



**Cambridge Assessment  
International Education**



Interactive

Learner Guide

**Cambridge IGCSE™ / Cambridge IGCSE (9–1)  
Business Studies 0450 / 0986**

**Cambridge O Level  
Business Studies 7115**

For examination from 2020



Copyright © UCLES 2018 (updated November 2023)

Cambridge Assessment International Education is part of the Cambridge Assessment Group. Cambridge Assessment is the brand name of the University of Cambridge Local Examinations Syndicate (UCLES), which itself is a department of the University of Cambridge.

UCLES retains the copyright on all its publications. Registered Centres are permitted to copy material from this booklet for their own internal use. However, we cannot give permission to Centres to photocopy any material that is acknowledged to a third party, even for internal use within a Centre.

---

# Contents

---

About this guide	4
1. Syllabus content – what you need to know	5
2. How you will be assessed	6
3. What skills will be assessed	12
4. Command words	14
5. Example candidate response	15
6. Revision	19
7. Useful websites	37

---

## About this guide

---

This guide explains what you need to know about your Cambridge Business Studies course and examinations.

It will help you to:

- ✓ understand what skills you should develop by taking this course
- ✓ understand how you will be assessed
- ✓ understand what we are looking for in the answers you write
- ✓ plan your revision programme
- ✓ revise, by providing revision tips and an interactive revision checklist (Section 6).

### 1. Syllabus content

Find out what topics you will be learning about. Your teacher can give you more detail.

### 2. How you will be assessed

Find out

- how many examinations you will take
- how long each examination lasts
- what different question types the examination will contain
- how to tackle each examination.

### 3. What skills will be assessed

Find out what areas of knowledge, understanding and skills you will need to demonstrate throughout the course and in your examinations.

### 4. Command words

Take a look at the command words you can find in the examination questions, and what they mean.

### 5. Example candidate responses

Take a look at a learner's response taken from a real examination. Find out:

- how to interpret the question
- how to avoid common mistakes
- how to improve your exam technique.

### 6. Revision

Discover:

- some 'top revision tips'
- revision checklist for each topic.

### 7. Useful websites

A few websites that may be useful for you in your course.

## 1. Syllabus content - what you need to know

This section gives you an outline of the syllabus content for this course. Only the top-level topics of the syllabus have been included here, with an overview of what each topic covers. Ask your teacher for more detail about each topic. You can also find more detail in the Revision Checklists later in this guide.

Topic	Overview
<b>1 Understanding business activity</b>	Purpose of business activity, how businesses are classified, enterprise and entrepreneurs, business size and growth, types of business organisation, business objectives and stakeholder objectives.
<b>2 People in business</b>	Motivation theory and methods, business organisation and management, recruitment, selection and training of employees and communication.
<b>3 Marketing</b>	The role of marketing, market research, marketing mix and marketing strategy.
<b>4 Operations management</b>	Production methods, costs, break-even analysis, quality and location decisions.
<b>5 Financial information and decisions</b>	Sources of finance, cash-flow forecasting, working capital, simple income statements, simple statements of financial position and analysis of accounts.
<b>6 External influences on business activity</b>	Economic, legal, environmental and ethical issues, globalisation, multinational companies and exchange rates

Make sure you always check the latest syllabus, which is available at [www.cambridgeinternational.org](http://www.cambridgeinternational.org)

## 2. How you will be assessed

You will be assessed at the end of the course using two components:

- Paper 1 – Short Answer and Data Response
- Paper 2 – Case Study

### Components at a glance

This table summarises the key information about each examination paper.

Component	Time and marks	Skills assessed	Details	Percentage of qualification
Paper 1 Short Answer and Data Response	1 hour 30 minutes 80 marks	Knowledge and understanding Application Analysis Evaluation	You answer all <b>four</b> questions which are a mixture of short answers and structured data responses	50%
Paper 2 Case Study	1 hour 30 minutes 80 marks	Knowledge and understanding Application Analysis Evaluation	You answer all <b>four</b> structured questions which are based on an unseen case study, provided as an insert with the paper	50%

## About each paper

Both papers test all four skills – knowledge and understanding (AO1), application (AO2), analysis (AO3) and evaluation (AO4). However, it is important that you understand the different types of question in each paper and how you should approach them.

### Paper 1 – Short Answer and Data Response

There are four questions which are made up of a number of question parts, as shown in the example below. You need to answer **all** the parts of all four questions.

Each question is based on a short business related situation – a different scenario for each question.

2

1 UDig is a large mining company based in country B. UDig is in the private sector. It supplies businesses in country B with 30% of the coal they need and the rest is imported.

UDig now has eight mines but plans to close two of them. This will threaten 1800 employees with redundancy. The Managing Director said: 'I blame the appreciation of country B's exchange rate and new legal controls, including those to protect the environment. The Government should help private sector businesses.'

(a) Define 'private sector'.

.....

..... [2]

(b) Define 'redundancy'.

.....

..... [2]

(c) Outline how the appreciation of country B's exchange rate might affect UDig.

.....

.....

.....

..... [4]

3

(d) Explain **two** factors UDig should consider when deciding which mines to close.

Factor 1: .....

.....

Explanation: .....

.....

Factor 2: .....

.....

Explanation: .....

.....

..... [6]

Do you think government should help private sector businesses? Justify your answer.

.....

.....

.....

..... [8]

The number of marks for each part is shown.

Write your answers in the space provided.

© UCLES 2017 0450/01/SP/20 0450/01/SP/20 [Turn over]

### Question types and advice

All the questions in Paper 1 are either, structured short answer, or data response questions. Each question is split into five parts, (a), (b), (c), (d) and (e).

#### Part (a) and (b) questions

These questions are assessing either knowledge or application.

- Knowledge-based questions will ask you to define a term or state, or identify points, such as methods or examples.
- Some questions assess application where you will have to calculate a value.

(a) Define 'mass market'.  
.....  
..... [2]

(b) Calculate the percentage (%) of people who buy beauty products online. Show your working.  
.....  
..... [2]

Worth 2 marks each.

Read the command word carefully. This will help you know exactly what you need to do for each question.

Give precise and accurate details.

Try to spend no more than 2-3 minutes on each set of (a) and (b) questions.

Make sure you give your answer in the correct form asked for in the question. For example, in some questions it could be \$, ratio or units.



Some questions will relate to just knowledge, where you need to show wider knowledge of a topic.  
Other questions will ask to apply your knowledge to the scenario.

