



UNIVERSITY *of* CAMBRIDGE  
International Examinations

# SYLLABUS

**Cambridge International Diploma  
Business  
Advanced Level**

For examination in May and October 2014

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# 1. Introduction

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## 1.1 Why choose Cambridge?

University of Cambridge International Examinations is the world's largest provider of international qualifications. Around 1.5 million students from 150 countries enter Cambridge examinations every year. What makes educators around the world choose Cambridge?

### Recognition

Cambridge qualifications are internationally recognised by schools, universities and employers. Learn more at [www.cie.org.uk/recognition](http://www.cie.org.uk/recognition).

### Support

Cambridge provides a world-class support service for teachers and exams officers. We offer a wide range of teacher materials to Centres, plus teacher training (online and face-to-face) and student support materials. Exams officers can trust in reliable, efficient administration of exams entry and excellent, personal support from Cambridge Customer Services. Learn more at [www.cie.org.uk/teachers](http://www.cie.org.uk/teachers).

### Excellence in education

Cambridge qualifications develop successful students. They not only build understanding and knowledge required for progression, but also learning and thinking skills that help students become independent learners and equip them for life.

### Not-for-profit, part of the University of Cambridge

Cambridge is part of Cambridge Assessment, a not-for-profit organisation and part of the University of Cambridge. The needs of teachers and learners are at the core of what we do. Cambridge invests constantly in improving its qualifications and services. We draw upon education research in developing our qualifications.

## 1.2 Why choose Cambridge International Diploma in Business?

The Cambridge International Diploma in Business provides a framework for developing the skills and knowledge needed for employment in the increasingly dynamic business environment. The Diploma has been developed specifically for the international market, recognising the growing importance of employees working across geographic and cultural borders. The Diploma aims to meet the needs of employers, employees and students, by assessing knowledge and competence in a range of Business areas.

The standards embodied in the Cambridge International Diploma in Business are valued in countries around the world. The syllabus and assessments provide a framework through which candidates, wherever they are, can be reliably assessed against the performance standards.

The syllabus and assessments are available in English. The Cambridge International Diploma does not directly assess language skills, but is designed to give candidates the opportunity to show they can apply the skills described in the syllabus specification.

## 1.3 How can I find out more?

### If you are already a Cambridge Centre

You can make entries for this qualification through your usual channels. If you have any queries, please contact us at **international@cie.org.uk**.

### If you are not a Cambridge Centre

You can find out how your organisation can become a Cambridge Centre. Email us at **international@cie.org.uk**. Learn more about the benefits of becoming a Cambridge Centre at **www.cie.org.uk**.

## 2. Assessment at a glance

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### 2.1 Examined modules

The following Core and Optional modules are assessed by examination:

- Business Organisation and Environment
- Effective Business Communication
- Business Finance
- Marketing
- Human Resource Management

Module examinations will be available in two series, usually in May and October. A copy of the latest examination timetable for Cambridge International Diplomas is available through Cambridge administration.

### 2.2 Results and certification

Certification is available at a number of stages in the Diploma in Business:

- Candidates who complete the two Core modules will receive a Cambridge International Diploma Core Certificate.
- Completion of two additional Optional modules leads to the Cambridge International Diploma in Business.
- It is also possible to study for individual modules, for which module certificates are awarded.

Pass, Merit and Distinction grades will be awarded. Candidates who fail to pass an assessment are able to re-take.

## 2.3 Grade descriptors for examined modules

Results for examined modules of the Diploma in Business at Standard and Advanced Levels will be graded Distinction, Merit, Pass or Fail. The following grade descriptors are intended to provide an indication of the level of achievement required by students to achieve each grade. The final grade awarded will reflect the overall performance in the examination.

### **Distinction level grade descriptor**

The candidate will have demonstrated:

- excellent knowledge, understanding and specific application of the theory and skills described in the assessment objectives
- detailed knowledge and thorough understanding of the tasks posed in the examination paper
- well structured answers which demonstrate analysis of the subject matter
- appropriate reference to relevant and specific examples in the context of the case study
- coherent and well argued explanations, including in-depth comment, comparisons and analysis, where necessary
- ability to draw relevant and substantiated conclusions in context

### **Merit level grade descriptor**

The candidate will have demonstrated:

- good knowledge, understanding and specific application of the theory and skills described in the assessment objectives
- a sound working knowledge and understanding of the tasks posed in the examination paper
- structured answers which show an ability to select and use information appropriate to the subject matter
- ability to provide general references and examples linked to the text
- ability to extract and comment on information available in the text and in the relevant subject matter
- ability to draw relevant conclusions in context

### **Pass level grade descriptor**

The candidate will have demonstrated:

- elementary knowledge, understanding and application of the theory and skills described in the assessment objectives
- relevant knowledge and understanding of the concepts and ideas of the tasks posed in the examination paper
- sequenced responses which contain a reasoned account of the subject matter
- reference to textual/relevant examples, where required
- ability to extract and present information in a logical format

## 2.4 Full Diploma criteria

A **Distinction** grade overall will be awarded for the full award at each level where candidates achieve:

- four modules at Distinction level
- three modules at Distinction level and one module at Merit level

A **Merit** grade overall will be awarded for the full award at each level where candidates achieve:

- four modules at Merit level
- three modules at Merit level and one module at Distinction or Pass level
- two modules at Merit level, one at Distinction level and one at Pass level
- three modules at Distinction level and one at Pass level
- two modules at Distinction level and two modules at Pass level

A **Pass** grade overall will be awarded for the full Diploma at each level where candidates achieve:

- four modules at Pass level
- three modules at Pass level and one module at Merit or Distinction level
- two modules at Pass level and two modules at Merit level.



## 3. Syllabus aims and assessments

### 3.1 Aims

The aim of the Diploma is to assess a candidate's competence in a range of Business skills.

The Cambridge International Diploma in Business (Advanced Level) enables students to demonstrate:

- an understanding of the key business concepts
- application of skills to real work environments
- an ability to conduct independent research and analysis

Candidates can be certificated for individual modules, the Core Certificate, or the full Cambridge International Diploma in Business. To achieve the Cambridge International Diploma in Business at Advanced Level candidates must successfully complete **two** Core modules and **two** from a choice of Optional modules.

The modules available are outlined below:

Business Organisation and Environment	Core module	2 hour examination (plus 15 minutes reading time)
Effective Business Communication	Core module	2 hour examination (plus 15 minutes reading time)
Business Finance	Optional module	2 hour examination (plus 15 minutes reading time)
Marketing	Optional module	2 hour examination (plus 15 minutes reading time)
Human Resource Management	Optional module	2 hour examination (plus 15 minutes reading time)

### 3.2 Syllabus structure

Each module in the scheme has the following structure:

- Assessment objectives
- Competence criteria
- Skills and knowledge

Assessment objectives are outlined at the beginning of each module and in the tables following. Competence criteria provide the basis of assessment and give a further breakdown of the objectives.

The Skills and knowledge section identifies the concepts and skills that a candidate will need to demonstrate in the final assessment.

### 3.3 Target group

The Cambridge International Diploma in Business (Advanced Level) is aimed primarily at students or employees who are operating at a supervisory or junior management level, or who intend to progress to higher study. Candidates will need to have access to business organisations (which can include their own business or institution) in order to conduct research and gather information.

An Advanced Level Diploma enables students to demonstrate:

- progression in the development of skills and knowledge
- the capacity to manage complex and unfamiliar situations
- the development of a problem-solving approach in real-work contexts

### 3.4 Length of study

Each module is designed to take approximately 60 learning hours. This is only a guide, and Centres should plan the duration of courses of study based on candidates' prior qualifications and experience.

### 3.5 Tutor support

A tutor support pack is available for the Cambridge International Diploma in Business. For further information please contact Cambridge Customer Services.

## 4. Module content

### 4.1 Business Organisation and Environment (Core)

#### Assessment objectives

- 1 Understand and describe the features and objectives of business organisations
- 2 Investigate and explain the internal structure of a business organisation
- 3 Investigate and compare employment arrangements in business organisations
- 4 Research and discuss the influences of the environment on business organisations
- 5 Investigate and understand the relationship of a business with its markets

1 Understand and describe the features and objectives of business organisations	
Competence criteria	Skills and knowledge
1.1 Demonstrate understanding of the economy and the business context	<ul style="list-style-type: none"> <li>• the economy as a dynamic force; the need to encourage enterprise; the business or enterprise culture; policies to encourage the establishment of business (especially small and medium sized firms) – inward investment, job creation schemes; competitiveness; the ‘money cycle’ or ‘circular flow’</li> </ul>
1.2 Recognise and explain the objectives of business organisations	<ul style="list-style-type: none"> <li>• definitions of business; business organisation</li> <li>• profit: definition, justification</li> <li>• market penetration; economic survival; satisfying customer demand; improving sales revenue; remaining competitive; growth; responding to changing external environmental pressures; helping to provide employment and better living standards for the community at large, product development</li> </ul>
1.3 Identify and compare forms and features of business organisations	<ul style="list-style-type: none"> <li>• economic activity: primary, secondary, tertiary</li> <li>• sector and type: <ul style="list-style-type: none"> <li><i>private</i>: sole trader, partnership, private company, public limited company</li> <li><i>mutuality</i>: co-operative society, charity</li> <li><i>public</i>: local government, central government, public corporations, nationalised industry</li> </ul> </li> <li>• other forms of business organisation: franchise, joint-venture, holding company, multinational/transnational</li> <li>• size: micro, small, medium, large</li> <li>• legal requirements: features of different types of business; procedures for establishment and registration; appropriate legislation governing the conduct of business and business organisations</li> </ul>

1.4 Understand and describe the basic elements of business finance (general understanding)	<ul style="list-style-type: none"> <li>• sources: shareholding (ordinary, preference); loans (debentures); ploughed-back profits; venture capital; bank loans and overdrafts; leasing; trade credit</li> <li>• costs: overheads, direct and indirect, fixed and variable, marginal; budgeting; break-even analysis</li> </ul>
1.5 Demonstrate a basic understanding of: profit and loss account; balance sheet; cash flow	<ul style="list-style-type: none"> <li>• sales less cost of sales = gross profit</li> <li>• gross profit less expenses = net profit</li> <li>• gross profit margin and net profit margin</li> <li>• assets, liabilities and capital</li> <li>• current assets; current liabilities</li> <li>• current ratio (working capital ratio)</li> <li>• cash flow forecasting; role of cash flow to a business</li> </ul>
1.6 Identify and explain the elements of business planning	<ul style="list-style-type: none"> <li>• monitor and assess the likely impact of external influences; the setting of goals and specific targets, and how they are to be achieved; short, medium and long term forecasting of turnover, profits, production, employment needs</li> <li>• the mission statement: definition, purpose</li> <li>• the business plan: strategies for marketing, production, resources, workforce planning, pricing, finance</li> </ul>
<b>2 Investigate and explain the internal structure of a business organisation</b>	
<b>Competence criteria</b>	<b>Skills and knowledge</b>
2.1 Research and outline the factors determining the structure of a business organisation	<ul style="list-style-type: none"> <li>• the purpose of a structure: means to coordinate resources, distribute work, monitor company performance, set and achieve targets, identify and pursue objectives, resolve problems</li> <li>• types of organisational structure: hierarchical or bureaucratic, matrix</li> <li>• features: centralisation versus decentralisation; levels of hierarchy or decision-making; chain of command; span of control; delegation; the nature and size of business as a factor determining structure</li> <li>• working arrangements: divisions, departments, sections; team-working, quality circles</li> </ul>

<p>2.2 Examine and compare the roles and duties of people in the organisation</p>	<ul style="list-style-type: none"> <li>managers: roles and functions</li> <li>leadership styles: authoritarian, democratic, paternalistic, laissez-faire</li> <li>directors: duties, powers and roles; executive, non-executive</li> <li>stakeholders: shareholders, employees, directors, customers, bankers, suppliers, the community at large, local government, government</li> <li>motivational methods and theories: Maslow, McGregor, Herzberg; the working climate; opportunities for employee participation</li> </ul>
<p>2.3 Understand and outline the systems of communication within an organisation</p>	<ul style="list-style-type: none"> <li>the nature and purpose of communication: imparting information, orders, requests; formal and informal communications</li> <li>flow of communications – vertical, horizontal; methods – oral or verbal, written or textual, visual, electronic</li> </ul>
<b>3 Investigate and compare employment arrangements in business organisations</b>	
<p><b>Competence criteria</b></p>	<p><b>Skills and knowledge</b></p>
<p>3.1 Identify different types of employment arrangements in business organisations</p>	<ul style="list-style-type: none"> <li>nature and conditions of work: permanent, temporary, casual; fixed term contracts, one year rolling contracts; full-time, part-time, flexitime; job sharing; multiple-employment; self-employment; hours, pay and incentives</li> <li>nature of the work base: shop, factory, laboratory, office, home, teleworking; working environment</li> <li>technology: changing use; problems versus advantages</li> </ul>
<p>3.2 Investigate and demonstrate awareness of the rights and responsibilities of employers and employees</p>	<ul style="list-style-type: none"> <li>employers' expectations of employees: co-operation, effective and efficient work; commitment to the business and its objectives; loyalty; acceptance of company codes of conduct; effective time management; appropriate skills; productive; willingness to undertake any work reasonably asked of them</li> <li>employees' expectations of employers: fair wages and salaries; appropriate financial and non-financial incentives; opportunities for advancement; provision of suitable and safe conditions of work; suitable training and retraining opportunities; provision of the appropriate means to resolve disputes and grievances; provision of channels of communication, consultation and negotiation (including the recognition of employees' association and/or trade union)</li> </ul>

