### BUSINESS

**Syllabus overview**

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### 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 these can change:
- Need for business objectives and the importance of them
- Different business objectives, e.g. survival, growth, profit and market share

1.5.2 The role of stakeholder groups involved in business activity:
- Main internal and external stakeholder groups
- Objectives of different stakeholder groups
- Use examples to illustrate these objectives and how they might conflict

1.5.3 Demonstrate an awareness of the differences in the aims and objectives of private sector and public sector enterprises

### 2. People in business

#### 2.1 Motivating workers

2.1.1 The importance of a well-motivated workforce:
- Why people work and what motivation means
- The concept of human needs – Maslow’s hierarchy
- Key motivational theories: Taylor and Herzberg

2.1.2 Methods of motivation:
- Financial and non-financial rewards and methods
- 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: span of control, hierarchy, chain of command and delegation
- Roles, responsibilities and inter-relationships between people in organisations

2.2.2 The role of management:
- Functions of management – planning, organising, coordinating, commanding and controlling
- Importance of delegation; trust versus control

2.2.3 The main leadership styles:
- Features of the main leadership styles – autocratic, democratic and laissez-faire
- Recommend and justify an appropriate leadership style in given circumstances

2.2.4 Trade unions:
- Understand what a trade union is and the benefits of workers being union members
### 2.3 Recruitment, selection and training of workers

#### 2.3.1 The methods of recruiting and selecting workers:
- Recruitment and selection
- Difference between internal and external recruitment
- Main stages in recruitment and selection of staff
- Benefits and limitations of part-time and full-time workers

Pages 127–142

#### 2.3.2 The importance of training and the methods of training:
- Importance of training to a business and workers
- Benefits and limitations of: induction training, on-the-job training and off-the-job training

Pages 143–146

#### 2.3.3 Why reducing the size of the workforce might be necessary:
- Difference between dismissal and redundancy with examples to illustrate the difference
- Understand situations in which downsizing the workforce might be necessary, e.g. automation or reduced demand for products
- Recommend and justify which workers to recruit/make redundant in given circumstances

Pages 147–152

#### 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

Pages 153–160

### 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

Pages 161–175

#### 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

Pages 161–175

### 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

Pages 177–184

#### 3.1.2 Market changes:
- Why customer/consumer spending patterns may change
- The power and importance of changing customer needs
- Why some markets have become more competitive
- How business can respond to: changing spending patterns; increased competition

Pages 185–195

#### 3.1.3 Concepts of niche marketing and mass marketing:
- Benefits and limitations of each approach to marketing

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- 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 | 196–201 |
| 3.2 | Market research  
3.2.1 The role of market research and methods used:  
- Market oriented 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  
- Factors influencing the accuracy of market research data | 202–218 |
| 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 | 202–218 |
| 3.3 | Marketing mix  
3.3.1 Product:  
- The costs 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 | 219–228 |
| 3.3.2 | Price:  
- Pricing methods: cost plus, competitive, penetration, skimming and promotional; their benefits and limitations  
- 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 examined) | 229–238 |
| 3.3.3 | Place – distribution channels:  
- Advantages and disadvantages of different channels  
- Recommend and justify an appropriate distribution channel in given circumstances | 239–246 |
| 3.3.4 | Promotion:  
- The aims of promotion  
- Different forms of promotion and how they influence sales, e.g. advertising, sales promotion  
- The importance of the marketing budget in making promotion decisions; need for cost effectiveness in spending the marketing budget | 247–258 |
| 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 networks for promotion | 259–266 |
### 3.4 Marketing strategy

3.4.1 Justifying 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 markets abroad:
- 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

### 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 (stocks)
- Concepts of lean production; how to achieve it, e.g. just-in-time inventory control and Kaizen groups; benefits of lean production

4.1.2 The main methods of production:
- Features, benefits and limitation of job, batch and flow production
- Recommend and justify an appropriate production method for a given situation

4.1.3 How technology has changed production methods, e.g. using computers in manufacturing and design

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

4.2.1 Identify and classify costs:
- Classifying costs – fixed, variable, average, total; use examples to illustrate these
- 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 concepts of economies and diseconomies of scale; examples of both

4.2.3 Explain, interpret and use a simple break-even chart:
- 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
- Use a chart to help make simple decisions, e.g. impact of higher price
- Understand the limitations of break-even charts
### 4.3 Achieving quality production

**4.3.1 Why quality is important and how quality production might be achieved:**
- What quality means; why it is important for all businesses
- Concept of quality control and how businesses implement quality control
- The concept of quality assurance

**Pages 323–331**

### 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

**Pages 332–343**

### 5. Financial information and decisions

#### 5.1 Business finance: needs and sources

**5.5.1 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

**Pages 345–348**

**5.1.2 The main sources of capital:**
- Internal sources and external sources with examples
- Short-term and long-term sources with examples, e.g. debt or equity for long-term finance
- Importance of micro-finance in developing economies
- 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 an appropriate source(s) of finance in given circumstances

**Pages 349–362**

#### 5.2 Cash-flow forecasting and working capital

**5.2.1 The importance of cash and 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. increasing loans, delaying payments, asking debtors to pay more quickly

**Pages 363–372**

**5.2.2 Working capital:**
- The concept and importance of working capital

**Pages 373–382**

#### 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

**Pages 373–382**
### 5.3.2 Income statements:
- Main features of an income statement, e.g. revenue, cost of sales, gross profit, profit (‘profit was known as ‘net profit’ in the 2014 and previous syllabuses) and retained profit
- Use simple income statements in decision making based on profit calculations (constructing income statements will not be examined)

#### 5.4 Balance sheets

#### 5.4.1 The main elements of a balance sheet:
- The main classifications of assets and liabilities
- Examples to illustrate these classifications

#### 5.4.2 Interpret a simple balance sheet 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 balance sheets will not be examined)

### 5.5 Analysis of accounts

#### 5.5.1 How to interpret financial statements by calculating and analysing accounting ratios:
- Gross profit margin
- Profit margin (‘profit margin’ was known as ‘net profit margin’ in the 2014 and previous syllabuses)
- Return on Capital Employed
- Current ratio
- Acid test ratio

#### 5.5.2 The concept of liquidity

#### 5.5.3 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 Government economic objectives and policies

#### 6.1.1 How government control over the economy affects business activity:
- Government economic objectives, e.g. increasing Gross Domestic Product (GDP)
- Main stages of business cycle; growth, boom, recession, slump
- How changes in taxes and government spending can affect business activity
- How changes in interest rates can affect business activity
- 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/why business might respond to environmental pressures and opportunities; 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
## 6.3 Business and the international economy

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Opportunities and threats of globalisation for businesses  
Why some governments might introduce import tariffs and quotas |
| Pages 447–456 |
| 6.3.2 Reasons for the importance and growth of multinational companies (MNCs): | Benefits to a business of becoming a multinational  
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 |
| Pages 457–462 |
| 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 examined) |
| Pages 463–470 |