

# SYLLABUS

**Cambridge O Level  
Business Studies**

**7115**

For examination in June and November 2016

## Changes to syllabus for 2016

This syllabus has been updated, but there are no significant changes.

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# 1. Introduction

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## 1.1 Why choose Cambridge?

### Recognition

Cambridge International Examinations is the world's largest provider of international education programmes and qualifications for learners aged 5 to 19. We are part of Cambridge Assessment, a department of the University of Cambridge, trusted for excellence in education. Our qualifications are recognised by the world's universities and employers.

Cambridge O Level is internationally recognised by schools, universities and employers as equivalent in demand to Cambridge IGCSE® (International General Certificate of Secondary Education). Learn more at [www.cie.org.uk/recognition](http://www.cie.org.uk/recognition)

### Excellence in education

Our mission is to deliver world-class international education through the provision of high-quality curricula, assessment and services.

More than 9000 schools are part of our Cambridge learning community. We support teachers in over 160 countries who offer their learners an international education based on our curricula and leading to our qualifications. Every year, thousands of learners use Cambridge qualifications to gain places at universities around the world.

Our syllabuses are reviewed and updated regularly so that they reflect the latest thinking of international experts and practitioners and take account of the different national contexts in which they are taught.

Cambridge programmes and qualifications are designed to support learners in becoming:

- **confident** in working with information and ideas – their own and those of others
- **responsible** for themselves, responsive to and respectful of others
- **reflective** as learners, developing their ability to learn
- **innovative** and equipped for new and future challenges
- **engaged** intellectually and socially, ready to make a difference.

### Support for teachers

A wide range of materials and resources is available to support teachers and learners in Cambridge schools. Resources suit a variety of teaching methods in different international contexts. Through subject discussion forums and training, teachers can access the expert advice they need for teaching our qualifications. More details can be found in Section 2 of this syllabus and at [www.cie.org.uk/teachers](http://www.cie.org.uk/teachers)

### Support for exams officers

Exams officers can trust in reliable, efficient administration of exams entries and excellent personal support from our customer services. Learn more at [www.cie.org.uk/examsOfficers](http://www.cie.org.uk/examsOfficers)

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

We are a not-for-profit organisation where the needs of the teachers and learners are at the core of what we do. We continually invest in educational research and respond to feedback from our customers in order to improve our qualifications, products and services.

Our systems for managing the provision of international qualifications and education programmes for learners aged 5 to 19 are certified as meeting the internationally recognised standard for quality management, ISO 9001:2008. Learn more at [www.cie.org.uk/ISO9001](http://www.cie.org.uk/ISO9001)

### 1.2 Why choose Cambridge O Level?

Cambridge O Levels have been designed for an international audience and are sensitive to the needs of different countries. These qualifications are designed for learners whose first language may not be English and this is acknowledged throughout the examination process. The Cambridge O Level syllabus also allows teaching to be placed in a localised context, making it relevant in varying regions.

Our aim is to balance knowledge, understanding and skills in our programmes and qualifications to enable candidates to become effective learners and to provide a solid foundation for their continuing educational journey.

Through our professional development courses and our support materials for Cambridge O Levels, we provide the tools to enable teachers to prepare learners to the best of their ability and work with us in the pursuit of excellence in education.

Cambridge O Levels are considered to be an excellent preparation for Cambridge International AS and A Levels, the Cambridge AICE (Advanced International Certificate of Education) Group Award, Cambridge Pre-U, and other education programmes, such as the US Advanced Placement program and the International Baccalaureate Diploma programme. Learn more about Cambridge O Levels at [www.cie.org.uk/cambridgesecundary2](http://www.cie.org.uk/cambridgesecundary2)

### Guided learning hours

Cambridge O Level syllabuses are designed on the assumption that learners have about 130 guided learning hours per subject over the duration of the course, but this is for guidance only. The number of hours required to gain the qualification may vary according to local curricular practice and the learners' prior experience of the subject.