(c) Identify **four** methods of primary market research that a business could use.

Method 1: .....

Method 2: .....

Method 3: .....

Method 4: ..... [4]

(c) Outline **two** ways Izaak could increase added value.

Way 1: .....

Explanation: .....

Way 2: .....

Explanation: ..... [4]

Worth 4 marks.

**Part (c) questions**

Part (c) questions vary in what they ask you to do. Some questions might ask you to

- outline points in relation to the scenario
- identify or state knowledge
- calculate a value.

Make sure you answer the question set and do not waste time developing points if knowledge is all that is required.

Try to spend no more than 4-5 minutes on each (c) question.

Each question will require you to use your knowledge and understanding to explain your answer and put your answer in context.

(d) Explain **two** factors UDig should consider when deciding which mines to close.

Factor 1: .....

Explanation: .....

Factor 2: .....

Explanation: ..... [6]

Worth 6 marks.

**Part (d) questions**

You need to develop points and use the information from the scenario to help support the points you make.

Explain why, don't just describe. For example, show why something is an advantage, and not simply that it is.

Try to spend no more than 5-6 minutes on each (d) question.



## Question types and advice

### Part (a) questions

Some questions will ask you to relate your answer to the case study while others will ask you to explain more points in general terms.

Check how many points the question asks for. The fewer number of points, e.g. two points, the more detailed your answer needs to be.

In these example questions (a), the top one asks for two points so each needs a very detailed answer, the bottom one asks for four points, so the answer should be less detailed.

You can also see this by the space provided for you to enter your answer.

1 (a) Explain **two** possible reasons why Bethany wants the business to remain small.

Reason 1: .....

.....

Explanation: .....

.....

3 (a) Explain **four** reasons why effective communication between the owner and employees in a business is important.

Reason 1: .....

.....

Explanation: .....

.....

Reason 2: .....

.....

Explanation: .....

.....

Reason 3: .....

.....

Explanation: .....

.....

Reason 4: .....

.....

Explanation: .....

.....

Worth 8 marks.

[8]

### Part (b) questions

Worth 12 marks

Ask you to provide a balanced discussion and conclusions about a given situation.

Some questions will relate to information given in one source while others could require you to use more than one source.

(b) Consider the weekly forecasts in Appendix 2 for the **two** additional services Bethany could choose:

- hair cuts
- steam room.

Include calculation of profit for the two services in your response.

Which additional service should Bethany choose to offer? Justify your answer.

(b) State the advantages and disadvantages of the following **three** ways to achieve good quality service at the health spa:

- only employ highly trained workers
- record all customer complaints
- buy only the best quality materials to use in the health spa.

Which do you think is the most important way? Justify your answer.

If you finish early, reread and check your answers, adding more relevant points and comments if you feel they are needed.

### Part (a) and (b) questions

These questions are similar to Paper 1 (e) questions. The difference is you will need to provide more detailed explanations.

Make sure you fully develop each point made to show how or why it is important.

Always refer to information or data from the case study as evidence to support each point made.

You must explain your conclusions and recommendations by comparing your choice against other options to give a balanced decision. Make it clear why this is the best option.

### 3. What skills will be assessed

The areas of knowledge, understanding and skills that you will be assessed on are called **assessment objectives** (AOs).

AO1 Knowledge and understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
------------------------------------	--------------------	-----------------	-------------------

The table below explains what each assessment objective means and what percentage of the whole qualification is assessed using that objective. Your teacher will be able to give you more information about how each of the assessment objectives are tested in each component.

Assessment objectives (AO)	What does the AO mean?	What do you need to be able to do?
AO1 Knowledge and understanding	Remembering facts and information.	You need to show that you can use your knowledge and understanding of concepts. You can do this by: <ul style="list-style-type: none"> <li>defining key terms</li> <li>identifying or stating methods, reasons or factors.</li> </ul>
AO2 Application	Using knowledge and understanding of facts, terms, concepts and methods in a variety of business situations.	Use or apply your business studies knowledge and understanding to: <ul style="list-style-type: none"> <li>calculate values using the data provided</li> <li>select appropriate methods or factors</li> <li>state or identify relevant points.</li> </ul>
AO3 Analysis	Being able to explain information and develop points made.	You need to show that you can develop the points you examine in your answers. You can do this by: <ul style="list-style-type: none"> <li>discussing advantages and disadvantages of different options</li> <li>interpret and analyse business data presented in numerical and graphical form</li> <li>explain the consequences of points made</li> <li>understand and explain the difference between evidence and opinion in a business context.</li> </ul>
AO4 Evaluation	Being able to make judgements based on information and recognise possible outcomes.	You need to show that you can analyse different options and then based on this information make a decision or choice. You can do this by: <ul style="list-style-type: none"> <li>presenting reasoned explanations, developing arguments, understanding causes and implications of actions</li> <li>comparing and commenting on the advantages and disadvantages of different options</li> <li>using the data from the scenario to support your point of view</li> <li>making judgements, recommendations and decisions, which are supported by the rest of your answer.</li> </ul>

## Weighting for assessment objectives

It is important that you know the different weightings (%) of the assessment objectives, as this affects how the examiner will assess your work.

For example, assessment objective 1 (AO1: Knowledge and understanding) is worth 50% of the total marks in Paper 1, and 30% of the total marks in Paper 2. Whereas assessment objective 4 (AO4: Evaluation) is worth 10% of the total marks in Paper 1, and 20% of the total marks in Paper 2.

The approximate weightings of the assessment objectives (AOs) are summarised below.

### Assessment objectives as a percentage of each component

Assessment objective	Weighting in components %	
	Paper 1	Paper 2
AO1 Knowledge and understanding	50	30
AO2 Application	20	20
AO3 Analysis	20	30
AO4 Evaluation	10	20

### Assessment objectives as a percentage of the qualification

Assessment objective	Weighting in the full qualification %
AO1 Knowledge and understanding	40
AO2 Application	20
AO3 Analysis	25
AO4 Evaluation	15

## 4. Command words

The table below includes command words used in the assessment for this syllabus. The use of the command word will relate to the subject context.