4 Research and discuss the influences of the environment on business organisations	
Competence criteria	Skills and knowledge
4.1 Analyse and explain differing economic and political factors	<ul style="list-style-type: none"> <li>• economic: market economy; planned economy; mixed economy</li> <li>• political: attitudes towards business; power and influence of political parties; role of public opinion and pressure groups; influence and role of complementary business organisations, e.g. trade associations</li> </ul>
4.2 Recognise and understand the factors influencing business operation (PESTLE analysis)	<ul style="list-style-type: none"> <li>• supply and demand: population trends (e.g. number of people at work, age groups and their tastes and needs); availability and types of consumer credit; price levels; disposable income; consumer preference; impact of advertising; competition</li> <li>• government policies: control of inflation; indirect and direct taxation; level of government spending; interest rates; measures to influence the trade or business cycle (boom, recession, slump, recovery)</li> <li>• legislation: appropriate legislation affecting competition, business procedures; consumer protection</li> <li>• business confidence and activity: levels of productivity; economic growth; competitiveness; threats from overseas competition; levels of home and inward investment; workforce skills and flexibility; trade; exchange rates; balance of payments</li> <li>• social, ethical and environmental considerations</li> </ul>
4.3 Understand the reasons for the location of business	<ul style="list-style-type: none"> <li>• economic reasons: infrastructure; availability of labour; access to markets; access to resources; local and regional economic growth; clustering; favourable labour; transport; occupancy or site costs</li> <li>• incentives: investment allowances and grants; preferential business taxes to encourage development of new and essential industries; government subsidies to allow businesses to modernise; employment creation schemes</li> <li>• environmental: local and national business location policy; social costs (i.e. private benefits); 'externalities' (i.e. ecological problems – air, water, land pollution, congestion, noise, dangerous chemicals etc.); influence of pressure groups</li> </ul>

5 Investigate and understand the relationship of a business with its markets	
Competence criteria	Skills and knowledge
5.1 Demonstrate awareness of the nature of markets and market objectives	<ul style="list-style-type: none"> <li>• definition of the market place: domestic, international, global</li> <li>• ways of conducting business in each type of market, e.g. use of local agents, need for permits, planning permission; the costs of penetrating markets; government policies which may encourage or deter trade, e.g. hidden subsidies, tax holidays</li> <li>• market objectives: achieve and maintain a targeted market share; develop a range of saleable products; establish image of products and company; market decisions – market research, the marketing mix, marketing planning; niche marketing; mass marketing; mass segmentation</li> </ul>
5.2 Demonstrate familiarity with the determination and application of prices	<ul style="list-style-type: none"> <li>• market influences: competition; company position in the market; size of the market; state of the economy; availability of substitute goods and services</li> <li>• pricing methods: cost-plus; absorption cost; contribution; penetration; market-led; market skimming; destroyer; customer-value; price discrimination; discounts and sales</li> <li>• purpose and application of break-even analysis: assessment of both price and cost changes upon profit; calculation of break-even point; monitor fixed and variable costs; calculate the margin of safety</li> </ul>
5.3 Appreciate and understand the importance and role of customer service	<ul style="list-style-type: none"> <li>• recognition of customers as the main company resource – their contribution to profit, employment, repeat business, company success</li> <li>• need to offer customer services to develop loyalty and business, e.g. enquiry facility, handling complaints, offering refunds or replacements; use of appropriate sales methods – direct, indirect; appreciation of customer profile and psychological factors</li> </ul>

## 4.2 Effective Business Communication (Core)

### Assessment objectives

- 1 Understand and assess the business communication process
- 2 Produce and evaluate effective written business documentation
- 3 Appraise the characteristics of effective group communication
- 4 Evaluate interview procedures for effective communication
- 5 Identify, evaluate and apply the use of visual aids in business communications

1 Understand and assess the business communication process	
Competence criteria	Skills and knowledge
1.1 Recognise the role of communication and explain the causes and consequences of poor communication	<ul style="list-style-type: none"> <li>• role of business communication: external – communications with stakeholders, including customers; internal – communications with different levels of employees as service providers, supervisors and managers, in a range of situations such as change culture, crisis, takeover/merger</li> <li>• causes of poor communication: no clear aim or purpose of communication established; use of inappropriate language; use of inappropriate medium; recipient unable to understand message due to inappropriate language/cultural understanding</li> <li>• consequences of poor communication: process and message sent is devalued; sender may need to 'follow up' transmissions; unable to access message due to incompatible technology; inappropriate medium leads to inappropriate action</li> </ul>
1.2 Examine and explain methods, and routes, of business communication	<ul style="list-style-type: none"> <li>• one-way methods: business reports, videos, CD-ROM, etc.; the main two-way methods: team meetings, virtual team meetings, joint consultations, quality circles, seminars, briefings, telephone communications and conferencing</li> <li>• routes: vertical, horizontal and diagonal</li> <li>• identification of appropriate routes for internal and external business communication</li> </ul>
1.3 Identify characteristics and appropriateness of different forms of business communication	<ul style="list-style-type: none"> <li>• written: letter, memorandum, report, abstract, minutes, press release, plans</li> <li>• oral: face-to-face conversations, interviews, meetings, briefings, presentations</li> <li>• non-verbal: kinetics; body language such as facial expression, sitting position, and how this affects communication in business</li> <li>• metacommunications: the importance of silences in communication, e.g. "Nothing was said but I don't think they were very happy."</li> <li>• paralanguage, i.e. not what is said but the way in which it is said</li> </ul>



<p>1.4 Evaluate information and communications technology (ICT) within the office environment</p>	<ul style="list-style-type: none"> <li>• the application of the personal computer and related devices to the work of the office</li> <li>• benefits of ICT: automated analysis of data; speed; record keeping; ability to interrogate databases; international capabilities</li> <li>• costs of office automation: replacement of individuals by machine; social implications of redundancy</li> <li>• Internet, extranet and intranet; databases; spreadsheets; applications involving tables; business graphics; visual presentations (including presentation graphics software); TV/ video conferencing; word processing and desk top publishing; communication software, e.g. electronic mail (email); diary systems; electronic notepads</li> <li>• establish basic criteria for evaluating website effectiveness, including areas such as: navigation, transaction capability (transactional or non-transactional) organisation and relevance of information, accessibility, usability, transparency, general attractiveness and presentation of the website</li> </ul>
<b>2 Produce and evaluate effective written business documentation</b>	
<p><b>Competence criteria</b></p>	<p><b>Skills and knowledge</b></p>
<p>2.1 Identify and evaluate the principles of written communication</p>	<ul style="list-style-type: none"> <li>• principles of written communication: clear aims, logical structure, appropriate style and language</li> <li>• evaluate the range of written communication techniques for use in different circumstances, for both internal and external audiences</li> <li>• advantages of written communication: evidence of message sent; can act as a contract or agreement, as confirmation of verbal communication</li> <li>• disadvantages of written communication: time-consuming to produce; no opportunity for immediate exchange of ideas or attitudes</li> </ul>
<p>2.2 Understand and apply techniques for writing an effective memorandum</p>	<ul style="list-style-type: none"> <li>• purpose of a memorandum: to convey instructions within an organisation; to provide or accompany information; to confirm arrangements made orally; to aid memory; to request information or action</li> <li>• standard memorandum items: 'To' (recipients), 'From' (sender), 'Date', 'Subject' or 'Title', content</li> <li>• style: use of appropriate tone; clarity; direct and succinct</li> <li>• factors affecting style: content of message; relationship with recipient; urgency of action proposed; nature of message</li> </ul>

<p>2.3 Understand and apply techniques for writing business letters</p>	<ul style="list-style-type: none"> <li>• consider the purpose of the communication and the target audience's communications needs</li> <li>• standard business letter layout: use of printed letter headed paper; full address of organisation; telephone and fax numbers, email address; opening salutation; content in appropriate business style; paragraphs using open punctuation; closing subscription; content: formality appropriate to recipient; suitable language used; suitable length</li> <li>• avoid distractions in content: ensure spelling, punctuation and grammar have been checked for accuracy</li> <li>• content of letters for a range of different circumstances: disciplinary issues; recruitment purposes; promotional purposes, etc.</li> </ul>
<p>2.4 Understand and apply techniques for writing business reports for both external and internal audiences</p>	<ul style="list-style-type: none"> <li>• the differences between formal and informal reports</li> <li>• reports compiled using key stages; identifying terms of reference; aims and objectives; research and gathering information; editing and handling information; presenting the information</li> <li>• components of a business report: title; author; date; reference; contents page; use of page numbers; main body of report; conclusion; appendices, as appropriate</li> <li>• style: simple and varied; varying sentence lengths; use of layout to break up dense text; use of quotations; pictures; diagrams; headings and sub-headings; use of 'house' style; reports or standard organisational layout</li> </ul>
<p>2.5 Investigate and evaluate additional forms of written communication.</p>	<ul style="list-style-type: none"> <li>• benefits and application of memos, faxes, emails, SMS, blogs, Internet, extranet and intranet to assist free-flowing communication channels, internal and external to the organisation</li> <li>• effect of advanced technology in strengthening and expanding business communication across international markets; understanding business communication in the global market – technology enabling 24 hour communication systems</li> <li>• issues of security of information using advanced technology – using the Internet to send and retrieve written documentation</li> <li>• legislation and ethics regarding the use and transfer of information via the Internet</li> </ul>

<b>3 Appraise the characteristics of effective group communication</b>	
<b>Competence criteria</b>	<b>Skills and knowledge</b>
3.1 Understand and identify the group rules	<ul style="list-style-type: none"> <li>• group attributes: recognised by its members and by those outside</li> <li>• norms: conform to patterns of outlook, attitude and behaviour</li> <li>• purpose: clearly stated objectives and aims</li> <li>• hierarchy: formal or informal; leadership order</li> <li>• exclusivity: ability to grant or deny admission; loyalty of its members</li> <li>• sources of group conflicts: different obligations and responsibilities; inappropriate communication method; differing ideologies or beliefs</li> </ul>
3.2 Evaluate characteristics of effective groups	<ul style="list-style-type: none"> <li>• factors affecting group effectiveness: structure; culture; mutual trust and support; consultation and involvement in decision-making</li> <li>• factors affecting virtual groups: lack of physical contact; lack of visual impact; distance; culture; language; co-ordination/ integration of activities</li> </ul>
3.3 Recognise the characteristics of successful meetings	<ul style="list-style-type: none"> <li>• common elements of meetings: aims and objectives outlined; action points highlighted; time constraint adhered to; leadership provided</li> <li>• role of key participants: chairperson; secretary; treasurer</li> <li>• provision and use of an agenda</li> <li>• minutes: written record of matters discussed, with action points and decisions made</li> </ul>

4 Evaluate interview procedures for effective communication	
Competence criteria	Skills and knowledge
4.1 Understand types and purpose of business interviews	<ul style="list-style-type: none"> <li>• definition: a planned, controlled communication between two or more people; enables both parties to speak and listen</li> <li>• types: employment; performance appraisal review; grievance; counselling; discipline; termination; induction; consulting; sales; data-gathering; exit interviews; assessment panels</li> </ul>
4.2 Identify the roles and responsibilities of the stakeholders in the process	<ul style="list-style-type: none"> <li>• interviewees need to plan, prepare and present</li> <li>• plan: to deal with nerves; anticipate questions about specific or general subjects; arrival at interview</li> <li>• prepare for the interview: review strengths, and weaknesses; review past performance; consider future ambitions; present a good image; be realistic; be responsive; hold natural posture; be polite and informative</li> <li>• interviewers need to plan the interview: consider type and purpose; who is going to be involved; location and timing; structure; preparation of questions</li> <li>• set criteria; structure the opening, body and close of the interview; set appropriate timings</li> <li>• recording mechanisms and the use of selection criteria for each interview, to ensure unbiased decisions for selection interviews</li> </ul>
4.3 Understand the use of questions to enhance the interview	<ul style="list-style-type: none"> <li>• use of closed questions (usually require one specific answer)</li> <li>• use of leading questions (usually inappropriate, as it leads the interviewee to the correct or required answer)</li> <li>• use of open questions (often used to enable interviewees to open up and allow maximum freedom to answer and respond)</li> <li>• hypothetical questions (setting a scenario in which the interviewee has to assume what they would do if the scenario situation prevailed)</li> <li>• appropriate use of questions by interviewers and interviewees, to enhance the interview process</li> </ul>