### 1.3 Why choose Cambridge O Level Business Studies?

Cambridge O Level Business Studies is accepted by universities and employers as proof of an understanding of business concepts and techniques across a range of different types of businesses. Successful Cambridge O Level Business Studies learners will be able to:

- understand different forms of business organisations, the environments in which businesses operate and business functions such as marketing, operations and finance
- appreciate the role of people in business success.

They will also gain lifelong skills, including:

- the ability to calculate and interpret business data
- communication skills needed to support arguments with reasons
- the ability to analyse business situations and reach decisions or judgements.

## Prior learning

Learners beginning this course are not expected to have studied Business Studies previously.

## Progression

Cambridge O Levels are general qualifications that enable learners to progress directly to employment or to proceed to further study.

Candidates who are awarded grades A\* to C in Cambridge O Level Business Studies are well prepared to follow courses leading to Cambridge International AS and A Level Business Studies, or the equivalent.

## 1.4 How can I find out more?

### If you are already a Cambridge school

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

### If you are not yet a Cambridge school

Learn about the benefits of becoming a Cambridge school at **www.cie.org.uk/startcambridge**. Email us at **info@cie.org.uk** to find out how your organisation can register to become a Cambridge school.

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## 2. Teacher support

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### 2.1 Support materials

Cambridge syllabuses, past question papers and examiner reports to cover the last examination series are on the *Syllabus and Support Materials* DVD, which we send to all Cambridge schools.

You can also go to our public website at [www.cie.org.uk/olevel](http://www.cie.org.uk/olevel) to download current and future syllabuses together with specimen papers or past question papers and examiner reports from one series.

For teachers at registered Cambridge schools a range of additional support materials for specific syllabuses is available online from Teacher Support, our secure online support for Cambridge teachers. Go to <http://teachers.cie.org.uk> (username and password required).

### 2.2 Resource lists

We work with publishers providing a range of resources for our syllabuses including textbooks, websites, CDs, etc. Any endorsed, recommended and suggested resources are listed on both our public website and on Teacher Support.

The resource lists can be filtered to show all resources or just those which are endorsed or recommended by Cambridge. Resources endorsed by Cambridge go through a detailed quality assurance process and are written to align closely with the Cambridge syllabus they support.

### 2.3 Training

We offer a range of support activities for teachers to ensure they have the relevant knowledge and skills to deliver our qualifications. See [www.cie.org.uk/events](http://www.cie.org.uk/events) for further information.

### 3. Syllabus content at a glance

All candidates study the following topics.

Section	Topics
<b>1. Understanding business activity</b>	<ul style="list-style-type: none"> <li>• Business activity</li> <li>• Classification of businesses</li> <li>• Enterprise, business growth and size</li> <li>• Types of business organisation</li> <li>• Business objectives and stakeholder objectives</li> </ul>
<b>2. People in business</b>	<ul style="list-style-type: none"> <li>• Motivating workers</li> <li>• Organisation and management</li> <li>• Recruitment, selection and training of workers</li> <li>• Internal and external communication</li> </ul>
<b>3. Marketing</b>	<ul style="list-style-type: none"> <li>• Marketing, competition and the customer</li> <li>• Market research</li> <li>• Marketing mix</li> <li>• Marketing strategy</li> </ul>
<b>4. Operations management</b>	<ul style="list-style-type: none"> <li>• Production of goods and services</li> <li>• Costs, scale of production and break-even analysis</li> <li>• Achieving quality production</li> <li>• Location decisions</li> </ul>
<b>5. Financial information and decisions</b>	<ul style="list-style-type: none"> <li>• Business finance: needs and sources</li> <li>• Cash-flow forecasting and working capital</li> <li>• Income statements</li> <li>• Balance sheets</li> <li>• Analysis of accounts</li> </ul>
<b>6. External influences on business activity</b>	<ul style="list-style-type: none"> <li>• Government economic objectives and policies</li> <li>• Environmental and ethical issues</li> <li>• Business and the international economy</li> </ul>



## 4. Assessment at a glance

For Cambridge O Level Business Studies, candidates take **two** compulsory components, Paper 1 and Paper 2. Both question papers will draw on topics taken from the whole of the syllabus content. All candidates are eligible for grades A\* to E.