Command word	What it means
<b>Calculate</b>	Work out from given facts, figures or information
<b>Consider</b>	Review and respond to given information
<b>Define</b>	Give precise meaning
<b>Explain</b>	Set out purposes or reasons / make the relationships between things evident / provide why and/or how and support with relevant evidence
<b>Identify</b>	Name/select/recognise
<b>Justify</b>	Support a case with evidence/argument
<b>Outline</b>	Set out main points
<b>State</b>	Express in clear terms

### Question from Specimen Paper 2

This is question 1(a) from the 2020 Specimen Paper. There are several parts to the question. The first word in each part is the command word which should help you identify what is required.

**Explain** is the command word in this question. This means you have to give two suitable reasons, and give detailed explanations in context showing why each reason is important for Bethany's business.

1 (a) Explain two possible reasons why Bethany wants the business to remain small.

Reason 1: .....

Explanation: .....

Reason 2: .....

Explanation: .....

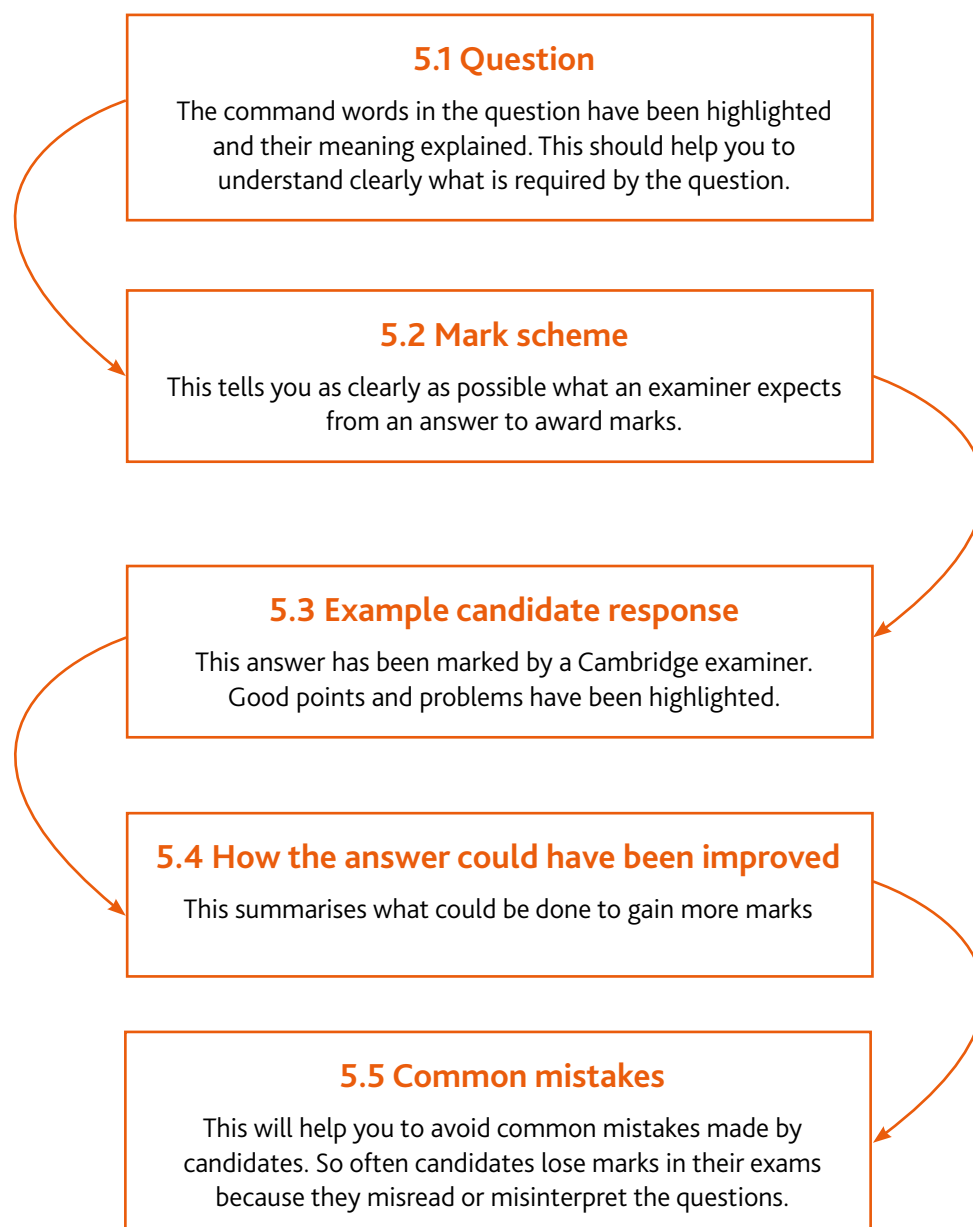
[8]

## 5. Example candidate response

This section takes you through an example question and answer from a Cambridge Business Studies specimen paper. It will help you to see how to identify command words within questions and to understand what is required in your response. A command word is the part of the question that tells you what you need to do with your knowledge. For example, you might need to describe something, explain something, argue a point of view or list what you know.

All information and advice in this section is specific to the example question and answer being demonstrated. It should give you an idea of how your responses might be viewed by an examiner but it is not a list of what to do in all questions. In your own examination, you will need to pay careful attention to what each question is asking you to do.

This section of the guide includes:



### 5.1 Question

The question used in this example is a part (e) question from Paper 1. Now let's look at the question to see what the command words for this question mean for your answer.

(e) Explain **two** possible methods of internal communication that a small business could use to inform workers about a possible expansion. Justify which method should be chosen.

.....

**Explain** means the examiner will be expecting you to use your knowledge to give detailed reasons as to the usefulness of each method (both positive and negative points).

**Justify** means you have to make a supported decision.

A supported decision means giving a clear reason backed up by knowledge or evidence as to why the method you have chosen is more appropriate than other option(s) discussed.

.....

.....

.....

.....

.....

.....

.....

.....

.....

[6]

### 5.2 Mark scheme

The mark scheme lists some examples of the knowledge and understanding, application, analysis and evaluation that the examiner would expect to see in the response as evidence.

If a candidate includes points that are not in the mark scheme but which are accurate and relevant, the examiner will award marks for these points. The mark scheme does not include all possible answers.

Award up to 2 marks for identification of relevant methods.  
Award up to 2 marks for relevant explanation of method(s).  
Award 2 marks for justified decision as to which is the most appropriate method.

Relevant points might include:

**Meeting (1)**

- So able to see reactions to ideas/comments. (1)
- Will increase costs for travel. (1)
- Will take people away from work. (1)

**Email (1)/Internal social media (1)**

- Allows people to read information in own time/have copy for future reference. (1)
- Must have access to internet so may have to pay cost of computer for staff. (1)

**Justification might include:**

- Meeting difficult to arrange if people are based in different places (1) so not everyone might be able to attend. (1)
- People might not have access to internet (1) so are not able to respond. (1)

Other appropriate responses should also be credited.



