



Pearson  
Edexcel

# GCSE (9-1) Business

Getting Started Guide



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# Getting Started: GCSE (9-1) in Business 2017

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# 1. Introduction

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This Getting Started guide provides an overview of our GCSE (9-1) in Business specification to help you get to grips with the content and assessment, and to help you understand what these mean for you and your students.

Our ambition is to deliver a Business qualification that:

- you will know and recognise
- will allow you to teach topics you know your students will enjoy
- keeps what you like about our previous GCSE and changes the bits you don't.

To achieve this we've worked with the teaching community, higher education and subject associations to design our new qualification. We've had more than 170 conversations with teachers and other subject specialists to help shape our new qualification.

Our key focus for the qualification is **developing enterprising minds**. This is about inspiring students to become enterprising and commercially minded individuals. To achieve this, we've focused our specification on five key areas:

- **Familiar course content and approach:** we've worked hard to keep the popular structure of our previous specification while building in new content areas. This means we're maintaining the structure that engages students with business enterprise and key business decisions as they progress through the course. This enables a more practical approach to exploring how and why businesses start, looking through the lens of an entrepreneur at the issues and decisions a business might make as they grow.
- **Clear and simple structure:** based on your feedback we've designed a clear and straightforward specification to follow with two themes and two exam papers. This provides clarity of the new teaching requirements at first glance.
- **Engaging and contemporary contexts:** building on the strengths of our current specification and based on your feedback we've designed engaging themes that will spark your students' imagination and inspire commercial thinking as they develop their business knowledge.

The content provides opportunities to engage students with local, business enterprise examples in Theme 1 through to the international brands they know and recognise in Theme 2. This enables you to continue to use real-world contexts and examples of modern business practice (such as the inclusion of social media in marketing) in the classroom to make the content relevant to the business world students can access.

- **Clear and accessible assessment for all:** our papers have a familiar approach to our previous unit 3 assessment. The papers build confidence through ramped questions which increasingly challenge students as they move through the paper.

We've also designed:

- a consistent paper structure to allow students to focus on the content being assessed
- clear questions and instructional text to ensure the papers are accessible across the full 9-1 grading scale
- straightforward mark schemes to help teachers and students understand the required standard
- engaging, accessible business contexts which will inspire students by using examples that are well known and relevant to them.

- **Trusted expert support when you need it:** we're planning a comprehensive range of expert support to help you through these changes. In addition to this Getting Started Guide, free qualification support materials will include course planners, a scheme of work, mapping documents, marked exemplar materials with examiner commentaries and specimen papers. Teaching and learning materials will include support for new content areas and a practical guide to using business investigations. We'll also continue to offer our free ResultsPlus and examWizard services to help you track student progress.

As well as providing free training events to walk you through the new qualification we'll continue to run our national programme of training so you can continue to receive the support you need as you start teaching the new qualification.

Our subject advisor, Colin Leith, is also on hand to support you through the changes.

For more information and to download support documents, visit the GCSE Business subject page:

<https://qualifications.pearson.com/en/qualifications/edexcel-gcses/business-2017.html>

See Section 6 *Qualification support materials* on page 40 for a summary of when these materials will be available.

## 2. What's changed?

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### 2.1 What are the changes to the GCSE qualification?

GCSE qualifications are changing in phases and the first new GCSE qualifications (in Maths and English) are changing for first assessment in 2017:

- There will be a new 9–1 grading system, with 9 being the top level.
- There will be a reduction in coursework or controlled assessment: all assessment will be through external examinations unless non-examined assessment (NEA) is the only valid way of assessing the subject.
- There will be a fully linear structure, with all exams sat at the end of the course.
- There will only be tiering in some subjects, such as Maths and English.
- If students retake a GCSE, only their first result will count in performance tables.
- There is no change to guided learning hours (120 GLH).

GCSE Business specifications are changing for first assessment in 2019: this means that these changes apply to two-year courses from 2017 and three-year courses from 2016.

#### Changes to GCSE Business content requirements

The final subject content for all GCSEs in Business was published by the Department for Education (DfE) in December 2015. The published content represents 100% of the content you'll see in all new GCSE (9-1) Business specifications, as all awarding organisations must meet this criteria.

The main changes are:

- A change in name from Business Studies to Business
- Increased breadth and depth with new content included, such as:
  - e-commerce and digital communication
  - the sales process and the importance to businesses of providing good customer service, including product knowledge, customer engagement and post sales service
  - the role of procurement and the impact of logistical and supply decisions on businesses
  - gross and net profit ratios, break even and average rate of return
- Increased depth:
  - through application to business contexts (small to large businesses operating in local, national and global markets)
  - through business decision making
- Increased emphasis on the interrelated nature of business activity
- Minimal overlap with economics subject content

The content requirements can be viewed in full here:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/485407/Business\\_GCSE.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/485407/Business_GCSE.pdf)

### Changes to GCSE Business assessment requirements

The final assessment requirements were published by Ofqual in March 2016. These requirements apply to all awarding organisations.