Components	Weighting
<p><b>Paper 1</b> <span style="float: right;"><b>1 hour 30 minutes</b></span></p> <p>Written examination consisting of four questions requiring a mixture of short answers and structured data responses. Candidates answer all questions. 80 marks. Externally assessed.</p>	50%
<p><b>Paper 2</b> <span style="float: right;"><b>1 hour 30 minutes</b></span></p> <p>Written examination consisting of four questions based on a case study, provided as an Insert with the paper. Candidates answer all questions. 80 marks. Externally assessed.</p>	50%

### Availability

This syllabus is examined in the June and November examination series.

This syllabus is available to private candidates.

Detailed timetables are available from [www.cie.org.uk/examsOfficers](http://www.cie.org.uk/examsOfficers)

Cambridge O Levels are available to Centres in Administrative Zones 3, 4 and 5. Centres in Administrative Zones 1, 2 or 6 wishing to enter candidates for Cambridge O Level examinations should contact Cambridge Customer Services.

### Combining this with other syllabuses

Candidates can combine this syllabus in an examination series with any other Cambridge syllabus, except syllabuses with the same title at the same level.

Please note that Cambridge O Level, Cambridge IGCSE and Cambridge International Level 1/Level 2 Certificate syllabuses are at the same level.

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## 5. Syllabus aims and assessment objectives

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### 5.1 Syllabus aims

The aims, which are not listed in order of priority, are to enable candidates to:

- 1 make effective use of relevant terminology, concepts and methods, and recognise the strengths and limitations of the ideas used in business
- 2 apply their knowledge and critical understanding to current issues and problems in a wide range of business contexts
- 3 distinguish between facts and opinions, and evaluate qualitative and quantitative data in order to help build arguments and make informed judgements
- 4 appreciate the perspectives of a range of stakeholders in relation to the business environment, individuals, society, government and enterprise
- 5 develop knowledge and understanding of the major groups and organisations within and outside business, and consider ways in which they are able to influence objectives, decisions and activities
- 6 develop knowledge and understanding of how the main types of businesses are organised, financed and operated, and how their relations with other organisations, consumers, employees, owners and society are regulated
- 7 develop skills of numeracy, literacy, enquiry, selection and use of relevant sources of information, presentation and interpretation
- 8 develop an awareness of the nature and significance of innovation and change within the context of business activities.

Teachers should note that not all of the above aims are necessarily subject to formal assessment.

## 5.2 Assessment objectives

The four assessment objectives in Cambridge O Level Business Studies are:

AO1: Knowledge and understanding

AO2: Application

AO3: Analysis

AO4: Evaluation

### AO1: Knowledge and understanding

Candidates should be able to:

- demonstrate knowledge and understanding of facts, terms, concepts, conventions, theories and techniques commonly applied to or used as part of business behaviour.

### AO2: Application

Candidates should be able to:

- apply their knowledge and understanding of facts, terms, concepts, conventions, theories and techniques.

### AO3: Analysis

Candidates should be able to:

- distinguish between evidence and opinion in a business context
- order, analyse and interpret information in narrative, numerical and graphical forms, using appropriate techniques.

### AO4: Evaluation

Candidates should be able to:

- present reasoned explanations, develop arguments, understand implications and draw inferences
- make judgements, recommendations and decisions.

## 5.3 Relationship between assessment objectives and components

The approximate weightings allocated to each of the assessment objectives are summarised below.

Assessment objective	Paper 1	Paper 2	Weighting for qualification
AO1: Knowledge and understanding	40%	20%	30%
AO2: Application	30%	30%	30%
AO3: Analysis	15%	25%	20%
AO4: Evaluation	15%	25%	20%