### 5.3 Example candidate response

The case study at the start of the question is shown below, followed by question part (e) and answer.

The examiner's comments are in the orange boxes.

- 3 ReBag is a social enterprise. ReBag employs 30 people in four small towns in different parts of the country. They work from home and make a range of bags from pieces of old fabric (cloth).

Asha started the business three years ago using micro-finance. Last year ReBag's revenue was \$700. Asha said: 'Our external stakeholders want ReBag to employ people in five more towns. Getting a bank loan to expand the business will be a problem. What will I do about management? How will I inform workers about possible expansion?'

- (e) Explain **two** possible methods of internal communication that a small business could use to inform workers about a possible expansion. Justify which method should be chosen.

*One method is a meeting. Meetings are good because you can get everyone together, and if someone has any questions it is easy to respond quickly to everyone which can help stop any misunderstandings. Although the problem with meetings is that they take time and are difficult to arrange. When important decisions are being discussed, everyone should find out at the same time and have the chance to ask questions. Another way is to send an email. This can be sent to everyone at the same time and they can read it when they want. However, there is no way to make sure that everyone receives it or opens it at the same time. If someone does not understand what has been written, it is not easy to ask questions. So I think they should use a meeting as there are more advantages to this method.* [6]

This is a solid response that clearly explains two methods and reasons why each one may be suitable.

The second part of the question requires you to make a choice as to which method is likely to be more suitable. Here, a choice is made but there is no clear evidence or reason given to support the decision made.

## 5.4 How the answer could have been improved

The answer could be improved by giving a clear reason as to why having a meeting is better than using email. Using the information from the case study at the start of the question can help provide a basis for evaluation. The question asks for methods of internal communication that a small business could use, this means that points such as size and cost could be developed as supporting factors.

In summary, this answer needed more detailed explanations as to the relative advantage(s) of their chosen method to support their final decision.

## 5.5 Common mistakes

The most common mistakes learners make when approaching evaluation questions are not explaining points in detail and not making a justified decision.

Many responses tend to identify different methods but do not develop the points to show how or why it is suitable or not, or offer explanations that could apply to a range of methods.

Making a decision alone, such as yes or no, is not evaluation. It is the reason behind the choice that the examiners are looking for.

## General advice

In order to do your best when answering a question, make sure you:

- address the question being asked, stay focused
- think carefully about how to define a given term, ensuring your answer is clear and precise, so that the definition cannot be confused with another term
- relate any knowledge to the question being asked, i.e. consider the context of the information you are giving.
- are clear and direct in any judgement or conclusions you are making as the examiner cannot make assumptions about what you mean, you need to make it clear
- support any conclusions with accurate and relevant information or data from the case study.

---

## 6. Revision

---

This advice will help you revise and prepare for the examinations. It is divided into general advice for all papers and more specific advice for Paper 1 and Paper 2.

**Use the tick boxes to keep a record of what you have done, what you plan to do or what you understand.**

### General advice

#### Before the examination

Find out when the examinations are and plan your revision so you have time to revise. Create a revision timetable and divide it into sections to cover each topic.

Find out how long each paper is, how many questions you have to answer, how many marks there are for each question, and work out how long you have for each question.

Find out the choices you have on each paper, make sure you know how many sections there are and which sections you should answer from.

When there is a choice of questions in a section, make sure you revise enough to have a choice.

Know the meaning of the command words and how to apply them to the information given. Look at past exam papers, highlight the command words and check what they mean.

Make revision notes. Try different styles of notes.

Work for short periods then have a break. Revise small sections of the syllabus at a time.

Test yourself by writing out key points, redrawing diagrams, etc.

Make sure you define business studies terms accurately. For example, *promotion* is not simply 'advertising, it is publicising of a product or organisation to increase sales or awareness'.

Definitions must not reuse the words to be defined. For example, *batch production* means the making (*production*) of products in batches (*batch*).

Make your own dictionary or draw up a glossary of key terms for each section of the syllabus.

Look at the data, diagrams, tables, etc. to find out what they show; e.g., has output increased, has profit fallen?

Make sure you know how to handle numerical data. Practice learning how to calculate answers using the different formulas covered by the syllabus.

Practise drawing clear, simple, neat, fully-labelled charts and diagrams.

Use the information in your case studies. What type of business organisation is it, what is the issue(s) facing the business?

How you might use the information as application or to support your answer?

Learn to spell business studies terms correctly.

Have a look at past questions so that you are clear of what to expect in an examination.

Look at mark schemes to help you to understand how the marks are awarded for each question.

## In the examination

Read the instructions carefully and answer all the questions.

Plan your time according to the marks for each question. For example, a question worth three marks requires less time and a shorter answer than one worth 10 marks. If a question has several parts, then the parts with more marks will need more time and more developed answers.

Do not leave out questions or parts of questions. Remember, no answer means no mark.

Read each question very carefully.

- Identify the command words – you could underline or highlight them.
- Identify the other key words and perhaps underline them too.
- Try to put the question into your own words to understand what it is really asking.
- Make sure you have the correct focus.

Read all parts of a question before starting your answer. Think carefully about what is needed for each part. You will not need to repeat material.

Look very carefully at the resource material you are given.

- Read the title, key, axes of graphs, etc. to find out exactly what it is showing you.
- Look for dates, scale, and location.
- Try using coloured pencils or pens to pick out anything that the question asks you about.

**Answer the question.** This is very important!

Use your knowledge and understanding.

Do not just write all you know, only write what is needed to answer the question.

Plan your answers. Think about what you want to say. Clear, concise, well-ordered, well-argued, well-supported answers get more marks than long, rambling, muddled, repetitious answers. Quality is better than quantity.

Use business studies terms in your answers where appropriate.

When you are asked to calculate data, make sure you show your working. Look carefully at what units you need to use, such as percentage, and remember to include it in your answer.

Use case-study material to support your answer.

Make sure your writing is clear and easy to read. It is no good writing a brilliant answer if the examiner cannot read it.

Look at the number of marks available for each part of a question. Do not spend too much time on one part if it is only worth two marks, or alternatively write only a short answer when a question is worth more marks.