The main changes are:

- GCSE (9-1) in Business will be assessed entirely by exam.
- There will be a minimum assessment for quantitative skills and the assessment of these skills will comprise 10% of the subject marks.

The assessment requirements can be viewed in full here:

<https://www.gov.uk/government/publications/gcse-9-to-1-subject-level-conditions-and-requirements-for-business>

The assessment guidance from Ofqual can be viewed in full here:

<https://www.gov.uk/government/publications/gcse-9-to-1-subject-level-guidance-for-business>

### Changes to Assessment Objectives

The assessment objectives have been revised to reflect the skills being assessed in the new GCSE. GCSE (9-1) in Business will have three assessment objectives, covering knowledge and understanding, application, and analysis and evaluation. There are fixed weightings for each of the assessment objectives which all awarding organisations will follow.

<b>AO1</b> 35%	Demonstrate knowledge and understanding of business concepts and issues
<b>AO2</b> 35%	Apply knowledge and understanding of business concepts and issues to a variety of contexts
<b>AO3</b> 30%	Analyse and evaluate business information and issues to demonstrate understanding of business activity, make judgements and draw conclusions

## 2.2 What are the impacts of these changes on the GCSE (9-1) in Business qualification?

These regulatory changes have an impact on how the new GCSEs in Business are designed.

- There is more content to cover and some new content areas.
- Moving to 100% exam without controlled assessment also has some impacts on the teaching and learning:
  - There is no practical requirement for the new course but you can still incorporate investigative tasks into the teaching and learning
  - There will be more curriculum time to cover the new content requirements as you will no longer need to block out time to complete the controlled assessment task (especially if you currently run practice tasks)
  - The skills within the assessment objectives and weightings are consistent with the current GCSEs in Business so without controlled assessment there is likely be more extended writing in the exam

## 2. What's changed?

- The assessment of quantitative skills supports progression to AS and A level Business qualifications as well as other subjects and how much this change impacts on what you do now is likely to depend on the proportion of quantitative skills assessed in your current GCSE Business qualification. The proportion here is broadly in line with the current Edexcel assessments but quantitative skills will be assessed more consistently within and across series going forward.
- A change for Edexcel centres teaching the pathway specifications is that we are no longer able to offer pathways within the new GCSE. Instead there is one GCSE (9-1) in Business qualification. Students who wish to take an Economics qualification can choose a GCSE (9-1) in Economics if your centre offers this qualification; Pearson does not have a GCSE (9-1) in Economics.

## 2.3 Changes to our specification

### Specification overview

Our specification is structured into two themes, taking students from how entrepreneurs start businesses (Theme 1) through to growing and global businesses (Theme 2). There are two equally weighted exam papers, focusing on each specification theme.

	Content overview	Assessment overview
<b>Theme 1</b> <b>Investigating small business</b>	Enterprise and entrepreneurship Spotting a business opportunity Putting a business idea into practice Making the business effective Understanding external influences on business	Written examination: 1 hour and 45 minutes 50% of the qualification 90 marks
<b>Theme 2</b> <b>Building a business</b>	Growing the business Making marketing decisions Making product decisions Making financial decisions Making human resource decisions	Written examination: 1 hour and 45 minutes 50% of the qualification 90 marks

### Theme 1

Theme 1 concentrates on the key business concepts, issues and skills involved in starting and running a small business. It provides a framework for students to explore core concepts through the lens of an entrepreneur setting up a business.

In this theme students will be introduced to local and national business contexts and will develop an understanding of how these contexts impact business behaviour and decisions. Local contexts refer specifically to small businesses or those operating in a single UK location and national contexts relate to businesses operating in more than one location or across the UK.

### Theme 2

Theme 2 examines how a business develops beyond the start-up phase. It focuses on the key business concepts, issues and decisions used to grow a business, with an emphasis on aspects of marketing, operations, finance and human resources. It also considers the impact of the wider world on the decisions a business makes as it grows.

In this theme students will be introduced to national and global business contexts and will develop an understanding of how these contexts impact business behaviour and decisions. National contexts build on those in Theme 1 and relate to businesses operating in more than one location or across the UK. Global contexts relate to non-UK or transnational businesses.

### Constructing a coherent course

The specification structure provides continuity with the current course. However, you might prefer to teach the content in a different way: for example, you might prefer to change the order of content within topics, reorganise the content across topics or even reorganise the topics across themes.