<b>5 Identify, evaluate and apply the use of visual aids in business communications</b>	
<b>Competence criteria</b>	<b>Skills and knowledge</b>
5.1 Identify, apply and evaluate the use of a variety of graphical forms of written communication	<ul style="list-style-type: none"> <li>• table – components: a clear title; a scale or interval (e.g. 12 month period); a list of items to be compared and totalled; indication of the meaning of the numbers being used (e.g. '000s') disadvantages of tables: limited immediate visual impact; difficult to interpret readily</li> <li>• bar chart – comprises: title; vertical and horizontal scale, showing the unit of measurement; bars of equal width (it is the height of the bars which is being compared); bars given an individual identity, either by name or with use of a key; possible use of three dimensions and colour to enhance visual impact disadvantages of bar charts: limited visual impact if results are very close in value; limited number of bars per chart</li> <li>• pie chart – 'total value' of the items (100%, represented by 360 degrees) must be known in order to compare items in a pie chart; each 'percentage point' of the pie chart will equal 3.6 degrees; 'values' of each part must be included clearly in % terms, to enhance analysis of data; use of colours to enhance impact disadvantages of pie charts: limited amount of in-depth information can be conveyed</li> <li>• line graph: grid of equal sized squares; two sets of information plotted in relation to one another; one set of data plotted vertically, the other horizontally disadvantages of line graphs: cannot readily or clearly interpret too many plotted lines of information</li> </ul>
5.2 Examine the use of other visual charts	<ul style="list-style-type: none"> <li>• organisational charts: clarify the roles and responsibilities of employees; different types of charts for hierarchical or flat structures, to show span of control or self-managing work groups</li> <li>• understanding the use of flow and Gantt charts to pinpoint activity, and to plot actual progress against planned progress</li> </ul>
5.3 Examine technical advances in producing effective visual communication	<ul style="list-style-type: none"> <li>• use of ICT to aid visual communication, and to enhance the presentation of complex information</li> <li>• examine the uses of multi-media facilities: video, computer graphics, sound, overhead projectors and basic visual aids; PowerPoint as a means of presentation and production of high quality pre-prepared slides, graphics and animation (where appropriate)</li> </ul>

## 4.3 Business Finance (Optional)

### Assessment objectives

- 1 Understand the importance and use of finance in different types of business organisation
- 2 Understand the need for and use of financial procedures and reporting
- 3 Understand and explain the need for and use of financial, management and cost accounting methods
- 4 Understand and explain the use and procedures of accounting and accounting records
- 5 Demonstrate knowledge and application of accounting techniques

1 Understand the importance and use of finance in different types of business organisation	
Competence criteria	Skills and knowledge
1.1 Demonstrate understanding of the nature of business	<ul style="list-style-type: none"> <li>• the meaning and purpose of business; the nature of profit – definition, justification</li> <li>• the basic money cycle or circular flow</li> <li>• mergers and takeovers (general understanding)</li> </ul>
1.2 Demonstrate understanding of the financial and legal implications of different types of business organisation	<ul style="list-style-type: none"> <li>• financial and legal responsibilities of sole traders, partnerships and incorporated bodies; duties of directors, both executive and non-executive, and/or owners; duties of other officials</li> <li>• implications of personal liability and doctrine of '<i>ultra vires</i>' audit; submission of accounts; submission of data to government departments</li> </ul>
1.3 Demonstrate knowledge and awareness of the sources of funding of incorporated bodies	<ul style="list-style-type: none"> <li>• internal: profits; sale of assets; depreciation; sale and leaseback</li> <li>• external (short term): bank loans and overdrafts; trade credit: leasing; debt factoring; trade bills</li> <li>• external (long term): share capital (ordinary, preference, deferred, convertible loan stock, cumulative funding, bonus issue/scrip issue, rights issue); loan capital (mortgage, debenture)</li> <li>• distinction between permanent and non-permanent capital base</li> <li>• distinction between increasing the liquidity of the organisation and increasing the capital base of the organisation</li> </ul>
1.4 Understand the reasons for business finance	<ul style="list-style-type: none"> <li>• acquisition of assets: tangible (e.g. land, vehicles, buildings) and intangible (e.g. patents, goodwill, trademarks, copyright)</li> <li>• provision of working capital, i.e. day to day finance available for business expenses (e.g. labour costs, purchase of raw materials and components, cash); formula: working capital = current assets – current liabilities</li> </ul>

2 Understand the need for and use of financial procedures and reporting	
Competence criteria	Skills and knowledge
2.1 Demonstrate knowledge and understanding of internal and external needs of financial reporting	<ul style="list-style-type: none"> <li>• internal users of records: management, employees, owners, (e.g. to monitor, analyse and evaluate performance); financial controls; records of assets and liabilities; capital; decision-making; taxation; profits</li> <li>• external users of records: e.g. banks (loans, overdrafts), suppliers (trade credit), media (reporting), prospective investors (investment potential), owners or shareholders (vested interest), government departments (statistics, taxation)</li> <li>• distinction between internal and external is sometimes blurred, e.g. owners could be classified as both</li> </ul>
2.2 Demonstrate awareness and appreciation of social accounting factors	<ul style="list-style-type: none"> <li>• limitations of financial reporting as basis for management decisions; prospective conflict of interpretation; impact and influence of external factors, i.e. political, economic, social and technological (PEST) issues</li> </ul>
2.3 Demonstrate knowledge and understanding of the basic principles/ concepts of financial accounting	<ul style="list-style-type: none"> <li>• principles/concepts include: business entity (business has separate identity as 'an artificial legal person'); historic cost (valuation of assets at original cost); realisation (profits earned when products sold legally), accruals or matching (costs and revenue matched with the period in which they occur); money terms (values of goods and services expressed accurately); consistency (maintenance of valuation decisions); disclosure (assumed compliance with accounting standards); double-entry (source of funds versus use of funds); materiality (items ignored if insignificant to overall results); going concern (business viability); prudence (reporting in a conservative manner)</li> </ul>
2.4 Understand the relationship between accounting principles, standards and policies	<ul style="list-style-type: none"> <li>• concepts are designed to meet declared standards; standards are designed to apply the principles; policies contain disclosure of methods used</li> <li>• consider the need for international harmonisation of standards, i.e. growth of international investment, use of electronic dealing, multinational/transnational firms</li> </ul>

3 Understand and explain the need for and use of financial, management and cost accounting methods	
Competence criteria	Skills and knowledge
3.1 Demonstrate understanding of the nature of financial accounting	<ul style="list-style-type: none"> <li>• 'true and fair view', i.e. accurate record of organisation's financial position; concerned with past record; recording and assembling data; summarising financial detail; presenting and communicating financial information, for internal and external users</li> </ul>
3.2 Demonstrate understanding of the nature of management accounting	<ul style="list-style-type: none"> <li>• use of financial information for internal management purposes, e.g. analysis, break-even calculation, budgetary control, cost or profit centres, investment appraisal, forecasts and planning</li> <li>• link between contribution and profit</li> </ul>
3.3 Demonstrate understanding of the nature of cost accounting	<ul style="list-style-type: none"> <li>• allocation of costs to different activities; recognition of various costs – direct and indirect, fixed and variable, prime cost, overheads; recognition of various costing methods – standard, unit, job, batch, process, marginal, absorption; the analysis of performance, e.g. variance analysis</li> <li>• enable management to make decisions, e.g. on pricing, break-even calculations, 'make or buy' decisions</li> </ul>
3.4 Demonstrate knowledge and awareness of budgetary control methods	<ul style="list-style-type: none"> <li>• purpose of a budget, i.e. planned outcome not forecast; means of control, coordination and review; setting targets</li> <li>• the budgetary process</li> <li>• budgetary applications may include sales, revenue, expenses, profit, personnel, capital expenditure</li> </ul>
4 Understand and explain the use and procedures of accounting and accounting records	
Competence criteria	Skills and knowledge
4.1 Demonstrate understanding of the concept of double-entry bookkeeping	<ul style="list-style-type: none"> <li>• concept of duality, i.e. every transaction has two aspects: one of giving and one of receiving; application of equation: capital = assets – liabilities; mechanism to ensure the balance-sheet balances</li> </ul>
4.2 Demonstrate knowledge and understanding of financial records and main books of account	<ul style="list-style-type: none"> <li>• records: invoice; receipt; bank statement; delivery note; purchase order; petty cash voucher; credit note; paying-in slip</li> <li>• books: day book or journal; cash book; ledgers (sales, purchases, nominal, general); bank reconciliation</li> <li>• distinction between cash and credit transactions, and their effect on cash flow; purpose of petty cash – the imprest system</li> </ul>
4.3 Demonstrate knowledge and understanding of the use and nature of ratios	<ul style="list-style-type: none"> <li>• types of ratio: profitability, liquidity, financial efficiency, investment/shareholder</li> <li>• limitations of ratio analysis</li> </ul>



5 Demonstrate knowledge and application of accounting techniques	
Competence criteria	Skills and knowledge
5.1 Demonstrate knowledge and understanding of the trial balance	<ul style="list-style-type: none"> <li>use and significance of the trial balance; limitations of the trial balance</li> </ul>
5.2 Demonstrate knowledge and understanding of adjustments prior to final accounts	<ul style="list-style-type: none"> <li>stock valuation methods, e.g. Last In/First Out (LIFO), First In/First Out (FIFO), Average Cost of Stock, treatment of bad debts; fixed asset depreciation methods, e.g. straight line, reducing balance, sum of digits</li> </ul>
5.3 Demonstrate knowledge and understanding of the structure and purpose of the final accounts	<ul style="list-style-type: none"> <li>cash flow statement; profit and loss account; the balance sheet</li> </ul>

## 4.4 Marketing (Optional)

### Assessment objectives

- 1 Identify and appreciate the objectives and functions of developing a market orientation
- 2 Investigate and explain the reasons for, and use of, market research for business decisions
- 3 Identify the importance of understanding buyer behaviour and new target segments
- 4 Explain and demonstrate the strategic implications and applications of the marketing planning process
- 5 Explain and apply marketing mix applications for a product or service

1 Identify and appreciate the objectives and functions of developing a marketing orientation	
Competence criteria	Skills and knowledge
1.1 Identify and understand the importance of marketing	<ul style="list-style-type: none"> <li>• definitions: marketing concept (meeting the needs of customers); market orientation (customer orientation, coordination of market-led activities); delivering value for customers and stakeholders</li> <li>• importance of marketing: achieving corporate objectives; understanding the increasing sophistication of consumers; identifying, anticipating, influencing and satisfying consumer needs; responding to changes in the market; improving market share; entering new markets; increasing revenue and profit maximisation; increasing awareness and profile of the company; increasing awareness of the product or service</li> <li>• role of marketing as a management function: organisation of marketing departments to achieve marketing orientation; the marketing planning cycle</li> </ul>
1.2 Identify and analyse the implications of a market orientation	<ul style="list-style-type: none"> <li>• a market orientation: defining customer requirements; (re) organising the internal organisational structure to achieve customer orientation objectives; measuring effectiveness</li> <li>• customer care: identifying the nature of customer care; understanding the importance of quality within the management process – role of Total Quality Management (TQM)</li> <li>• steps involved in setting up a customer care programme: establish a process; identify customer requirements; set targets; establish service specifications; train staff; devise action plan; measure results</li> </ul>
1.3 Identify and understand the implications of relationship marketing	<ul style="list-style-type: none"> <li>• definition: the importance of the organisation's whole relationship between customers and suppliers; building, retaining and maintaining customer loyalty; generating positive word-of-mouth recommendations from customers</li> </ul>

2 Investigate and explain the reasons for, and use of, market research for business decisions	
Competence criteria	Skills and knowledge
2.1 Recognise the reasons for undertaking market research	<ul style="list-style-type: none"> <li>• definition: the collection and analysis of market/customer information</li> <li>• continuous research: used to identify the economic and competitive factors which affect an organisation, such as determining the impact of government regulations; identifying changing social issues; exploring the effects of new technologies; identifying, predicting and explaining market trends; forecasting sales levels</li> <li>• <i>ad hoc</i>/informal market research: used to explore ideas for new products and services; investigating new customer behaviour; evaluating communications campaigns</li> </ul>
2.2 Identify and evaluate different research methods	<ul style="list-style-type: none"> <li>• primary – first-hand information obtained from field research: strengths and weaknesses of in-depth interviews; attitude surveys; focus groups; consumer panels; postal surveys; telephone questionnaires; test marketing (experimentation); observation; Internet surveys</li> <li>• secondary – second-hand data (i.e. data already collected, collated and published, known as desk research). Sources include company records, agencies, government bodies, trade associations, media, specialist libraries, market intelligence reports, journals (trade, professional, academic), the Internet; strengths and weaknesses of using secondary data</li> <li>• suitability – compare usefulness of data collection methods: reliability; bias; cost implications; time constraints; use of a marketing research agency</li> </ul>
2.3 Understanding the process for planning a market research project	<ul style="list-style-type: none"> <li>• procedure – five-stage process: definition of problem; design of research and sampling; collection of data; analysis of data; presentation of report findings; justification of research methodology</li> </ul>