### Paper 1 advice

Read the information given in each stem of the question carefully as well as the questions themselves.

Try to be as precise as possible because vague definitions and explanations are unlikely to get you many marks.

When a question stem contains some numerical data, try to make use of this data in your answers to show clear understanding of the information provided.

Refer directly to the information from the scenario throughout your answer. This will help ensure that points raised are appropriate for the situation.

Make sure you use a different point of application and analysis each time.

You will be asked to explain points, so it is important to develop your answer rather than just repeat the point made. Look at the question and think about why or how such points might be significant.

When a question asks you to outline different options, it is no good providing two similar examples. Make sure that you identify two distinct points.

If you are asked to consider or explain different options it is no good just writing about one. Make sure you refer to both options in your answer.

When you are asked to make decision, it is important to make one. Many candidates assume that simply stating 'yes' or 'no' are a judgement. Make sure you can explain the reasons behind this statement.

### Paper 2 advice

All the questions are based on the same case study scenario. Allow yourself time to carefully read the information provided before you attempt the questions.

You will be expected to apply your answers. Make sure you do so by making clear reference to information in the case.

You will have to develop all your answers. Take care to try to give a full explanation of positive and negative consequences of a business decision rather than offering a simple description.

If you are asked to consider two or more options it is no good just writing about one. You will be expected to discuss at least two options using both advantages and disadvantages of each one. You must also apply your answer using information from the case study to support your decision.

If you are asked questions about the data in the case study you will be expected to use that data rather than simply listing or repeating the figures. For example, you may be asked to calculate and analyse some ratios, look for a relationship between two or more sets of data or recognise what has happened to the numbers over time. However, it is always useful to support your answer by referring back to the information and quoting data from it.

Many questions will ask you to make a justified recommendation. It is important to offer a decision based on balanced argument. The recommendation should compare and make reference as to why the alternative options were rejected as well as justifying the option that was chosen, without repeating all of the previous analysis.

## Revision checklists

In the next part of this guide we have provided some revision checklists. These include information from the syllabus that you should revise. They don't contain all the detailed knowledge you need to know, just an overview. For more detail see the syllabus and talk to your teacher.

The table headings are explained below:

Topic	You should be able to	R	A	G	Comments
These are the topics in the syllabus	This is what you should be able to do or know for each part of the syllabus	<p>You can use the tick boxes to show when you have revised an item and how confident you feel about it.</p> <p>R = <b>RED</b> means you are really unsure and lack confidence; you might want to focus your revision here and possibly talk to your teacher for help</p> <p>A = <b>AMBER</b> means you are reasonably confident but need some extra practice</p> <p>G = <b>GREEN</b> means you are very confident.</p> <p>As your revision progresses, you can concentrate on the <b>RED</b> and <b>AMBER</b> items in order to turn them into <b>GREEN</b> items. You might find it helpful to highlight each topic in red, orange or green to help you prioritise.</p>			<p>You can use the Comments column to:</p> <ul style="list-style-type: none"> <li>• add more information about the details for each point</li> <li>• include a reference to a useful resource</li> <li>• add further information of your own, such as names of case studies needed</li> <li>• add learning aids, such as rhymes, poems or word play</li> <li>• pinpoint areas of difficulty you need to check further with your teacher or textbooks.</li> </ul>

Note: the tables below cannot contain absolutely everything you need to know, but it does use examples wherever it can.

## Topic 1: Understanding business activity

Topic	You should be able to	R	A	G	Comments
1.1 Business activity	Understand the purpose and nature of business activity: <ul style="list-style-type: none"> <li>• Concepts of needs, wants, scarcity and opportunity cost</li> <li>• Importance of specialisation</li> <li>• Purpose of business activity</li> <li>• The concept of adding value and how added value can be increased</li> </ul>				
1.2 Classification of businesses	Business activity in terms of primary, secondary and tertiary sectors: <ul style="list-style-type: none"> <li>• Basis of business classification, using examples to illustrate the classification</li> <li>• Reasons for the changing importance of business classification, e.g. in developed and developing economies</li> </ul> Classify business enterprises between private sector and public sector in a mixed economy				
1.3 Enterprise, business growth and size	Enterprise and entrepreneurship: <ul style="list-style-type: none"> <li>• Characteristics of successful entrepreneurs</li> <li>• Contents of a business plan and how business plans assist entrepreneurs</li> <li>• Why and how governments support business start-ups, e.g. grants, training schemes</li> </ul> The methods and problems of measuring business size: <ul style="list-style-type: none"> <li>• Methods of measuring business size, e.g. number of people employed, value of output, capital employed (profit is not a method of measuring business size)</li> <li>• Limitations of methods of measuring business size</li> </ul> Why some businesses grow and others remain small: <ul style="list-style-type: none"> <li>• Why the owners of a business may want to expand the business</li> <li>• Different ways in which businesses can grow</li> </ul>				

Topic	You should be able to	R	A	G	Comments
	<ul style="list-style-type: none"> <li>• Problems linked to business growth and how these might be overcome</li> <li>• Why some businesses remain small</li> </ul> <p>Why some (new or established) businesses fail:</p> <ul style="list-style-type: none"> <li>• Causes of business failure, e.g. lack of management skills, changes in the business environment, liquidity problems</li> <li>• Why new businesses are at a greater risk of failing</li> </ul>				
1.4 Types of business organisation	<p>The main features of different forms of business organisation:</p> <ul style="list-style-type: none"> <li>• Sole traders, partnerships, private and public limited companies, franchises and joint ventures</li> <li>• Differences between unincorporated businesses and limited companies</li> <li>• Concepts of risk, ownership and limited liability</li> <li>• Recommend and justify a suitable form of business organisation to owners/management in a given situation</li> <li>• Business organisations in the public sector, e.g. public corporations</li> </ul>				
1.5 Business objectives and stakeholder objectives	<p>Businesses can have several objectives and the importance of them can change:</p> <ul style="list-style-type: none"> <li>• Need for business objectives and the importance of them</li> <li>• Different business objectives, e.g. survival, growth, profit and market share</li> <li>• Objectives of social enterprises</li> </ul> <p>The role of stakeholder groups involved in business activity:</p> <ul style="list-style-type: none"> <li>• Main internal and external stakeholder groups</li> <li>• Objectives of different stakeholder groups</li> <li>• How these objectives might conflict with each other, use examples</li> </ul> <p>Differences in the objectives of private sector and public sector enterprises</p>				