Our course planner suggests an alternative approach to organising the content within the specification and may provide a helpful starting point if you want to do things differently. The course planner can be downloaded from the GCSE Business subject page:

<https://qualifications.pearson.com/en/qualifications/edexcel-gcses/business-2017.html>

### Changes to specification content

The specification content has been updated to include all content areas within the DfE subject content for GCSE Business. We have also made changes in response to centre feedback to ensure the new specification is up-to-date. The table below summarises the new content for our current centres. Some content areas have also been strengthened and full details of how the new specification maps to the current qualification can be viewed in the separate mapping document. The mapping document can be downloaded from the GCSE Business subject page:

<https://qualifications.pearson.com/en/qualifications/edexcel-gcses/business-2017.html>

## 2. What's changed?

New content area	Notes
1.1.1 The dynamic nature of business	<i>Why new business ideas come about</i> introduces students to the idea that businesses are dynamic and need to evolve to survive and grow.
1.2.2 Market research	<p><i>The purpose of market research to inform business decisions</i> enables students to practice quantitative skills.</p> <p><i>The role of social media in collecting market research data</i> introduces students to a range of technology and allows modern methods of market research to be introduced; explicit examples are not listed to enable up-to-date examples to be used.</p> <p><i>The importance of the reliability of market research data</i> allows students to consider the limitation of quantitative and qualitative data in making business decisions.</p>
1.3.3 Cash and cash-flow	<i>The difference between cash and profit</i> is new content within this topic area.
1.4.4 Business plans	<i>The role and importance of a business plan</i> allows students to identify key components of the plan. These components have been introduced throughout theme 1 so this provides an opportunity for students to consider how these components are interrelated.
1.5.2 Technology and business	This is a new content area which enables students to consider different types of technology used by businesses and how technology influences business activity. Broad types of technology (e-commerce, social media, communication and payment systems) are outlined to enable up-to-date, specific examples to be used in class.
2.1.1 Business growth	<i>Methods of business growth</i> (organic and inorganic) are new and have been included to enable students to explore how businesses can grow.
2.1.2 Changes in business aims and objectives	This new content focuses on how and why business aims and objectives change as businesses evolve. This enables students to consider how businesses change and adapt in dynamic markets.

## 2. What's changed?

New content area	Notes
2.1.3 Business and globalisation	<i>The impact of globalisation on business</i> and <i>How businesses compete internationally</i> are new and introduce a global aspect to the content. Students will explore the impact of imports and exports, and will consider how businesses change the marketing mix to compete internationally. This content allows up-to-date and topical examples to be used.
2.3.1 Business operations	<i>The purpose of business operations</i> and <i>Production processes</i> are new content to provide context for the operational decisions businesses make.
2.3.2 Working with suppliers	<i>The role of procurement</i> is new content and enables students to explore relationships with suppliers, and the impact logistical and supply decisions have on a business.
2.3.4 The sales process	<i>The sales process</i> is new content which enables students to consider the importance of product knowledge, efficiency of service, customer engagement, customer feedback and post-sales service.
2.4.1 Business calculations	<i>Calculation and interpretation of gross profit margin, net profit margin and average rate of return</i> is new content which enables students to develop quantitative skills.
2.4.2 Understanding business performance	S will also consider the use of quantitative business data to support, inform and justify business decisions, as well as the use and limitation of financial information. This supports the development of quantitative skills.
2.5.1 Organisational structures	<i>Different ways of working</i> is new content which enables students to consider how and why people can work more flexibly, including the role technology has on this.
2.5.2 Effective recruitment	<i>Different job roles and responsibilities</i> is new and allows students to explore how levels of responsibility vary in businesses.
2.5.3 Effective training and development	This content explores how and why businesses train and develop employees.
2.5.4 Motivation	New content within this section relates to how businesses motivate employees through financial and non-financial methods.

## 2. What's changed?

There are also some content areas in the legacy specification which have been removed from the new specification. This is because the content does not meet the DfE content requirements and/or is in response to feedback from centres.

- Thinking creatively, lateral thinking and deliberate creativity
- What questions do entrepreneurs ask?
- Protecting ideas through patents and copyright
- The principle of calculated risk and seeing mistakes as part of the process
- Other important enterprise skills
- Start-up legal and tax issues
- Market demand and supply
- Maslow's Hierarchy of Needs
- Income distribution internationally and subsidies

### Changes to assessment

The new qualification is assessed in two equally weighted exam papers and there is no controlled assessment or coursework element. The design of the papers provides continuity with the current unit 3 paper (5BS03) and both papers have a consistent structure.