<b>3 Identify the importance of understanding buyer behaviour and new target segments</b>	
<b>Competence criteria</b>	<b>Skills and knowledge</b>
3.1 Understand the different types of buying behaviour	<ul style="list-style-type: none"> <li>• consumer behaviour: routine response; limited decision-making; extensive decision-making; impulse buying</li> <li>• organisational behaviour: new task purchases; modified repeat purchases; straight repeat</li> </ul>
3.2 Recognise the stages and influences related to the consumer buying decision process	<ul style="list-style-type: none"> <li>• five stages: problem recognition; information search; evaluation; purchase; post-purchase evaluation</li> <li>• influences: personal issues (such as demographics, situational, involvement); psychological (perception, motives, learning, attitudes); social influences (roles and families, social classes, culture)</li> </ul>
3.3 Recognise the stages related to the organisational buyer decision process	<ul style="list-style-type: none"> <li>• six stages: problem recognition; develop product specifications; search for suppliers; evaluate products and supplier relative to specifications; select and order; evaluate product and supplier performance</li> <li>• DMU (Decision Making Unit) – comprising range of decision makers, e.g. buyer, gatekeeper, user, technical specialist, initiator</li> </ul>
3.4 Identify why it is important to understand buying behaviour	<ul style="list-style-type: none"> <li>• reasons: satisfy changing needs; identify new segments; more effective communications messages; development of future products and services</li> </ul>
3.5 The importance of identifying new target segments	<ul style="list-style-type: none"> <li>• segmentation - definition: division of market into subsets of customers with similar needs</li> <li>• criteria for successful segmentation: measurable; accessible; substantial; congruent; stable</li> <li>• consumer bases: identification of different bases for segmentation, i.e. geographic (by country or region); demographic (age, gender, ethnicity, socio-economic class); psychographic (taste, lifestyle, interests)</li> <li>• business-to-business bases: identification of different bases for segmentation, i.e. geographic (by country or region); business demographics (size, number of employees, industry type, age of company); purchasing approach (centralised/decentralised, decision making unit); situational factors (size of order, urgency, new or repeat)</li> <li>• reasons: identifying new markets; specialisation; gain competitive advantage in certain segments; niche marketing; cost and marketing efficiency</li> </ul>

<b>4 Explain and demonstrate the strategic implications and applications of the marketing planning process</b>	
<b>Competence criteria</b>	<b>Skills and knowledge</b>
4.1 Identify the strategic implications related to effective marketing planning	<ul style="list-style-type: none"> <li>• strategy: identify the differences between strategic and tactical issues</li> <li>• implications: cost efficiencies; competitive advantage; effective targeting; long-term, medium and short-term planning</li> </ul>
4.2 Explain the marketing planning process	<ul style="list-style-type: none"> <li>• marketing audit – identify: external (PESTEL factors); internal (current plans and sales figures) situation; current product life cycles</li> <li>• SWOT: summary of marketing audit, prioritising internal Strengths and Weaknesses, and external Opportunities and Threats</li> <li>• objectives: identifying top-down objectives, from corporate objectives to marketing objectives; SMART objectives (Specific, Measurable, Achievable, Realistic and Time-based); linked to sales and communications objectives</li> <li>• segmentation: identify segmentation strategy; target market (undifferentiated, differentiated, concentrated)</li> <li>• strategic marketing models: Ansoff Matrix for growth (market penetration, market development, product development, diversification); Porter’s generic strategies (cost leadership, differentiation, focus/niching); Boston Matrix (product portfolio strategy)</li> <li>• branding: the importance of branding; the role of branding in a competitive market</li> <li>• adapting the marketing mix: basic introduction to adapting the extended (7Ps) marketing mix – Product, Price, Place, Promotion, People, Process and Physical evidence</li> <li>• control methods to ensure an effective planning process: qualitative (e.g. research into consumer attitudes); quantitative (e.g. sales figures achieved)</li> </ul>

5 Explain and apply marketing mix applications for a product or service	
Competence criteria	Skills and knowledge
5.1 Understand and explain the tactical tools known as the marketing mix	<ul style="list-style-type: none"> <li>• definitions: the marketing mix 4Ps (Product, Price, Promotion, Place); the extended marketing mix 7Ps (4Ps plus People, Physical evidence, Process)</li> <li>• balance: the importance of achieving the right balance between elements in different situations and organisational contexts</li> </ul>
5.2 Identify and evaluate the importance and impact of each element of the marketing mix	<ul style="list-style-type: none"> <li>• Product (service): meeting the needs of customers; use; appearance; pack size/quantity; flavours; colours, brand, design, image; after-sales service; features; need for new product development (NPD); the NPD process – idea generation, screening ideas, concept testing, business analysis, product development, test marketing, commercialisation</li> <li>• Price: mark-up/margin; market penetration; market skimming; price leader; loss leader</li> <li>• Promotion: promotions mix - advertising; sales promotions; personal selling; public relations; direct marketing; digital marketing</li> <li>• Place: the channels of distribution (including digital channels to market); types of outlet; competition for place; manufacturer/supplier inducements; e-commerce</li> <li>• People: training; uniform; personal contacts; customer care provision</li> <li>• Physical evidence: ambience; signage; logo; image; uniforms; vehicles</li> <li>• Process: customer-focused systems</li> </ul>
5.3 Identify effective marketing mixes	<ul style="list-style-type: none"> <li>• Product Life Cycle (PLC): understand each stage of the PLC and the consequences for price, product, place and promotion</li> <li>• selected campaigns: successful/unsuccessful; campaigns in the context of 7Ps</li> </ul>

## 4.5 Human Resource Management (Optional)

### Assessment objectives

- 1 Understand Human Resource Management, its development, purpose and organisation
- 2 Understand how the employment market, and the frameworks within which an organisation operates, affects the management of people
- 3 Understand how organisations plan and meet their human resources requirements
- 4 Describe and evaluate the methods used to enable individuals and groups to work together effectively, and to resolve conflict
- 5 Explain and analyse how organisations reward, motivate and develop employees

1 Understand Human Resource Management, its development, purpose and organisation	
Competence criteria	Skills and knowledge
1.1 Understand the meaning and purpose of 'Human Resource Management'	<ul style="list-style-type: none"> <li>• meaning: Human Resource Management as the process for creating and maintaining relationships between the people who work for and with them, and between organisations</li> <li>• purpose: providing the right mix of skills; controlling the costs of employment (to include wages, salaries, support costs and social costs); ensuring the organisation has the ability to react effectively and efficiently to change</li> </ul>
1.2 Understand the distinction between the operational and strategic purposes of Human Resource Management	<ul style="list-style-type: none"> <li>• operational purpose: providing and deploying the right mix of skills, knowledge and experience; controlling the costs of employment (wages and salaries, support (administration) costs, social costs); maintaining systems for motivating and developing individuals, and for resolving conflict; replenishing the organisation's human resources over time</li> <li>• strategic purpose: contributing specialist expertise to the medium and long term development of the organisation; creating the ability to react effectively to change; handling growth efficiently</li> </ul>
1.3 Describe and evaluate different approaches to the management of human resources	<ul style="list-style-type: none"> <li>• centralised versus decentralised; division of responsibilities between line managers and Human Resources (HR) specialists; different specialist roles in HR (e.g. management development, employee relations, recruitment and selection); HR representation at senior and board level</li> </ul>
1.4 Understand how Human Resource Management has developed into its current form	<ul style="list-style-type: none"> <li>• development: as a welfare activity; as a workforce-centred activity, mediating between the organisation and the people it employs; as a management-centred activity, supplying the organisation with one of the many types of resource which it needs to operate effectively</li> </ul>

<b>2 Understand how the employment market, and the frameworks within which an organisation operates, affects the management of people</b>	
<b>Competence criteria</b>	<b>Skills and knowledge</b>
2.1 Describe the significance of the main features of the employment market	<ul style="list-style-type: none"> <li>sectors of employment (primary, secondary and tertiary); age and gender; full-time versus part-time versus self-employment; employment and unemployment rates; skill levels and types of skills; regional variations, to include the trends of all the above</li> </ul>
2.2 Understand the effect of other organisations or groups on HRM	<ul style="list-style-type: none"> <li>trade unions; employer's associations; government agencies; professional bodies (e.g. British Medical Association; American Society of Training and Development; Hong Kong Management Association; International Maritime Organisation); customers and competitors</li> </ul>
2.3 Describe and evaluate the influence of technical change on human resource management	<ul style="list-style-type: none"> <li>the creation of needs for new skills; the implications for career development; the implications for training, continuing professional development and lifelong learning; the threat of redundancy; how technology influences the way people's work is organised</li> </ul>
2.4 Understand the influence of the legal environment on how people are managed	<ul style="list-style-type: none"> <li>pay-related legislation (e.g. sick pay, minimum wages); employment protection and employee rights; equal opportunities; health and safety; maternity/paternity; job creation</li> </ul>
<b>3 Understand how organisations plan and meet their human resources requirements</b>	
<b>Competence criteria</b>	<b>Skills and knowledge</b>
3.1 Outline approaches to human resource planning	<ul style="list-style-type: none"> <li>analysis of current strengths and weaknesses (e.g. turnover and retention rates; absenteeism; length of service; job satisfaction; health and safety records; exit interview data); methods for forecasting supply and demand; succession planning</li> </ul>
3.2 Describe and evaluate different types of employment contracts	<ul style="list-style-type: none"> <li>permanent; fixed term; temporary; part-time; contracts for specific tasks, jobs or services; contracting out to employment agencies</li> </ul>
3.3 Understand the recruitment and selection process	<ul style="list-style-type: none"> <li>recruitment: purpose (finding the right person, avoiding discrimination, presenting a positive image of the organisation); job descriptions and person specifications; application forms; methods for attracting candidates (formal versus informal, internal versus external, choosing the right media); using agencies (public and private sector)</li> <li>selection: letters of application and CVs/resumés; application forms; references; tests (aptitude, psychometric and practical); assessment centres; interviews (group and individual)</li> </ul>



3.4 Understand how the contract of employment can end	<ul style="list-style-type: none"> <li>• resignation; retirement; redundancy; dismissal; mutual agreement; end of fixed term contract/task/service</li> </ul>
<b>4 Describe and evaluate the methods used to enable individuals and groups to work together effectively and resolve conflict</b>	
<b>Competence criteria</b>	<b>Skills and knowledge</b>
4.1 Describe and evaluate different ways of organising work	<ul style="list-style-type: none"> <li>• different working patterns (e.g. day work, shift systems, flexitime, working at home, casual employment)</li> <li>• different working structures (e.g. functional, product, territorial, matrix; permanent and temporary project teams and task groups)</li> </ul>
4.2 Describe and evaluate how organisations measure and monitor people's performance at work	<ul style="list-style-type: none"> <li>• standards, targets and key accountabilities; key competencies; appraisal systems (types; strengths and weaknesses); individual versus team performance; performance management</li> </ul>
4.3 Describe and evaluate the use of different systems for communication and conflict resolution	<ul style="list-style-type: none"> <li>• information based systems (e.g. briefing structures; newsletters; bulletin boards; emails; company website; electronic notice boards; staff surveys)</li> <li>• individual problem-solving mechanisms (e.g. discipline procedures; grievance procedures)</li> <li>• improvement initiatives (e.g. Total Quality Management; Kaizen (continuous improvement); mission statements)</li> <li>• formal consultation and negotiation systems (e.g. works councils; worker directors; committee structures (e.g. safety, consultation); collective agreements)</li> </ul>

5 Explain and analyse how organisations reward, motivate and develop employees	
Competence criteria	Skills and knowledge
5.1 Explain the use of different methods of payment and reward	<ul style="list-style-type: none"> <li>financial reward – salaries, wages: fixed rates; piece-work; payment by results (performance based pay); annualised hours; productivity and annual bonuses; profit-sharing systems; share option schemes; non-contributory pensions</li> <li>fringe benefits, e.g. holidays, company cars, cheap loans, subsidised food and accommodation, health care, social activities; preferential access to the organisation’s products or services, company discounts</li> </ul>
5.2 Explain how organisations identify the type and level of reward they offer employees	<ul style="list-style-type: none"> <li>influence of the marketplace for particular skills/qualifications; legal constraints; regional variations; bargaining strength of individuals/groups; differentials; the need for rewards to fit the organisation’s structure, technology and objectives</li> </ul>
5.3 Understand and analyse how the nature of work contributes to motivation	<ul style="list-style-type: none"> <li>working conditions; job satisfaction; promotion; working relationships (both with colleagues and managers); recognition; variety; levels of responsibility; leadership style</li> </ul>
5.4 Understand and evaluate the main features of training and development	<ul style="list-style-type: none"> <li>objectives of training and development (individual versus organisational); training needs analysis; line managers’ responsibilities; induction training; internal training; the use of external trainers; training on and off the job; skills qualifications and certification; government supported initiatives; continuing professional development (CPD)</li> </ul>

## 5. Resource list

### 5.1 Text books and websites

The following books provide a lot of useful information that covers all aspects of the subject. They are helpful as general reference material.