## Topic 2: People in business

Topic	You should be able to	R	A	G	Comments
2.1 Motivating employees	<p>The importance of a well-motivated workforce:</p> <ul style="list-style-type: none"> <li>• Why people work and what motivation means</li> <li>• The benefits of a well-motivated workforce: labour productivity, reduced absenteeism and labour turnover</li> <li>• The concept of human needs, e.g. Maslow's hierarchy</li> <li>• Key motivational theories: Taylor and Herzberg</li> </ul> <p>Methods of motivation:</p> <ul style="list-style-type: none"> <li>• Financial rewards, e.g. wage, salary, bonus, commission and profit sharing</li> <li>• Non-financial methods, e.g. job enrichment, job rotation, teamworking, training, opportunities for promotion</li> <li>• Recommend and justify appropriate method(s) of motivation in given circumstances</li> </ul>				
2.2 Organisation and management	<p>Draw, interpret and understand simple organisational charts:</p> <ul style="list-style-type: none"> <li>• Simple hierarchical structures: span of control, levels of hierarchy, chain of command</li> <li>• Roles and responsibilities of directors, managers, supervisors, other employees in an organisation and inter-relationships between them</li> </ul> <p>The role of management:</p> <ul style="list-style-type: none"> <li>• Functions of management, e.g. planning, organising, coordinating, commanding and controlling</li> <li>• Importance of delegation; trust versus control</li> </ul> <p>Leadership styles:</p> <ul style="list-style-type: none"> <li>• Features of the main leadership styles, e.g. autocratic, democratic and laissez-faire</li> <li>• Recommend and justify an appropriate leadership style in given circumstances</li> </ul> <p>Trade unions:</p> <ul style="list-style-type: none"> <li>• What a trade union is and the effects of employees being union members</li> </ul>				

Topic	You should be able to	R	A	G	Comments
<p>2.3 Recruitment, selection and training of employees</p>	<p>Recruitment and selecting employees:</p> <ul style="list-style-type: none"> <li>• Recruitment and selection methods</li> <li>• Difference between internal recruitment and external recruitment</li> <li>• Main stages in recruitment and selection of employees</li> <li>• Recommend and justify who to employ in given circumstances</li> <li>• Benefits and limitations of part-time employees and full-time employees</li> </ul> <p>The importance of training and the methods of training:</p> <ul style="list-style-type: none"> <li>• Importance of training to a business and to employees</li> <li>• Benefits and limitations of induction training, on-the-job training and off-the-job training</li> </ul> <p>Why reducing the size of the workforce might be necessary:</p> <ul style="list-style-type: none"> <li>• Difference between dismissal and redundancy with examples</li> <li>• Understand situations in which downsizing the workforce might be necessary, e.g. automation or reduced demand for products</li> <li>• Recommend and justify which employees to make redundant in given circumstances</li> </ul> <p>Legal controls over employment issues and their impact on employers and employees:</p> <ul style="list-style-type: none"> <li>• Legal controls over employment contracts, unfair dismissal, discrimination, health and safety, legal minimum wage</li> </ul>				
<p>2.4 Internal and external communication</p>	<p>Why effective communication is important and the methods used to achieve it:</p> <ul style="list-style-type: none"> <li>• Effective communication and its importance to business</li> <li>• Benefits and limitations of different communication methods including those based on information technology (IT)</li> <li>• Recommend and justify which communication method to use in given circumstances</li> </ul>				

Topic	You should be able to	R	A	G	Comments
	Demonstrate an awareness of communication barriers: <ul style="list-style-type: none"> <li>• How communication barriers arise and problems of ineffective communication</li> <li>• How communication barriers can be reduced or removed</li> </ul>				

### Topic 3: Marketing

Topic	You should be able to	R	A	G	Comments
3.1 Marketing, competition and the customer	The role of marketing: <ul style="list-style-type: none"> <li>• Identifying customer needs</li> <li>• Satisfying customer needs</li> <li>• Maintaining customer loyalty</li> <li>• Building customer relationships</li> </ul> Market changes: <ul style="list-style-type: none"> <li>• Why customer/consumer spending patterns may change</li> <li>• Why some markets have become more competitive</li> <li>• The importance of changing customer needs</li> <li>• How businesses can respond to changing spending patterns and increased competition</li> </ul> Concepts of niche marketing and mass marketing: <ul style="list-style-type: none"> <li>• Benefits and limitations of both approaches to marketing</li> </ul> How and why market segmentation is undertaken: <ul style="list-style-type: none"> <li>• How markets can be segmented, e.g. according to age, socio-economic grouping, location, gender</li> <li>• Potential benefits of segmentation to business</li> <li>• Recommend and justify an appropriate method of segmentation in given circumstances</li> </ul>				

Topic	You should be able to	R	A	G	Comments
3.2 Market research	<p>The role of market research and methods used:</p> <ul style="list-style-type: none"> <li>• Market-orientated businesses (uses of market research information to a business)</li> <li>• Primary research and secondary research (benefits and limitations of each)</li> <li>• Methods of primary research, e.g. postal questionnaire, online survey, interviews, focus groups</li> <li>• The need for sampling</li> <li>• Methods of secondary research, e.g. online, accessing government sources, paying for commercial market research reports</li> <li>• Factors influencing the accuracy of market research data</li> </ul> <p>Presentation and use of market research results:</p> <ul style="list-style-type: none"> <li>• Analyse market research data shown in the form of graphs, charts and diagrams; draw simple conclusions from such data</li> </ul>				
3.3 Marketing mix	<p>Product:</p> <ul style="list-style-type: none"> <li>• The costs and benefits of developing new products</li> <li>• Brand image; impact on sales and customer loyalty</li> <li>• The role of packaging</li> <li>• The product life cycle: main stages and extension strategies; draw and interpret a product life cycle diagram</li> <li>• How stages of the product life cycle can influence marketing decisions, e.g. promotion and pricing decisions</li> </ul>				