## 6. Syllabus content

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

1. Understanding business activity	
1.1 Business activity	<p>1.1.1 The purpose and nature of business activity:</p> <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	<p>1.2.1 Business activity in terms of primary, secondary and tertiary sectors:</p> <ul style="list-style-type: none"> <li>• Basis of business classification, e.g. by using examples</li> <li>• Reasons for the changing importance of business classification, e.g. in developed and developing economies</li> </ul> <p>1.2.2 Classify business enterprises between private sector and public sector in a mixed economy</p>
1.3 Enterprise, business growth and size	<p>1.3.1 Enterprise and entrepreneurship:</p> <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</li> </ul> <p>1.3.2 The methods and problems of measuring business size:</p> <ul style="list-style-type: none"> <li>• Methods of measuring business size, e.g. number of people employed, value of output, capital employed (<i>profit is <b>not</b> a method of measuring business size</i>)</li> <li>• Limitations of methods of measuring business size</li> </ul> <p>1.3.3 Why some businesses grow and others remain small:</p> <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> <li>• Problems linked to business growth and how these might be overcome</li> <li>• Why some businesses remain small</li> </ul>

	<p>1.3.4 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</li> <li>• Why new businesses are at a greater risk of failing</li> </ul>
<p>1.4 Types of business organisation</p>	<p>1.4.1 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>
<p>1.5 Business objectives and stakeholder objectives</p>	<p>1.5.1 Businesses can have several objectives – and the importance of these 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>1.5.2 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>• Use examples to illustrate these objectives and how they might conflict</li> </ul> <p>1.5.3 Demonstrate an awareness of the differences in the aims and objectives of private sector and public sector enterprises</p>

2. People in business	
2.1 Motivating workers	<p>2.1.1 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 concept of human needs – Maslow’s hierarchy</li> <li>• Key motivational theories: Taylor and Herzberg</li> </ul> <p>2.1.2 Methods of motivation:</p> <ul style="list-style-type: none"> <li>• Financial and non-financial rewards and methods</li> <li>• Recommend and justify appropriate method(s) of motivation in given circumstances</li> </ul>
2.2 Organisation and management	<p>2.2.1 Draw, interpret and understand simple organisational charts:</p> <ul style="list-style-type: none"> <li>• Simple hierarchical structures: span of control, hierarchy, chain of command and delegation</li> <li>• Roles, responsibilities and inter-relationships between people in organisations</li> </ul> <p>2.2.2 The role of management:</p> <ul style="list-style-type: none"> <li>• Functions of management – planning, organising, co-ordinating, commanding and controlling</li> <li>• Importance of delegation; trust versus control</li> </ul> <p>2.2.3 Leadership styles:</p> <ul style="list-style-type: none"> <li>• Features of the main leadership styles – autocratic, democratic and laissez-faire</li> <li>• Recommend and justify an appropriate leadership style in given circumstances</li> </ul> <p>2.2.4 Trade unions:</p> <ul style="list-style-type: none"> <li>• What a trade union is and the benefits of workers being union members</li> </ul>

<p>2.3 Recruitment, selection and training of workers</p>	<p>2.3.1 The methods of recruiting and selecting workers:</p> <ul style="list-style-type: none"> <li>• Recruitment and selection</li> <li>• Difference between internal and external recruitment</li> <li>• Main stages in recruitment and selection of staff</li> <li>• Benefits and limitations of part-time and full-time workers</li> </ul> <p>2.3.2 The importance of training and the methods of training:</p> <ul style="list-style-type: none"> <li>• Importance of training to a business and workers</li> <li>• Benefits and limitations of induction training, on-the-job training and off-the-job training</li> </ul> <p>2.3.3 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 to illustrate the difference</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 workers to recruit/make redundant in given circumstances</li> </ul> <p>2.3.4 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>2.4.1 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> <p>2.4.2 Demonstrate an awareness of communication barriers:</p> <ul style="list-style-type: none"> <li>• How communication barriers arise and problems of ineffective communication; how communication barriers can be reduced or removed</li> </ul>