Author	Title	Publisher, Date	ISBN
Chambers, I et al.	Business Studies	Causeway Press, 2008	1405892315
Marcouse, I	The Complete A-Z Business Studies Handbook	Philip Allan, 2009	0340987294
Marcouse, I et al.	Business Studies	Hodder Education, 2008	0340966907
Stimpson, P	Cambridge International AS and A Level Business Studies	Cambridge University Press, 2010	0521126568

## Websites

Has information aimed at different levels – GCSE Bitesize has details about how to get hold of supporting materials from the BBC. There are also online revision and tests available.	<a href="http://www.bbc.co.uk/learning">http://www.bbc.co.uk/learning</a>
Aimed at students. Very clear and user-friendly site. Contains study notes, example questions and revision notes. The site also has an area for teachers that provides free material for use in the classroom.	<a href="http://www.s-cool.co.uk">www.s-cool.co.uk</a>
Contains lots of useful information, including revision notes, and is aimed at different levels of Business Studies. Also has information for teachers.	<a href="http://www.tutor2u.net">http://www.tutor2u.net</a>
Business and economics service for students, teachers and lecturers. This is a really good site – packed with useful information and things like glossaries of subject specific terminology. Very user friendly.	<a href="http://www.bized.co.uk">http://www.bized.co.uk</a>
The Times 100 Case Studies for Business	<a href="http://www.thetimes100.co.uk">www.thetimes100.co.uk</a>
Service Quality Institute	<a href="http://www.customer-service.com">www.customer-service.com</a>
Customer Care Institute (USA)	<a href="http://www.customercare.com">www.customercare.com</a>
Confederation of British Industry	<a href="http://www.cbi.org.uk">www.cbi.org.uk</a>
British Chambers of Commerce	<a href="http://www.britishchambers.org.uk">http://www.britishchambers.org.uk</a>
A range of resources suitable for CID in Business	<a href="http://www.selectknowledge.com">www.selectknowledge.com</a>
European Union	<a href="http://europa.eu">http://europa.eu</a>
Chartered Institute of Marketing	<a href="http://www.cim.co.uk">www.cim.co.uk</a>
Marketing magazines site – requires registration for 7 day free trial.	<a href="http://www.mad.co.uk">www.mad.co.uk</a>
Advertising Standards Agency	<a href="http://www.asa.org.uk">www.asa.org.uk</a>
Advertising and marketing related data, trends, etc.	<a href="http://www.warc.com">www.warc.com</a>
Direct Marketing Association	<a href="http://www.dma.org.uk">www.dma.org.uk</a>
Company Annual Reports On-Line	<a href="http://www.carol.co.uk">www.carol.co.uk</a>
Department for Business Innovation and Skills	<a href="http://www.bis.gov.uk">www.bis.gov.uk</a>
Institute of Personnel Development	<a href="http://www.ipd.co.uk">www.ipd.co.uk</a>
Registrar of Companies	<a href="http://www.companieshouse.gov.uk">www.companieshouse.gov.uk</a>

## Business Organisation and Environment

Please refer to the list of general books at the beginning of this section.

### Effective Business Communication

Author	Title	Publisher, Date	ISBN	Currently available
Blundel	Effective Business Communication	Prentice Hall, 1998	0137427018	✓
BPP study text (CIM)	Customer Communications in Marketing	BPP Learning Media, 2009	0751768138	✓
Carysforth	Communication for Work	Heinemann, 1998	0435455427	✓
Dandi, Daley, MacKall	Teamwork Skills	Facts on File, 2006	0894342126	✓
Evans, D	People, Communication and Organisations	Longman, 2000	0273032690	✓
Hardingham	Working in Teams	Chartered Institute of Personnel & Development, 1999	0852927673	Out of print, but still a valid text
McMillan, S	How To Be a Better Communicator	Kogan Page, 1996	0749420251	Out of print, but still a valid text
Murdock & Scutt	Personal Effectiveness	Butterworth Heinemann, 2002	0750656220	✓
Nolan	Problem Solving, Communication and Teamwork	Penguin, 1989	014012327X	Out of print, but still a valid text
Sillars, S	Success in Communication	John Murray, 1998	0719545234	Out of print, but still a valid text
Smith, I	Meeting Customer Needs	Butterworth Heinemann, 2003	075065984X	✓
Stanton, N	Mastering Communication	Palgrave, 2009	0230216927	✓
Wood, G	Customer Communications in Marketing	Butterworth Heinemann, 2001	0750653035	✓

## Marketing

Author	Title	Publisher, Date	ISBN	Currently available
Adcock, Bradfield, Halborg & Ross	Marketing: Principles and Practice, 4th edition	Financial Times/ Pitman Publishing, 2001	027364677X	✓
Blythe, J	Essentials of Marketing	Financial Times/ Pitman Publishing, 2008	0273717367	✓
Dibb, Simkin, Pride & Ferrell	Marketing, 6th Edition	Cengage Learning, 2012	1408032147	✓
Kelley, G & Hyde, M	Marketing in Practice	Butterworth- Heinemann, 2000–2001	0750653043	Out of print, but still a valid text
Jobber, D	Principles and Practice of Marketing, 6th edition	McGraw Hill, 2009	0077123301	✓
Kotler, P et al.	Marketing Management	Prentice Hall, 2009	0273718568	✓
Kotler, Armstrong, Saunders & Wong	Principles of Marketing, 5th edition	Prentice Hall, 2010	0273743279	✓
Lancaster, et al.	Marketing, Essentials of	McGraw-Hill, 2001	0077098609	✓
Kotler, Leong, Ang & Tan	A Global Perspective	Pearson, 2009	9810679521	✓
Mercer, D	Marketing, 2nd edition	Blackwell, 1995	0631196382	✓
Strauss & Frost	E-marketing, 5th edition	Pearson Education, 2008	0132461846	✓

## Human Resources Management

Author	Title	Publisher, Date	ISBN	Currently available
Beardwell et al.	Human Resource Management	Financial Times/ Prentice Hall, 2007	0273707639	✓
Bartol and Martin	Management, 3rd edition	McGraw Hill, 1997	0071152067	✓
Bennett, R & Graham, H	Human Resource Management, 3rd edition	Financial Times/ Prentice Hall, 1998	0273634011	✓
Goss, D	Human Resources Management: The Basics	International Thomson Business Press, 1997	1861520328	✓

## Business Finance

Author	Title	Publisher, Date	ISBN	Currently available
Chadwick, L	Essential Financial Accounting	Financial Times/ Prentice Hall, 2001	0273646591	✓
Millichamp, A	Finance for Non-Financial Managers	Continuum International Publishing Group, 2001	0826453791	✓
Whitehead, G	Success in Principles of Accounting: Student's Book	John Murray, 2001	0719572126	✓
Wood, F & Sangster, A	Frank Wood's Business Accounting, Volume 1	Financial Times/ Prentice Hall, 2008	0273712128	✓

Resources are also listed on Cambridge's public website at [www.cie.org.uk](http://www.cie.org.uk). Please visit this site on a regular basis as the Resource lists are updated through the year.

Access to teachers' email discussion groups, suggested schemes of work and regularly updated resource lists may be found on the Cambridge Teacher Support website at <http://teachers.cie.org.uk>. This website is available to teachers at registered Cambridge Centres.

## 5.2 Glossary of terms

5179 Business Organisation and Environment	
break-even	The point at which a company's revenue equals costs – the point beyond which a company begins to make profit. Fixed costs are absorbed and profit is made by deducting variable costs from additional revenue.
budgeting	Financial planning, involving forecasts of sales, costs, profits and cash flows.
business confidence	Reflection of optimism or pessimism about ongoing and future business prospects.
business (or enterprise) culture	The economic, political and social climate which encourages business (especially small and medium-sized businesses) and the profit motive.
casual employee	An employee who is usually paid by the hour or day, and is taken on only when needed.
centralisation	All authority to take decisions is held by the senior manager(s).
chain of command	The levels of management and the way authority is organised.
codes of conduct	Company regulations governing employee behaviour, dress and personal adornment.
competitiveness	Reflection of, for example, organisation skills, market strategy, market penetration, pricing and cost control.
<i>communications</i>	The exchange (i.e. sending and receiving) of information.
horizontal communications	Information exchanged at the same level, e.g. between departments.
vertical communications	Information sent up and down the chain of command.
consultation	The process of seeking the views of others before making a decision.
consumer credit	The means by which people can defer full payment for goods by entering a credit contract, e.g. hire purchase – also known as 'buy now, pay later'.
consumer protection	Legislation and regulation designed to protect consumers from fraudulent sales methods, and from goods which are not fit for the purpose intended or are not of merchantable quality.
cooperative society	A mutual organisation financed, owned and run by its members.
costs: direct or variable	Costs which vary with output, e.g. piece rate costs not directly attributable to a product.
indirect or fixed	Costs which have to be paid, whether or not there is any production.
marginal	The cost of producing one extra unit.
customer profile and psychological factors	The description of an organisation's customers in terms of for example, age, class, income, residential area, profession and the factors which influence their buying patterns.
customer services	Activities which affect the process of buying, e.g. free delivery, credit schemes, after-sales service.



debenture	This is properly called stock – it is a means of raising long-term capital for a company. The assets of the company are collateral so, if the debenture holders are not paid their annual interest, they can sell assets.
decentralisation	Authority to take decisions is delegated downwards through the chain of command. Decentralisation gives more responsibility to employees.
director	A private or public company acts through human agents, i.e. directors, who have the overall responsibility for the policies and direction of the organisation.
disposable income	The amount a person has left out of wages or salary after the payment of taxes and essential expenses. The more disposable income people have, the more they can spend on luxuries.
dispute	Conflict between employees and management.
economic growth	A measure of how much an economy produces and how much the income per head increases over a period of time.
<i>economy</i>	The nation, seen or considered in terms of its business activity.
market economy	A system which relies on the market mechanism, i.e. interaction between supply and demand, to determine the allocation of resources.
mixed economy	An economic system allowing both the state and the free market to allocate resources.
planned economy	A system where production and distribution are organised by the state.
enterprise	Generally a business, but it also refers to a person's ability to create and organise a business.
external environmental pressures	Factors or influences beyond the control of a business, e.g. government regulation, import controls.
fixed-term contract	An employment contract offering work for a specific period of time, e.g. 18 months.
flexitime	An arrangement allowing employees to complete their working week at times largely convenient to them. Usually, employees must work a minimum number of hours in any particular time period, but starting and finishing times are flexible.
freelance	A self-employed, fee-earning person who sells their expertise to a variety of clients.
goal setting	Goals are objectives or targets which can be used to measure the success, progress or failure of a business.
grievances	Complaints brought by employees, because of real or alleged breaches in the terms and conditions of employment.
incentive	Financial (or non-financial) reward, to stimulate employee performance.
inflation	A fall in the value of money; a tendency for prices to rise faster than wages.
investment allowance	A tax incentive to allow a company to claim tax relief on a major investment, e.g. new factory or the installation of hi-tech equipment.

inward investment	Capital attracted to a region or a country from outside, i.e. an importation of financial support.
jargon	Language or terms used specifically by an industry or profession; expressions which mean little to those not involved in a particular business activity.
job creation schemes	Government and/or business-sponsored schemes to create work and employment in economically depressed areas.
job sharing	A means by which a full-time job can be undertaken by two people working part time, e.g. 2½ days each.
<i>leadership style</i>	The ways in which the head or senior management team of an organisation treats and deals with employees. The leadership style will determine the degree of trust, flexibility, consultation and delegation.
autocratic	Objectives and tasks are dictated from the top.
democratic	Permits involvement of employees in decision-making.
laissez-faire	Allows employees to undertake tasks with minimal direction and supervision.
participative	Consultation with staff before making decisions.
leasing	Acquiring assets by renting or hiring.
manager	A person responsible for planning, co-ordinating and directing resources. This is a general term, identifying an organisational role from supervisor to managing director.
margin of safety	The amount demand can fall before a business slips below the break even point and makes a loss.
market penetration	A strategy based on pricing (e.g. destroyer) to achieve a high market share.
<i>market place:</i> domestic	Buying and selling in the home market.
global	A presence on all continents.
international	Conducting business on a world-wide basis.
market research	The process of investigating and analysing information about market behaviour and possibilities.
marketing mix	The marketing variables of Price, Product, Place and Promotion (the 4Ps). The most important variable is Product.
marketing planning	A business's objectives and its market strategy.
mission statement	A statement or policy detailing the aims and objectives of an organisation. It provides a focus for both employees and clients.
motivational methods	Ways of encouraging employees to work efficiently and effectively, and to help satisfy their needs.
mutuality sector	The not-for-profit organisations, e.g. charities, life assurance societies, co-operatives.
nationalised industry	The majority or all of an industry is in state ownership, i.e. the public sector. Controlled and financed by the government.