Topic	You should be able to	R	A	G	Comments
	<p>Price:</p> <ul style="list-style-type: none"> <li>• Pricing methods (benefits and limitations of different methods), e.g. cost plus, competitive, penetration, skimming, and promotional</li> <li>• Recommend and justify an appropriate pricing method in given circumstances</li> <li>• Understand the significance of price elasticity: difference between price elastic demand and price inelastic demand; importance of the concept in pricing decisions (<i>knowledge of the formula and calculations of PED will not be assessed</i>)</li> </ul> <p>Place – distribution channels:</p> <ul style="list-style-type: none"> <li>• Advantages and disadvantages of different channels, e.g. use of wholesalers, retailers or direct to consumers</li> <li>• Recommend and justify an appropriate distribution channel in given circumstances</li> </ul> <p>Promotion:</p> <ul style="list-style-type: none"> <li>• The aims of promotion</li> <li>• Different forms of promotion and how they influence sales, e.g. advertising, sales promotion</li> <li>• The need for cost-effectiveness in spending the marketing budget on promotion</li> </ul> <p>Technology and the marketing mix:</p> <ul style="list-style-type: none"> <li>• Define and explain the concept of e-commerce</li> <li>• The opportunities and threats of e-commerce to business and consumers</li> <li>• Use of the internet and social media networks for promotion</li> </ul>				

Topic	You should be able to	R	A	G	Comments
3.4 Marketing strategy	<p>Justify marketing strategies appropriate to a given situation:</p> <ul style="list-style-type: none"> <li>• Importance of different elements of the marketing mix in influencing consumer decisions in given circumstances</li> <li>• Recommend and justify an appropriate marketing strategy in given circumstances</li> </ul> <p>The nature and impact of legal controls related to marketing:</p> <ul style="list-style-type: none"> <li>• Impact of legal controls on marketing strategy, e.g. misleading promotion, faulty and dangerous goods</li> </ul> <p>The opportunities and problems of entering new foreign markets:</p> <ul style="list-style-type: none"> <li>• Growth potential of new markets in other countries</li> <li>• Problems of entering foreign markets, e.g. cultural differences and lack of knowledge</li> <li>• Benefits and limitations of methods to overcome such problems, e.g. joint ventures, licensing</li> <li>• Problems of entering foreign markets, e.g. cultural differences and lack of knowledge</li> <li>• Benefits and limitations of methods to overcome such problems, e.g. joint ventures, licensing</li> </ul>				

#### Topic 4: Operations management

Topic	You should be able to	R	A	G	Comments
4.1 Production of goods and services	<p>The meaning of production:</p> <ul style="list-style-type: none"> <li>• Managing resources effectively to produce goods and services</li> <li>• Difference between production and productivity</li> <li>• Benefits of increasing efficiency and how to increase it, e.g. increasing productivity by automation and technology, improved labour skills</li> <li>• Why businesses hold inventories</li> <li>• The concept of lean production: how to achieve it, e.g. just-in-time inventory control and Kaizen; benefits of lean production</li> </ul>				

Topic	You should be able to	R	A	G	Comments
	<p>The main methods of production:</p> <ul style="list-style-type: none"> <li>• Features, benefits and limitations of job, batch and flow production</li> <li>• Recommend and justify an appropriate production method for a given situation</li> <li>• How technology has changed production methods, e.g. using computers in design and manufacturing</li> </ul>				
4.2 Costs, scale of production and break-even analysis	<p>Identify and classify costs:</p> <ul style="list-style-type: none"> <li>• Classifying costs using examples, e.g. fixed, variable, average, total</li> <li>• Use cost data to help make simple cost-based decisions, e.g. to stop production or continue</li> </ul> <p>Economics and diseconomies of scale:</p> <ul style="list-style-type: none"> <li>• The concept of economies of scale with examples, e.g. purchasing, marketing, financial, managerial, technical</li> <li>• The concept of diseconomies of scale with examples, e.g. poor communication, lack of commitment from employees, weak coordination</li> </ul> <p>Break-even analysis:</p> <ul style="list-style-type: none"> <li>• The concept of break-even</li> <li>• Construct, complete or amend a simple break-even chart</li> <li>• Interpret a given chart and use it to analyse a situation</li> <li>• Calculate break-even output from given data</li> <li>• Define, calculate and interpret the margin of safety</li> <li>• Use break-even analysis to help make simple decisions, e.g. impact of higher price</li> <li>• Understand the limitations of break-even analysis</li> </ul>				

Topic	You should be able to	R	A	G	Comments
4.3 Achieving quality production	<p>Why quality is important and how quality production might be achieved:</p> <ul style="list-style-type: none"> <li>• What quality means and why it is important for all businesses</li> <li>• The concept of quality control and how businesses implement quality control</li> <li>• The concept of quality assurance and how this can be implemented</li> </ul>				
4.4 Location decisions	<p>The main factors influencing the location and relocation decisions of a business:</p> <ul style="list-style-type: none"> <li>• Factors relevant to the location decision of manufacturing businesses and service businesses</li> <li>• Factors that a business could consider when deciding which country to locate operations in</li> <li>• The role of legal controls on location decisions</li> <li>• Recommend and justify an appropriate location for a business in given circumstances</li> </ul>				

## Topic 5: Financial information and decisions

Topic	You should be able to	R	A	G	Comments
5.1 Business finance: needs and sources	<p>The need for business finance:</p> <ul style="list-style-type: none"> <li>• The main reasons why businesses need finance, e.g. start-up capital, capital for expansion and additional working capital</li> <li>• Understand the difference between short-term and long-term finance needs</li> </ul> <p>The main sources of finance:</p> <ul style="list-style-type: none"> <li>• Internal sources and external sources with examples</li> <li>• Short-term and long-term sources with examples, e.g. overdraft for short-term finance and debt or equity for long-term finance</li> </ul>				



Topic	You should be able to	R	A	G	Comments
	<ul style="list-style-type: none"> <li>• Importance of alternative sources of capital, e.g. micro-finance, crowd-funding</li> <li>• The main factors considered in making the financial choice, e.g. size and legal form of business, amount required, length of time, existing loans</li> <li>• Recommend and justify appropriate source(s) of finance in given circumstances</li> </ul>				
5.2 Cash-flow forecasting and working capital	<p>The importance of cash and of cash-flow forecasting:</p> <ul style="list-style-type: none"> <li>• Why cash is important to a business forecasting</li> <li>• What a cash-flow forecast is, how a simple one is constructed and the importance of it</li> <li>• Amend or complete a simple cash-flow forecast</li> <li>• How to interpret a simple cash-flow forecast</li> <li>• How a short-term cash-flow problem might be overcome, e.g. increasing loans, delaying payments, asking debtors to pay more quickly</li> </ul> <p>Working capital:</p> <ul style="list-style-type: none"> <li>• The concept and importance of working capital</li> </ul>				
5.3 Income statements	<p>What profit is and why it is important:</p> <ul style="list-style-type: none"> <li>• How a profit is made</li> <li>• Importance of profit to private sector businesses, e.g. reward for risk-taking/enterprise, source of finance</li> <li>• Difference between profit and cash</li> </ul>				