3. Marketing	
3.1 Marketing, competition and the customer	<p>3.1.1 The role of marketing:</p> <ul style="list-style-type: none"> <li>• Identifying customer needs</li> <li>• Satisfying customer needs</li> <li>• Maintaining customer loyalty; building customer relationships</li> </ul> <p>3.1.2 Market changes:</p> <ul style="list-style-type: none"> <li>• Why customer/consumer spending patterns may change</li> <li>• The power and importance of changing customer needs</li> <li>• Why some markets have become more competitive</li> <li>• How business can respond to changing spending patterns and increased competition</li> </ul> <p>3.1.3 Concepts of niche marketing and mass marketing:</p> <ul style="list-style-type: none"> <li>• Benefits and limitations of each approach to marketing</li> </ul> <p>3.1.4 How and why market segmentation is undertaken:</p> <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>
3.2 Market research	<p>3.2.1 The role of market research and methods used:</p> <ul style="list-style-type: none"> <li>• Market-oriented 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; the need for sampling</li> <li>• Factors influencing the accuracy of market research data</li> </ul> <p>3.2.2 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>3.3.1 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> <p>3.3.2 Price:</p> <ul style="list-style-type: none"><li>• Pricing methods: cost plus, competitive, penetration, skimming and promotional; their benefits and limitations</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 <b>not</b> be examined</i>)</li></ul> <p>3.3.3 Place – distribution channels:</p> <ul style="list-style-type: none"><li>• Advantages and disadvantages of different channels</li><li>• Recommend and justify an appropriate distribution channel in given circumstances</li></ul> <p>3.3.4 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 importance of the marketing budget in making promotion decisions; need for cost effectiveness in spending the marketing budget</li></ul> <p>3.3.5 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 networks for promotion</li></ul>
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<p>3.4 Marketing strategy</p>	<p>3.4.1 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>3.4.2 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>3.4.3 The opportunities and problems of entering new markets abroad:</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</li> </ul>
<p><b>4. Operations management</b></p>	
<p>4.1 Production of goods and services</p>	<p>4.1.1 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 (stocks)</li> <li>• Concept of lean production; how to achieve it, e.g. just-in-time inventory control and Kaizen; benefits of lean production</li> </ul> <p>4.1.2 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> </ul> <p>4.1.3 How technology has changed production methods, e.g. using computers in manufacturing and design</p>

<p>4.2 Costs, scale of production and break-even analysis</p>	<p>4.2.1 Identify and classify costs:</p> <ul style="list-style-type: none"> <li>• Classifying costs – fixed, variable, average, total; use examples to illustrate these</li> <li>• Use cost data to help make simple cost-based decisions, e.g. to stop production or continue</li> </ul> <p>4.2.2 Economies and diseconomies of scale:</p> <ul style="list-style-type: none"> <li>• The concepts of economies and diseconomies of scale; examples of both</li> </ul> <p>4.2.3 Explain, interpret and use a simple break-even chart:</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>• Use a chart to help make simple decisions, e.g. impact of higher price</li> <li>• Understand the limitations of break-even charts</li> </ul>
<p>4.3 Achieving quality production</p>	<p>4.3.1 Why quality is important and how quality production might be achieved:</p> <ul style="list-style-type: none"> <li>• What quality means; why it is important for all businesses</li> <li>• Concept of quality control and how businesses implement quality control</li> <li>• The concept of quality assurance</li> </ul>
<p>4.4 Location decisions</p>	<p>4.4.1 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>

5. Financial information and decisions	
5.1 Business finance: needs and sources	<p>5.1.1 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>5.1.2 The main sources of capital:</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. debt or equity for long-term finance</li> <li>• Importance of micro-finance in developing economies</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>5.2.1 The importance of cash and of cash-flow forecasting:</p> <ul style="list-style-type: none"> <li>• Why cash is important to a business</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>5.2.2 Working capital:</p> <ul style="list-style-type: none"> <li>• The concept and importance of working capital</li> </ul>
5.3 Income statements	<p>5.3.1 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> <p>5.3.2 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 (<i>'profit' was known as 'net profit' in the 2014 and previous syllabuses</i>) and retained profit</li> <li>• Use simple income statements in decision making based on profit calculations (<i>constructing income statements will <b>not</b> be examined</i>)</li> </ul>