negotiation	The process by which opposing interests (e.g. employees and employers) try to come to mutually acceptable decisions.
objectives	The long-term targets of a business.
<i>organisational structure</i>	The formal organisation of a company, which may adopt one or a mixture of forms.
committee	A means to determine policy. It encourages employee participation and offers the opportunity to debate issues. Committees are used widely in local and national government.
functional	The flow of responsibility and authority is determined by function rather than departmental structure.
line	A simple structure based on functional departments, with a clear line of responsibility and authority from top to bottom.
line and staff	A combination of line and functional. Managers have advisory rather than executive authority.
matrix	A way of organising a business by putting functional managers in charge of teams of specialists (who are also responsible to line managers).
overheads	Also called indirect or fixed costs, e.g. rent, lighting and heating.
partnership	A business owned and financed by 2 to 20 (more in certain cases like banking) partners. A partnership has unlimited liability.
planning permission	In order to build, say, a new factory or office block, an organisation must seek permission from an appropriate authority (e.g. local government).
plough-back profits	Profits retained for renewal and expansion.
pressure group	A group of people with a specific campaign (e.g. a protest against an airport extension, or whale hunting) who seek to influence the policy and decision makers.
<i>pricing:</i>	
absorption cost	Also known as full cost pricing – each product item must bear its share of indirect costs or overheads.
contribution	A contribution is made towards covering indirect or overhead costs. The contribution per unit is the price minus the variable cost per unit.
cost-plus	The average cost of production plus mark-up.
customer-value	The price reflects what people are prepared to pay to obtain status products.
destroyer	Also known as ‘predatory pricing’ – reducing prices to eliminate or ‘destroy’ the competition.
discounts and sales	Reductions in price for purchasing in quantity, or for paying cash for a large item, and periodic reductions in price to clear stock.
market-led penetration	The price is dictated by what the market can bear. This is used to introduce a new product in the market – the price is attractive enough to encourage customers to switch brands. In the longer term, once brand loyalty has been established, the price may rise.

price discrimination	Offering the same product or service at different prices, e.g. concessionary rail fares for pensioners or students.
skimming	Charging a higher price for a new product, but for a limited period. High profits are made whilst the product has no competition.
private company	Usually a small or medium-sized organisation, often a family business, not quoted on the stock exchange. It has limited liability.
productivity	The efficiency of an organisation, generally measured in terms of output per employee.
profit	The remainder after all costs have been deducted from revenue. It is the reward for taking business risks, i.e. the justification for being in business.
public corporation	A major business organisation in the public sector, similar to a nationalised industry.
public limited company (plc)	A large business, identified by plc at the end of its name. It is likely to be on the stock exchange and have a wide spread of shareholders.
quality circles	Shop floor discussion groups, whose task is to provide solutions to quality problems.
resources	Essentially, the factors of production (e.g. land, labour, capital and enterprise). They can be renewable or non-renewable.
rolling contract	An employment contract, e.g. for six months, which may be extended at any time, but for not more than six months. It is possible for a person to be employed by a firm for three years on a series of contract extensions.
shares	Shares represent part ownership, and shareholders are the owners of a company. Shares earn an annual dividend, and give the holders the right to vote at the AGM.
SME	Small and medium-sized enterprise. A small business has between 10 and 99 employees and a turnover of less than about \$2.2m; a medium-sized business employs 100–499 people with a turnover of \$2.2–9.2m.
social costs	The costs to the whole community of a business decision, e.g. if an organisation reduces its labour force, the unemployment affects the entire community.
sole trader	Mostly a one-person business, but essentially a business which is the financial responsibility of one person.
span of control	The number of people working directly under a manager.
staff association	Similar to, but not to be confused, with a trade union. It represents employees' interests in a particular organisation, but tends to be 'white collar'.
subsidies	Payments made by government to an industry or organisation, e.g. to help it to compete against foreign competition, or to take on more labour in a depressed region.
substitute goods and services	The availability of alternatives.

<i>taxation:</i>	
direct	Taxes levied on individuals and companies.
indirect	Taxes on goods and services, e.g. Value Added Tax (VAT) or fuel tax.
team working	Employees working on a complete project, rather than specialising and (probably) undertaking repetitive work.
teleworking	Working from home, but being linked to the organisation electronically. Modern technology enables an employee to work any distance away from the organisational centre.
trade association	An organisation set up by the members of a trade or industry to represent their business interests, e.g. to lobby government, to undertake research etc.
trade credit	A business's debt to its suppliers. The usual credit period, i.e. time given to pay the invoice, is one month or 30 days, but it can be as long as 90 days.
trade cycle	The regular or cyclical movement in the economy from slump to boom, downturn to upturn (although most cycles are not so extreme) – thought to be about five years.
trade union	An organisation which represents employees' interests, e.g. pay and conditions, either on a trade or an industry basis.
transport infrastructure	The network of road, rail, water and air links in a country.
turnover	The sum total of all sales in a trading period.
venture capital	Firms, mostly SMEs, in need of development capital are financed by merchant banks. Venture capital is considered high risk capital, and is usually in the form of a loan and shares.
workforce planning	The effective employment of people by forecasting an organisation's requirements, taking into account, for example, the number of employees, training, retirements etc.
<b>5172 Effective Business Communication</b>	
abstract	A document that summarises information.
action points	A list of actions, agreed at a meeting, that must be undertaken by selected individuals.
agenda	A document that outlines the programme of discussion to be followed during a meeting, time allocated for discussion etc.
aims	Long-term intentions.
appendices	Additions to a report that contain explanatory information not necessary to the report as a whole, or that would interrupt the flow of text if included in the report.
bar chart	A diagram that gives a quick comparison between variables, e.g. the number of people working in each department.
briefing	A meeting held to give instructions.
business graphics	Visual diagrams which give a clear representation of data.

chairperson	The person responsible for the smooth running of a meeting.
communication	The process of transferring information from one person to another.
communication channels	The routes taken to transfer information from one person to another.
consultation	A meeting for discussion and information to be considered. Normally, a final decision is not made at this meeting.
counselling interview	A meeting to give advice and information.
criteria	The basis against which the standard is measured.
database	A system that holds an accumulation of information that can be manipulated in certain ways.
desk-top publishing	Computer software packages that allow both graphics and text to be manipulated to produce illustrated documents.
disciplinary interview (hearing)	A meeting to discuss an employee's inappropriate actions.
email	Electronic mail sent from one computer to another.
employment interview	A formal interview to find out about a person's suitability for a vacancy within an organisation.
external	Outside the organisation.
flow chart	A chart showing the relationship process, and procedures of business activities.
formal	Information being passed conforms to the official structures set within the organisation.
Gantt chart	A horizontal bar chart that displays a project's activities in the order that they need to be carried out, and the time required.
group attributes	The characteristics and qualities associated with a group.
hierarchy	The ranking of individuals within an organisation.
ideologies	Particular ideas or ways of thinking.
inappropriate action	Unsuitable responses or activities.
inappropriate language	The use of language that the receiver does not understand, e.g. jargon.
inappropriate medium	An unsuitable method used to convey communication.
incompatible technology	Systems that do not recognise information being sent, and therefore cannot decode messages.
induction interview	A training programme for new recruits that outlines the job, the layout, the health and safety procedures, and the security of an organisation.
informal	Information is passed outside the official channels of communication within an organisation.
internal	Within the organisation.
interviews	Special meetings where people can both speak and listen.
kinesics	Gestures, such as shrugs or eye movement.
line graph	A diagram that joins the points showing the relationship between two variables.

meeting	A gathering of two or more people.
memorandum (memo)	An official written internal document for information that is brief or urgent.
metacommunications	'Pregnant pauses' or silences that allow the receiver to understand the message being sent.
minutes	A written record of a meeting that took place, which summarises accurately the duration and discussions.
multimedia	Electronic means of communication that include audio elements to computer software programs.
non-verbal	Body language, e.g. eye contact, hand gestures etc.
objective	The plan of how you will achieve your aims.
office automation	Technology used in the office.
one-way methods	A communication where the sender receives no feedback.
organisational chart	A diagram showing the position of management and employees within an organisation.
performance appraisal interview	A meeting to discuss the effectiveness of an employee's contribution to the organisation over a period of time.
pie chart	A circle split into proportional 'slices', to represent different items.
presentation	A speech given to an audience.
quality circle	A group that meets to discuss work method and how these could be improved.
report	A written business document.
<i>route</i>	A method of passing information in an organisation.
diagonal	Passing information across different levels of the management hierarchy.
horizontal	Passing information on the same level of the management hierarchy.
vertical	Passing information up and down the management hierarchy.
secretary	A person who takes accurate minutes of a meeting.
seminar	A group which discusses a particular issue.
spreadsheet	A table used to manipulate data stored as figures, often used for accounting information.
table	Rows and columns of information (often figures).
termination interview	A meeting to inform an employee of their dismissal.
treasurer	The person who is responsible for the funds of an organisation.
two-way methods	A communication where the sender receives feedback.
visual communication	A message is made clear to the recipient by use of graphics, colours and fonts. Visual communication reduces written text and is easier to follow.
visual presentation	A speech given to an audience using visual aids (graphics and text presented on handouts, overheads, slides or computer generated).
word-processing	Using a computer to produce written business documents.

5173 Business Finance	
<i>accounting:</i>	
cost	A subsidiary of management accountancy which looks to establish precise information regarding the cost of the business activity.
financial	The preparation of business accounts from business records.
management	The preparation of financial statements, reports and data, for use by managers.
accruals	Costs and revenue, matched with the period in which they occur.
<i>assets</i>	Physical items or claims held by a business which have a monetary value attached to them.
tangible assets	Physical assets, e.g. land, building equipment etc.
intangible assets	Non-physical assets, e.g. patents, trademarks, copyright etc.
current assets	Short-term assets which could be converted into cash within one year.
fixed assets	Longer-term assets which are not liquid in the short term.
net assets	Total assets minus total liabilities.
auditing	An accounting procedure which independently checks the accuracy of a company's accounts.
balance sheet	A summary of the financial position of a business at a point in time, including liabilities and assets.
bank loan	A fixed sum of money, lent for a fixed period of time, at a fixed rate of interest, from one of the commercial banks.
bank reconciliation	The agreement of the bank columns of a cash book.
book value	The current value of an asset: historic cost minus accumulated depreciation.
break-even	The quantity of sales at which total costs equal total revenue.
budgetary control	The monitoring of financial targets for the future.
business entity	Business identity as 'an artificial legal person'.
capital	The money invested in a business by its owners.
capital expenditure	Spending on assets which will last for more than one production time period.
cash book	A ledger which is used for entry of incoming and outgoing payments.
cash flow	Cash inflows and outflows over a period of time.
consistency	The maintenance of valuation decisions.
copyright	The exclusive legal right to an originator of material over that material, e.g. to print, publish, perform or film it.
<i>cost</i>	The expense incurred in operating a business.
direct costs	Costs that a business can link directly with the output of a business, e.g. raw materials.
fixed costs	Costs which do not vary with the number of output units produced.



indirect costs	Costs which cannot be attributed to just one product.
marginal costs	The addition to total costs of producing one extra unit of output.
unit/average cost	The cost of producing a single unit of output: the total cost of production divided by the total output.
variable costs	Costs which vary with the number of output units produced.
credit	A positive entry in an account book, recording a payment received.
credit note	A supplier's note agreeing or certifying a rebate, usually issued on goods returned.
day book	An account book used for the initiation of credit transactions where goods are sold on credit.
debit	A negative entry in an account book, recording a payment made.
debt factoring	Operated by special agencies that 'buy' debts of firms for cash. A short-term source of finance, where the risk of collecting the debt becomes that of a third party (called the factor).
<i>depreciation</i>	The fall in value of assets over time.
reducing balance	A method reducing the value of assets by a fixed percentage each year.
straight-line method	Reducing the value of the asset by calculating the residual value and subtracting from historic cost and then dividing by useful life of the asset.
disclosure	Assumed compliance with accounting standards.
double-entry bookkeeping	A system where entries are made onto books or ledgers as both a credit and as a debit.
forecast	An estimate or calculation of budgets for the future.
going concern	The notion that the business will continue to operate. This ensures that closing balances become opening balances.
historic cost	The valuation of assets at their original cost.
incorporated body	A company recognised in law.
investment	The production of items that are not for immediate consumption; the purchase by a company of equipment and materials that will add to capital stock.
<i>investment appraisal</i>	The analysis of the viability of an investment project.
average rate of return	The measurement of net return per annum expressed as a percentage of initial investment.
internal rate of return	The rate of return at which the net present value is equal to zero.
net present value	The present value of a future income stream minus the initial cost of the investment.
invoice	A list of goods shipped or sent, or services rendered, with prices and charges.
journal	See 'day book'.