Key Question	You should be able to	R	A	G	Comments
	<p>Income statements:</p> <ul style="list-style-type: none"> <li>Main features of an income statement, e.g. revenue, cost of sales, gross profit, profit and retained profit</li> <li>Use simple income statements in decision- making based on profit calculations (<i>constructing income statements will not be assessed</i>)</li> </ul>				
5.4 Statement of financial position	<p>The main elements of a statement of financial position:</p> <ul style="list-style-type: none"> <li>The main classifications of assets and liabilities, using examples</li> <li>Interpret a simple statement of financial position and make deductions from it, e.g. how a business is financing its activities and what assets it owns, sale of inventories to raise finance (<i>constructing statements of financial position will not be assessed</i>)</li> </ul>				
5.5 Analysis of accounts	<p>Profitability:</p> <ul style="list-style-type: none"> <li>The concept and importance of profitability</li> </ul> <p>Liquidity:</p> <ul style="list-style-type: none"> <li>The concept and importance of liquidity</li> </ul> <p>How to interpret the financial performance of a business by calculating and analysing profitability ratios and liquidity ratios:</p> <ul style="list-style-type: none"> <li>Gross profit margin</li> <li>Profit margin</li> <li>Return on Capital Employed</li> <li>Current ratio</li> <li>Acid test ratio</li> </ul> <p>Why and how accounts are used:</p> <ul style="list-style-type: none"> <li>Needs of different users of accounts and ratio analysis</li> <li>How users of accounts and ratio results might use information to help make decisions, e.g. whether to lend to or invest in the business</li> </ul>				

## Topic 6: External influences on business activity

Topic	You should be able to	R	A	G	Comments
6.1 Economic issues	<p>Business cycle:</p> <ul style="list-style-type: none"> <li>Main stages of the business cycle, e.g. growth, boom, recession, slump</li> <li>Impact on businesses of changes in employment levels, inflation and Gross Domestic Product (GDP)</li> </ul> <p>How government control over the economy affects business activity and how businesses may respond</p> <ul style="list-style-type: none"> <li>Identify government economic objectives, e.g. increasing Gross Domestic Product (GDP)</li> <li>Impact of changes in taxes and government spending</li> <li>Impact of changes in interest rates</li> <li>How businesses might respond to these changes</li> </ul>				
6.2 Environmental and ethical issues	<p>Environmental concerns and ethical issues as both opportunities and constraints for businesses:</p> <ul style="list-style-type: none"> <li>How business activity can impact on the environment, e.g. global warming</li> <li>The concept of externalities: possible external costs and external benefits of business decisions</li> <li>Sustainable development; how business activity can contribute to this</li> <li>How and why business might respond to environmental pressures and opportunities, e.g. pressure groups</li> <li>The role of legal controls over business activity affecting the environment, e.g. pollution controls</li> <li>Ethical issues a business might face: conflicts between profits and ethics</li> <li>How business might react and respond to ethical issues, e.g. child labour</li> </ul>				

Topic	You should be able to	R	A	G	Comments
6.3 Business and the international economy	<p>The importance of globalisation:</p> <ul style="list-style-type: none"> <li>• The concept of globalisation and the reasons for it</li> <li>• Opportunities and threats of globalisation for businesses</li> <li>• Why governments might introduce import tariffs and import quotas</li> </ul> <p>Reasons for the importance and growth of multinational companies (MNCs):</p> <ul style="list-style-type: none"> <li>• Benefits to a business of becoming a multinational and the impact on its stakeholders</li> <li>• Potential benefits to a country and/or economy where a MNC is located, e.g. jobs, exports, increased choice, investment</li> <li>• Potential drawbacks to a country and/or economy where a MNC is located, e.g. reduced sales of local businesses, repatriation of profits</li> </ul> <p>The impact of exchange rate changes:</p> <ul style="list-style-type: none"> <li>• Depreciation and appreciation of an exchange rate</li> <li>• How exchange rate changes can affect businesses as importers and exporters of products, e.g. prices, competitiveness, profitability (<i>exchange rate calculations will not be assessed</i>)</li> </ul>				

## 7. Useful websites

The websites listed below are useful resources to help you study for your Cambridge Business Studies course.

URL	Description of the site and what it's useful for
<a href="http://www.tutor2u.net/">www.tutor2u.net/</a>	A useful website with a variety of resources including revision notes, blogs and links to videos and case studies.
<a href="http://www.businessed.co.uk">www.businessed.co.uk</a>	This is more like an online business textbook. Many of the topics are included under the activities and theory notes sections. Select the 'by topic' drop down tab to find activities or helpful presentation slides summarising many of the key concepts.
<a href="http://www.dineshbakshi.com/">www.dineshbakshi.com/</a>	A useful website that has lots of theory notes, worksheets and interactive quizzes. Follow the Business studies and link to a list of topics. Select the topic you are studying to find quizzes, crosswords, games and activities. It is particularly useful for revision.
<a href="http://www.cia.gov/library/publications/the-world-factbook/">www.cia.gov/library/publications/the-world-factbook/</a>	This is a USA based website and has lots of good, up-to-date information on economic and other information for many different countries around the world. Select a country, e.g. Argentina, to find out about its economy.
<a href="http://www.bbc.com/education/subjects/zpsvr82">www.bbc.com/education/subjects/zpsvr82</a>	This is a UK based site and has a lot of basic information on a range of business studies concepts. The information is presented in an easy-to-read style with notes and video links to help you understand. The 'test' section contains some useful quiz questions as a summary to help you learn the information.
<a href="https://businesscasestudies.co.uk">https://businesscasestudies.co.uk</a>	This is a wide-ranging site which includes good coverage of the content of the 0450 IGCSE Business studies syllabus, which will be useful to both teachers and learners. The approach is case study based with online theory, revision and worksheets to help you see how the theory is used in real world settings.

Cambridge Assessment International Education  
The Triangle Building, Shaftesbury Road, Cambridge, CB2 8EA, United Kingdom  
t: +44 1223 553554  
e: [info@cambridgeinternational.org](mailto:info@cambridgeinternational.org) [www.cambridgeinternational.org](http://www.cambridgeinternational.org)

Copyright © UCLES August 2018 (updated November 2023)