5.4 Balance sheets	<p>5.4.1 The main elements of a balance sheet:</p> <ul style="list-style-type: none"> <li>• The main classifications of assets and liabilities</li> <li>• Examples to illustrate these classifications</li> </ul> <p>5.4.2 Interpret a simple balance sheet and make deductions from it, e.g. how a business is financing its activities and what assets it owns, sale of inventories to raise finance (<i>constructing balance sheets will <b>not</b> be examined</i>)</p>
5.5 Analysis of accounts	<p>5.5.1 How to interpret financial statements by calculating and analysing accounting ratios:</p> <ul style="list-style-type: none"> <li>• Gross profit margin</li> <li>• Profit margin (<i>'profit margin' was known as 'net profit margin' in the 2014 and previous syllabuses</i>)</li> <li>• Return on Capital Employed</li> <li>• Current ratio</li> <li>• Acid test ratio</li> </ul> <p>5.5.2 Liquidity:</p> <ul style="list-style-type: none"> <li>• The concept and importance of liquidity</li> </ul> <p>5.5.3 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>
<b>6. External influences on business activity</b>	
6.1 Government economic objectives and policies	<p>6.1.1 How government control over the economy affects business activity:</p> <ul style="list-style-type: none"> <li>• Government economic objectives, e.g. increasing Gross Domestic Product (GDP)</li> <li>• Main stages of the business cycle; growth, boom, recession, slump</li> <li>• How changes in taxes and government spending can affect business activity</li> <li>• How changes in interest rates can affect business activity</li> <li>• How businesses might respond to these changes</li> </ul>

<p>6.2 Environmental and ethical issues</p>	<p>6.2.1 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/why business might respond to environmental pressures and opportunities; 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>
<p>6.3 Business and the international economy</p>	<p>6.3.1 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 some governments might introduce import tariffs and quotas</li> </ul> <p>6.3.2 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</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>6.3.3 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 <b>not</b> be examined</i>)</li> </ul>

## 7. International accounting terminology

International usage (used by Cambridge from 2015)	UK usage (used by Cambridge before 2015 examinations)
Balance sheet	<i>Balance sheet</i>
Bank loans	<i>Loans repayable after 12 months</i>
Bank overdrafts	<i>Loans repayable within 12 months</i>
Capital or shareholders' equity	<i>Capital</i>
Cash	<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>
Financial statements	<i>Final accounts</i>
Gross profit	<i>Gross profit</i>
Income statement	<i>Trading and profit and loss account</i>
Inventory	<i>Stock</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>
Profit	<i>Net profit</i>
Raw materials	<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>

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## 8. Other information

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### Equality and inclusion

Cambridge International Examinations has taken great care in the preparation of this syllabus and assessment materials to avoid bias of any kind. To comply with the UK Equality Act (2010), Cambridge has designed this qualification with the aim of avoiding direct and indirect discrimination.

The standard assessment arrangements may present unnecessary barriers for candidates with disabilities or learning difficulties. Arrangements can be put in place for these candidates to enable them to access the assessments and receive recognition of their attainment. Access arrangements will not be agreed if they give candidates an unfair advantage over others or if they compromise the standards being assessed.

Candidates who are unable to access the assessment of any component may be eligible to receive an award based on the parts of the assessment they have taken.

Information on access arrangements is found in the *Cambridge Handbook* which can be downloaded from the website [www.cie.org.uk/examsofficer](http://www.cie.org.uk/examsofficer)

### Language

This syllabus and the associated assessment materials are available in English only.

### Grading and reporting

Cambridge O Level results are shown by one of the grades A\*, A, B, C, D or E, indicating the standard achieved, A\* being the highest and E the lowest. 'Ungraded' indicates that the candidate's performance fell short of the standard required for grade E. 'Ungraded' will be reported on the statement of results but not on the certificate. The letters Q (result pending), X (no results) and Y (to be issued) may also appear on the statement of results but not on the certificate.

### Entry codes

To maintain the security of our examinations, we produce question papers for different areas of the world, known as 'administrative zones'. Where the component entry code has two digits, the first digit is the component number given in the syllabus. The second digit is the location code, specific to an administrative zone. Information about entry codes can be found in the *Cambridge Guide to Making Entries*.



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