<i>ledgers</i>	Account ruled books used for recording information, in money values, of the day-to-day trading of a business.
nominal/general ledger	A ledger recording sales, purchase, bank receipts and payments, cash receipts and payments, transfer of money from accounts etc.
purchase ledger	A ledger recording the goods and services purchased by a business.
sales ledger	A ledger recording the sales made by the business.
<i>liabilities</i>	Items owed by the business – they can be long term or current.
current liabilities	Liabilities that are likely to require repayment within one year.
long-term liabilities	Liabilities with a repayment period beyond one year.
limited liability	The responsibility to the debts of a business is linked to the initial contribution of capital by the owners.
liquidity	The ease with which an asset can be turned into cash.
margin of safety	The difference in quantity terms between the break-even point and the full capacity output of the firm.
matching	The process of relating costs and revenues to the time period in which they occur.
materiality	Items are ignored if they are insignificant to overall results.
money-cycle	Also known as 'circular flow'. The way in which money flows from businesses to households by the exchange of goods and services and factors of production.
money terms	The values of goods and services expressed accurately in terms of currency units.
overdraft	A situation where withdrawals exceed payments in an account.
partnership	An association consisting of 2 to 20 people, who agree to contribute money, labour and skill to a business for the benefit of all, and to share the profits and losses.
patent	A government authority to an individual or organisation, conferring a right or a title.
<i>profit</i>	Total revenue minus total cost.
gross profit	Sales revenue minus cost of sales.
net profit	Gross profit minus trading expenses.
profit centre	Calculating profit for a particular product or section of a business.
profit and loss account	An account showing how the net profit of a business and the retained profit of a company are calculated.
ratio analysis	The interpretation of accounts data to aid decision making.
raw materials	Inputs into production that are provided by nature.
realisation	Profits earned when products are sold legally.
receipt	A record of a payment made.
retained profit	Those profits kept in the business after the owners have taken their share of the profits.

<i>share capital</i>	Funds introduced into the business through the issue of shares.
authorised	The maximum amount of money that can legally be raised through the sales of shares.
bonus (scrip) issue	The 'free' issue of additional shares to existing shareholders from retained profits.
issued	The current amount of share capital sold.
rights issue	The preferential sale of shares to current shareholders.
<i>shares</i>	The division of capital into smaller equal portions.
cumulative shares	Shares which allow for dividends unpaid in one year to be paid in subsequent years.
ordinary shares	Shares which attract variable dividend payments and have strong voting rights – also known as equities.
preference shares	Shares carrying a fixed rate of dividend which is payable from a company's available profits. Preference shares have limited voting rights.
<i>stock valuation</i>	The prudent valuation of the current worth of stocks held.
AVCO	Average Cost method
FIFO	First In/First Out method
LIFO	Last In/First Out method
sole trader	A business in which the owner provides the capital and takes all the profits, and carries the risk of the business alone.
trade credit	An agreement allowing a business to buy goods and services, and to pay for them over a fixed period of time.
trademark	A device or word secured by legal registration.
trading account	The financial statement that records the trading activities of the business and generates the gross profit figure.
transnational/multinational	An organisation whose operations extend beyond national boundaries.
variance analysis	An investigation into the differences between actual and forecasted figures.
venture capital	Also known as 'risk capital'. Capital is provided by an outside investment wishing to make long-term financial gains.
working capital	The excess of current assets over current liabilities.
<b>5174 Marketing</b>	
<i>ad hoc</i> market research	Marketing research carried out as and when required.
Ansoff matrix	A simple matrix developed by Igor Ansoff to show strategic options for products and markets.
attitude surveys	Research carried out to establish individuals' feelings or attitudes towards products, concepts etc.
bias	Errors in sample statistical survey results which may be due to the use of an unrepresentative sample, or to undue influence upon the response by the agency conducting the survey.

Boston matrix	A matrix produced by the Boston Consulting Group in 1968 to help businesses in their product management, and as an analytical tool in their strategic management and portfolio analysis.
competitive advantage	Some benefit or value provided by a product or company, often unique to the organisation concerned, that gives it superiority in the market place.
concentrated marketing	A strategy by which an organisation goes after a large share of one or a few markets.
consumer behaviour	The buying habits or patterns of behaviour of the consuming public, either in general or in specific groups.
consumer panels	Groups of consumers, selected as representative of the population, to report on their purchases and purchasing behaviour.
continuous research	Research studies undertaken on a regular ongoing basis. This is used by many sponsoring companies as a performance-monitoring method.
control	Measures by which the implementation of a plan can be monitored.
corporate objectives	Objectives for the organisation as a whole.
customer care	A marketing concept in which everyone in the whole organisation is encouraged to think and act with the customer in mind. It has special significance in service organisations.
customer orientation	A preoccupation with customer needs within an organisation. It is the basis for marketing theory and practice which dictates that competitive survival, growth and returns on investment are proper rewards for the achievement of consumer satisfaction.
demographic segmentation	The division of a market into groups based on demographic variables, e.g. age, sex, income, occupation, education, religion, race, family size, family life cycle.
differentiated marketing	A strategy in which an organisation decides to target several market segments, and designs different offers for each.
differentiation	Providing a product with a benefit, enabling it to be promoted as a unique brand to one segment of the market. People see it as valuable and they will pay for it, as they believe it is not available elsewhere.
DMU (decision making unit)	A group of people who together contribute to a decision on whether or not, and what, to purchase. It is used more in industrial marketing, but can apply, for example, to a consumer situation (e.g. the multiple household). It usually comprises specifier, influencer, authoriser, gatekeeper, purchaser and user.
field research	That part of a market research survey involving contact with customers, or a representative sample of the population.
focus groups	A small sample group of typical consumers, under the direction of a leader who explores their response to a stimulus, such as an advertisement or new product concept.
marketing audit	The assessment of a company's market place, including its size, the competitors' strengths and weaknesses, distribution channels and the company's present marketing activities, and then relating them to what the company should be doing.

marketing mix	A planned mixture of the elements of marketing in a marketing plan. The aim is to combine them in such a way as to achieve the greatest effect at minimum cost. Also referred to as the 4Ps or the 7Ps.
marketing objective	An organisation aims to be in the market place within a specified time. This may be broken down into products and territories, coupled with sales turnover figures and market share.
marketing orientation	An organisation seeking to identify and quantify customer requirements, and to plan output and profitability accordingly.
marketing planning process	The process of analysing marketing opportunities, selecting target markets, developing appropriate marketing mixes, and putting in measures to control the process.
marketing research	Any research activity that provides information relating to marketing operations. The term embraces conventional market research, but also included are motivation studies, advertisement attention value, packaging effectiveness, logistics and media research, as well as analysis of internal and external statistics of relevance.
market share	The share of a particular market an organisation holds.
market trends	The direction of developments in a market.
niche marketing	Directing marketing activities into a particular market segment.
organisational behaviour	The way in which people behave in an organisation, having regard to the corporate hierarchy and corporate culture, and as distinct from consumer behaviour (e.g. in marketing, organisational purchasing has been held to be largely objective, compared with consumer subjectivity).
PESTLE factors	Political, Economic, Social, Technological, Legal and Environmental analysis of an organisation's environment.
place	One of the elements of the 4Ps marketing mix. It relates to the outlets and channels of distribution in marketing, and also to delivery time in the business-to-business sector.
Porter's generic strategies	Three competitive strategies that organisations can adopt: cost leadership, differentiation, or focus/niching. It is important to ensure that the organisation does not let itself be 'stuck in the middle', with no defined strategy.
price	An agreed exchange value, forming the essential basis for a trading agreement.
primary research	Information gathered for a specific purpose.
product life cycle (PLC)	The stages in the life cycle of a product: introductory, growth, maturity and decline. At each stage, a different marketing mix is appropriate.
product mix	The combination of all product lines and items offered by an organisation.
product specification	The stage of the business buying process in which the buying organisation specifies the best technical product characteristics.
promotion mix	The combination of advertising, public relations, personal selling and sales promotion that a company uses to achieve its promotional objectives.

psychological pricing	A pricing strategy in which the price is used to say something about the product.
psychographics	A technique devoted to the segmentation of markets, using psychological criteria to distinguish between the different segments.
qualitative research	Research used to identify customers' motivations, attitudes and behaviour.
quantitative research	Research which collects sufficient data to allow statistical analysis.
relationship marketing	The deliberate building of extra strong relations with existing and past customers. This is based on the rationale that new and further business from that source is easier, faster, and much less expensive than gaining new customers. The development of effective relationships should involve a wide range of one's own staff with as many relevant customer staff.
sample	A section of the population, selected for marketing research to represent the population as a whole.
secondary research	Information that already exists, having been gathered for another purpose.
segmentation	The breakdown of market into discrete and identifiable elements, each of which may have its own special requirements of a product, and each of which is likely to exhibit different habits affecting its exposure to advertising media. Other marketing factors (e.g. optimum price, quality, packaging and distribution) are likely to differ from one segment to another. Typical breakdowns are based on age, social standing, income, sex, geographical location, or leisure pursuits.
societal marketing	A marketing principle which involves the consideration of customers' wants, company requirements, consumers' long term interests and society's long term interests.
strategy	A plan, sometimes in outline only, for reaching certain objectives. It is usually quantified and more often on a relatively long time base.
SWOT	Strengths, Weaknesses, Opportunities, Threats – a situation assessment used in marketing planning.
test marketing	A method of testing a marketing plan on a limited scale, simulating as nearly as possible all the factors involved in a national campaign. It is usually carried out in a restricted but representative location, often a particular TV region. This procedure enables a marketing company to obtain an indication of likely market acceptance, without the full commitment and expense of a national launch. It also exposes the product and the plan to competitors, and consequently the results of the test can seldom be regarded as absolutely conclusive.
TQM (total quality management)	An important management procedure in which high quality standards are set for all operations, including marketing, and subsequently measured and monitored. Many business practices are expected to conform to laid down national and international standards, from which they gain an important competitive advantage.
undifferentiated marketing	Products or services are aimed at the entire population, without any attempt to offer or suggest a unique benefit to any segment.

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absenteeism	Not genuine absence from work, but deliberate absence or truancy, caused by poor working conditions, low pay, boring work etc.
annualised hours	An example of flexible working, the measurement of work in hours per year rather than per week. This method involves the employee working more hours in busy periods, and vice versa.
appraisal	The process of assessing the progress and effectiveness of an employee.
aptitude test	A means of measuring or assessing a person's mental and physical abilities to perform certain tasks.
bonus	An additional payment for reaching a sales or production target, or in recognition of service, or a share of profits.
centralisation	All authority to take decisions is held by the senior management.
certification	The award of a certificate or statement, as evidence that a person has achieved a certain standard in training. The certificate may be issued by a college, the company, a professional association or the government.
collective bargaining agreement	An agreement resulting from negotiation between employers and employees (usually a trade union), which affects a whole category of employees within an industry or organisation.
conflict	Basic disagreement between employees and employers. The reason for conflict may be pay, conditions, redundancy proposals etc. Conflict may result in strike action.
consultation	The process of seeking the views of others before making a decision.
contracting out	Giving tasks to independent or outside suppliers, rather than directly employing the staff to do them, e.g. cleaning, computer servicing, catering.
CV (i.e. curriculum vitae)	A document that normally accompanies an application form, and contains the details about a candidate's career history.
decentralisation	The authority to take decisions is delegated downwards through the chain of command, giving more responsibility to those in less senior positions.
differentials	Differences in pay between one grade or level of employee and another. Differentials normally reflect the degree of skill and responsibility.
disciplinary procedure	The process by which employees are reprimanded, punished or even dismissed in the event of their failure to work according to their employment contract and/or company code of conduct.
discrimination	The unfair selection or categorising of people for reasons other than ability (e.g. race, colour, gender).
dismissal	The loss of one's job, also known as 'being given the sack', owing to incompetence or some infringement of conduct or rule.
employee relations	Generally, the relationships at work between management and workforce, union and non-union members. It includes policies affecting the workforce.

employers' association	An organisation representing the interest of employers, within either an economic sector or an industry. Its activities include research, public relations, negotiation and lobbying.
employment contract	A legal document or agreement that sets out the terms and conditions of either a specific job or a category of job.
employment protection	The structure of laws, regulations and agreements that safeguard employees from, for example, unfair dismissal, exploitation, or inadequate pay.
equal opportunities	Employees and prospective employees have equal chances of advancement and employment, regardless of their religion, gender, disability or race.
exit interviews	Interviewing all personnel leaving the company, in order to find out why they are going. It is a means of monitoring whether people are happy or discontented at work.
fixed rate	A rate of pay that is fixed, and generally applied to work that is not easily measured.
fixed-term contract	An employment contract for a specific period of time, usually for a particular task.
flexitime	An arrangement allowing employees to complete their working week at times largely convenient to them. Generally, employees must work a minimum number of hours in any particular time period, but starting and finishing times are flexible.
fringe benefits	Benefits given to employees in addition to wages or salary (e.g. company car, subsidised meals, medical insurance). Fringe benefits help to motivate staff and to maintain their loyalty.
functional working structure	The flow of responsibility and authority is determined by function, with little or no reference to departmental structure. Each function is managed or directed by a specialist, and this structure reduces the authority of line management.
grievance procedure	The means by which employees can seek to resolve complaints of alleged or real breaches of the terms and conditions of their employment.
health and safety	Employers should provide, as far as is practicable, a safe working environment and appropriate safety equipment, clothing and training.
human resource management	The employment, training and development of a company's workforce, to be effective and efficient.
induction training	An initial or introductory programme, designed to ease new employees into a company. The emphasis is on rules and procedures, key personnel, terms and conditions.
job creation	Schemes sponsored by government and/or business, to create employment in economically depressed areas.
job description	A detailed statement identifying what a job entails (i.e. the nature of the work, responsibilities, tasks, measurement of performance, accountability).



