

#### 5.8.3 Investor ratios
- dividend yield, dividend cover, price/earnings ratio

Pages 475-485

#### 5.8.4 Practical use of ratio analysis
- how each of these ratios is used
- reasons for the results obtained
- strategies that businesses might adopt to improve ratio results
- comparison of ratios results between businesses
- limitations of these accounting ratios

Pages 475-485
## 5.9 Investment appraisal

### 5.9.1 The concept of investment appraisal

- the need for investment appraisal
- the significance of risk in investment decisions

### 5.9.2 Basic methods: payback, average rate of return (ARR)

- the meaning, calculation and interpretation of payback and ARR

### 5.9.3 Discounted cash flow methods: discounted payback, net present value (NPV), internal rate of return (IRR)

- the meaning, calculation and interpretation of discounted payback and NPV
- the meaning and interpretation (but not the calculation) of IRR

### 5.9.4 Qualitative factors in investment appraisal

- qualitative factors that might influence an investment decision in a given situation
- comparison of the investment appraisal methods, including their limitations

## 6. Strategic management

### 6.1 What is strategic management?

#### 6.1.1 Understanding what strategic management is

- the meaning of corporate strategy, tactics and strategic management
- the need for strategic management
- Chandler's assertion that strategy should determine organisational structure
- how business strategy determines competitive advantage in an increasingly competitive world

### 6.2 Strategic analysis

#### 6.2.1 SWOT analysis

- undertake and interpret SWOT (strengths, weaknesses, opportunities, threats) analysis in a given situation.
- development of the outcome of a SWOT analysis into strategic objectives

#### 6.2.2 PEST or External Environment analysis

- undertake and interpret PEST (political, economic, social, technological) analysis in a given situation

#### 6.2.3 Business vision/mission statement and objectives

- evaluation of the role of business vision/mission statements and objectives in strategic analysis

#### 6.2.4 Boston Matrix

- undertake and interpret Boston Matrix analysis on the product portfolio of a business

#### 6.2.5 Five Forces analysis

- use Porter's Five Forces analysis as a framework for business strategy

#### 6.2.6 Core Competencies

- use Prahalad and Hamel's Core Competencies analysis as a framework for business strategy

### 6.3 Strategic choice

#### 6.3.1 The Ansoff Matrix

- the structure of the Ansoff Matrix and how it analyses the link between business strategy and risk
- the use of the Ansoff Matrix to analyse and evaluate different business strategies in a given situation
### 6.3.2 Force Field Analysis
- the use of simple Force Field Analysis as a means of making strategic choices in a given situation

### 6.3.3 Decision trees
- construction of simple decision trees from information given
- calculation of the expected monetary values from decision trees and use of the results to assist in selecting the most appropriate strategy
- the usefulness of decision trees including an assessment of the accuracy of data they contain