job satisfaction	The extent to which employees feel positively about themselves and their work, which can be encouraged by recognition of effort. The lack of job satisfaction will lead to absenteeism, high staff turnover etc.
kaizen	The concept of continual improvement, based on shop-floor ideas on how to solve production problems and complete tasks more efficiently.
labour retention rate	The measurement of how stable the workforce is (i.e. determining the proportion of employees remaining in the company).
labour turnover rate	The rate at which people leave the organisation.
lifelong learning	The idea that learning (education and training) is an ongoing experience.
line managers	Managers who operate in a hierarchical structure. A certain amount of authority and responsibility is delegated to them, and they may delegate in turn.
matrix working structure	A structure that emphasises the use of project teams. It encourages the skills of people, regardless of their status within the organisation.
media	The means or channels through which jobs can be advertised, including radio, television, magazines and journals, cinema, posters, newspapers.
mediation	The process of getting both sides in a dispute to come to an agreement.
minimum wage	An agreed or suggested minimum rate of pay, for an industry or for the workforce as a whole. It is designed to protect the lower paid, as it attempts to achieve a living wage.
mission statement	The aims of the organisation are set out in an attempt to encourage a sense of common purpose. It provides a focus on the organisation's goals and culture.
motivation	The inner force or drive that reflects the way people respond to work and tasks generally. A well-motivated person will achieve more.
negotiation	The process by which opposing interests (e.g. employers and employees), try to come to mutually acceptable decisions.
operational purpose (human resources)	The targets that must be achieved by human resources in order that the strategic targets or purposes can be fulfilled. Operational targets are short to medium term.
payment by results	Sometimes referred to as PBR. A system of wages designed to achieve specific targets or a higher rate of output generally. Commission is an example of PBR.
pensions	Income on retirement, funded by payments made through the government, an employer or the individual, during their working life.
person specification	A description of the qualities, attributes and characteristics required in a person to carry out a particular job.
piece-work	A method of wages based on output. The employee receives a payment or rate for each item produced.
problem-solving mechanism	A process which seeks to resolve problems and conflicts at work through, for example, disciplinary and grievance procedures.

professional body or association	An organisation that can be regarded as a form of trade union, as it may represent its membership in bargaining with employers, but it is also responsible for setting and maintaining professional standards.
profit-sharing	Employees are paid a share of the company's profits, usually in the form of an annual cash bonus.
promotion	The progress from one appointment or job to a better or higher one. Promotion implies improvement in status, pay and opportunity.
psychometric test	A test designed to measure or reveal a person's personality. It is usually applied to the recruitment process, and used to determine whether or not a candidate will fit into the organisation.
recruitment	The process of attracting suitable personnel to fill the vacancies in the organisation.
redundancy	A form of dismissal, except that redundancy can only occur if a particular job or function ceases to exist. A company cannot declare a person redundant and then appoint someone else to the same job.
references	Written statements in support of a candidate's job application, containing comments about the person's character, abilities and suitability. References are important to the recruitment process.
resignation	An employee voluntarily ends the employment contract by leaving the company. The period of notice they must give will depend upon the nature of the contract and the status of the employee.
retirement	An employee either reaches the end of their working life, or chooses to give up work altogether, to live on a pension.
salary	A method of pay based on a year's work (e.g. a job may carry a salary of \$20,000, and for that the employee is expected to do the job, regardless of the hours it takes).
selection	The process of choosing the most appropriate candidate from those available.
service contract	An employment contract mostly given to senior management, and usually specifying long periods of notice and high compensation payments (in the case of dismissal).
share option scheme	An incentive, usually offered to management, which permits them to buy company shares at a future date, say within three to five years, at today's price (e.g. if the current share price is 50 cents and a future purchase is made when the price is \$2, then the executive can sell the shares and make \$1.50 profit on each).
shift system	Work is undertaken during non-standard working hours, usually in 3 × 8-hour shifts in every 24-hour cycle. Shifts are introduced to maximise the use of plant and equipment, and to increase output.
sick pay	Paid to employees who are absent from work due to illness. The amount paid is less than the normal rate of pay, but is income related.
social costs	The costs to the whole community of a business decision (e.g. if a company issues redundancy notices, the resulting unemployment may affect the entire community).

strategic purpose (human resources)	The long-term objectives of human resources which reflect the company's goals.
succession planning	The policy to fill senior posts when managers leave or retire. It is based on appointing the best, in accordance with the organisation's development programme. In practical terms, it may not result in deputy or assistant managers being promoted.
support costs	Costs, additional to pay, involved in employing staff (e.g. protective clothing, training, company pension scheme).
task group	A group of employees brought together to deliver a particular element of a project – generally a temporary team, until the project is complete.
team performance	The assessment of a team's target setting and achievement.
total quality management (TQM)	A method of monitoring the production process, to prevent errors and poor quality. It attempts to influence the attitudes and actions of the workforce, in order to create a quality culture.
trade union	An organisation representing employees' interests (e.g. pay, safety, training, conditions).
training: off-the-job	All forms of training carried out away from the actual workplace (e.g. college, training centre, conference room).
training: on-the-job	Training or instruction carried out at the actual place of work.
training needs analysis	If training is to be cost effective it must reflect the actual rather than the assumed needs of the workplace. Training needs analysis identifies what is required.
turnover	The number of people that leave a business over a period, as a percentage of the average number of people employed.
wage	A method of pay based on one hour's work. The pay packet may be issued weekly, but it will represent the actual hours worked.
welfare activity	Apart from recruitment, training and discipline, human resources is concerned with the health and welfare of the workforce (e.g. protective clothing, medical examinations, safety, sports and social amenities, counselling).
worker director	A representative of the workforce who sits on the board of directors (as an acknowledged director, not just as an observer).
working at home	The employee's workbase is home, rather than the office or factory. The work may be simple table-top assembly, or organised electronically via a modem. It is also known as teleworking. It is possible to work for a company from the other side of the world.
works council	A meeting or committee, comprising representatives from both management and the general workforce, which discusses the development and improvement of the company and its processes.

## 6. Appendix

### 6.1 International standards terminology

The list below identifies the international standards terminology and current Cambridge/UK usage. Cambridge anticipates including well-known standards, which are relevant to the level of study, in question papers, mark schemes and associated documents.

Centres should use the new terminology in their teaching and learning materials so that candidates are familiar with the terms. Candidates will **not** lose marks for using different terms.

International usage	Current Cambridge/UK usage
Statement of financial position (balance sheet)	<i>Balance sheet</i>
Bank (and other) loans/ Interest bearing loans and borrowing	<i>Loans repayable after 12 months</i>
Bank overdrafts and loans/ Interest bearing loans and borrowing	<i>Loans repayable within 12 months</i>
Capital or equity/shareholders' equity	<i>Capital</i>
Cash (and cash equivalents)	<i>Bank and cash</i>
Cost of sales	<i>Cost of goods sold</i>
Current assets	<i>Current assets</i>
Current liabilities	<i>Current liabilities/ Creditors: amounts due within 12 months</i>
Finance costs	<i>Interest payable</i>
Finance income/investment revenues	<i>Interest receivable</i>
Financial statements	<i>Final accounts</i>
Gross profit	<i>Gross profit</i>
Income statement (statement of comprehensive income)	<i>Trading and profit and loss account</i>
Intangible assets	<i>Goodwill etc.</i>
Inventory/inventories (of raw materials and finished goods)	<i>Stock</i>
Investment property	<i>Investments</i>
Non-current assets	<i>Fixed assets</i>
Non-current liabilities	<i>Long term liabilities/ Creditors: amounts falling due after more than one year</i>
Operating profit	<i>Net profit</i>
Other operating expenses	<i>Sundry expenses (administration and distribution)</i>

Other operating income	<i>Sundry income</i>
Other payables	<i>Accruals</i>
Other receivables	<i>Prepayments</i>
Plant and equipment	<i>Plant and equipment</i>
Property	<i>Land and buildings</i>
Raw materials Ordinary goods purchased	<i>Purchases</i>
Revenue	<i>Sales</i>
Share capital	<i>Share capital</i>
Trade payables	<i>Creditors</i>
Trade receivables	<i>Debtors</i>
Work in progress	<i>Work in progress</i>

## 6.2 Summary of commonly used ratios

### Profitability ratios

$$(i) \text{ Gross Profit Ratio (margin) (also known as Gross Profit percentage)} = \frac{\text{Gross Profit}}{\text{Sales Revenue}} \times 100$$

$$\text{Mark up} = \frac{\text{Gross Profit}}{\text{Cost of Sales}} \times 100$$

*[Gross Profit = Profit before deduction of overheads]*

$$(ii) \text{ Net Profit Ratio (margin) (also known as Net Profit percentage)} = \frac{\text{Net Profit}}{\text{Sales Revenue}} \times 100$$

can also be expressed as  $\frac{\text{Operating Profit}}{\text{Sales Revenue}}$  (after interest)

*[Net Profit = profit after all costs have been accounted for but before interest, tax and dividends have been deducted]*

$$(iii) \text{ Return on Capital Employed} = \frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$$

*[Capital Employed = Total Assets – Current Liabilities]*

$$(iv) \text{ Return on Total Assets} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100$$

*[Total Assets = Non-Current Assets + Current Assets]*

### Liquidity ratios

$$(i) \text{ Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$(ii) \text{ Liquid Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$$

(Also known as 'Acid Test' or 'Quick Ratio')

## Financial efficiency ratios

$$(i) \text{ Trade Receivables (debtors) Turnover} = \frac{\text{Trade Receivables}}{\text{Sales}} \times 365 \text{ days}$$

(Also known as Average Collection Period)

$$(ii) \text{ Trade Payables (creditors) Turnover} = \frac{\text{Trade Payables}}{\text{Purchases}} \times 365 \text{ days}$$

(Also known as Average Payment Period)

$$(iii) \text{ Inventory (stock) Turnover} = \frac{\text{Average Inventory}}{\text{Cost of Goods Sold}} \times 365 \text{ days}$$

$$\text{Or Rate of Inventory Turnover} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}} \text{ (answer given in times)}$$

## Shareholder or Investment ratios

$$(i) \text{ Earnings per share} = \frac{\text{Net Profit after tax}}{\text{Total number of issued Ordinary Shares}}$$

$$(ii) \text{ Price Earnings Ratio} = \frac{\text{Market Price per share}}{\text{Earnings per share}}$$

$$(iii) \text{ Dividend yield \%} = \frac{\text{Dividend paid per share}}{\text{Market Price of share}} \times 100$$

$$(iv) \text{ Dividend cover} = \frac{\text{Profit after tax and interest}}{\text{Total dividend paid}}$$

$$(v) \text{ Dividend per share} = \frac{\text{Total annual dividend paid}}{\text{Total number of issued Ordinary Shares}}$$

$$(vi) \text{ Gearing Ratio \%} = \frac{\text{Long term loans}}{\text{Total capital employed}} \times 100$$

$$\text{Which is: } \frac{\text{Non-Current Liabilities} + \text{Preference Share Capital}}{\text{Issued Ordinary Share Capital} + \text{All Reserves} + \text{Non-Current Liabilities} + \text{Preference Shares}}$$

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## 7. Additional information

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### 7.1 Guided learning hours

Each module is designed on the assumption that candidates have about 60 guided learning hours per module over the duration of the course. ('Guided learning hours' include direct teaching and any other supervised or directed study time. They do not include private study by the candidate.)

However, these figures are for guidance only, and the number of hours required may vary according to local curricular practice and the candidates' prior experience of the subject.

### 7.2 Recommended prior learning

There are no formal candidate entry requirements for the Cambridge International Diploma in Business, but consideration should be given to a candidate's qualification history and experience. It is the Centre's responsibility to ensure the suitability of a candidate for entry to this course.

### 7.3 Support and resources

Copies of syllabuses, the most recent question papers and Principal Examiners' reports for teachers are on the Syllabus and Support Materials CD-ROM, which we send to all Cambridge International Schools. They are also on our public website – go to **[www.cie.org.uk/qualifications/vocational/cidb/overview](http://www.cie.org.uk/qualifications/vocational/cidb/overview)**. For resources, click 'Resource List'.

You can use the 'Filter by' list to show all resources or only resources categorised as 'Endorsed by Cambridge'. Endorsed resources are written to align closely with the syllabus they support. They have been through a detailed quality-assurance process. As new resources are published, we review them against the syllabus and publish their details on the relevant resource list section of the website.

Additional syllabus-specific support is available from our secure Teacher Support website **<http://teachers.cie.org.uk>** which is available to teachers at registered Cambridge schools. It provides past question papers and examiner reports on previous examinations, as well as any extra resources such as schemes of work or examples of candidate responses. You can also find a range of subject communities on the Teacher Support website, where Cambridge teachers can share their own materials and join discussion groups.



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