Paper 1 1BS0/01	Paper 2 1BS0/02
<p><b>Theme 1: Investigating Small Business</b> Compulsory paper 50% of the total GCSE</p> <p>External assessment: 1 hour 45 minutes Multiple choice, short and extended answer (90 marks) Questions will relate to the content that appears in Theme 1 and students may draw on underpinning knowledge and understanding developed through Theme 2 as appropriate.</p>	<p><b>Theme 2: Building a Business</b> Compulsory paper 50% of the total GCSE</p> <p>External assessment: 1 hour 45 minutes Multiple choice, short and extended answer (90 marks) Questions will relate to the content that appears in Theme 2 and students may draw on underpinning knowledge and understanding developed through Theme 1 as appropriate.</p>
<p>Quantitative skills will be assessed in each paper and will comprise 10% of the total marks for the qualification.</p>	

See Section 5 *Assessment guidance* on page 30 for a detailed overview of the new assessments.

### 2.4 Changes to other business qualifications

Different business qualifications are changing at different times but all the new courses will be available for first teaching from September 2017.

#### **GCSEs**

There are currently a number of business-related GCSEs which will be discontinued from 2017. These are:

- GCSE Business Communications
- GCSE Business Communication Systems
- GCSE Business Studies and Economics
- Applied GCSE Business

There are no direct successor qualifications for these subjects. Students might take the new GCSE (9-1) in Business or might move to an alternative qualification such as GCSE (9-1) in Economics or the new BTEC Tech Award for business.

The final assessment for these qualifications is summer 2018. Students will be able to take the new GCSE (9-1) in Business from summer 2019.

#### **BTEC**

Currently the last registration for the BTEC First is August 2017 and a new BTEC Level 1/2 Tech Award will be made available from September 2017. (Details about which BTEC qualifications will be available from September 2016 are available on the Pearson website.)

## 3. Planning

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### 3.1 Planning and delivering a linear course

The new GCSE (9-1) in Business specification is designed to be taught as a linear course, with the assessments taken together at the end. The themes in the specification are organised logically, taking students through the journey of starting a business to growing a successful business.

As the new course is linear with all exams taken at the end you can teach the topics in any sequence to suit your students and preferred teaching approaches. Linear courses may also require different teaching approaches – some of which you may use already.

#### **Building interest**

The specification content enables real-life and relevant business contexts to be used throughout the teaching and learning. Even without the controlled assessment task, you can continue to use local entrepreneurs as examples throughout Theme 1.

You could also use some past controlled assessment tasks as the basis for an investigative activity or project. Theme 2 enables you to draw on examples from the big brands and topical cases studies that engage students.

#### **Skills development**

The specification structure supports students in building skills as they progress through the course. Quantitative skills are integrated throughout the themes so students develop these skills in context throughout the course. There are also opportunities to revise concepts throughout the course of study.

As the assessments are taken at the end, extended writing skills can be introduced and developed from the beginning of the course and throughout the 2 years.

#### **Revision**

Students can use past and sample questions to revisit and revise topics as they progress through the course. Revision and exam practice at the end of the course will also help students to prepare for their assessments.

#### **Resits**

Students wishing to resit will need to retake both assessments. If students retake a GCSE, only their first result will count in performance tables.

## 3.2 Delivery models

### Structuring topics

The specification structure provides continuity with the current course and has been organised in a logical way.

Theme 1 concentrates on the key business concepts, issues and skills involved in starting and running a small business. It provides a framework for students to explore core concepts through the lens of an entrepreneur setting up a business.

- Topic 1.1 Enterprise and entrepreneurship: Students are introduced to the dynamic nature of business in relation to how and why business ideas come about. They also explore the impact of risk and reward on business activity and the role of entrepreneurship.
- Topic 1.2 Spotting a business opportunity: Students will explore how new and small businesses identify opportunities through understanding customer needs and conducting market research. They will also focus on understanding the competition.
- Topic 1.3 Putting a business idea into practice: This topic focuses on making a business idea happen through identifying aims and objectives and concentrating on the financial aspects.
- Topic 1.4 Making the business effective: Students will explore a range of factors that impact on the success of the business, including location, the marketing mix and the business plan.
- Topic 1.5 Understanding external influences on business: Students are introduced to a range of factors, many of which are outside of the immediate control of the business, such as stakeholders, technology, legislation and the economy. Students will explore how businesses respond to these influences.

Theme 2 examines how a business develops beyond the start-up phase. It focuses on the key business concepts, issues and decisions used to grow a business, with an emphasis on aspects of marketing, operations, finance and human resources. It also considers the impact of the wider world on the decisions a business makes as it grows.

- Topic 2.1 Growing the business: Students are introduced to methods of growth and how and why business aims and objectives change as businesses evolve. The impact of globalisation and the ethical and environmental questions facing businesses are explored.
- Topic 2.2 Making marketing decisions: Students will explore how each element of the marketing mix is managed and used to inform and make business decisions in a competitive marketplace.
- Topic 2.3 Making operational decisions: This topic focuses on meeting customer needs through the design, supply, quality and sales decisions a business makes.
- Topic 2.4 Making financial decisions: Students will explore the tools a business has to support financial decision making, including ratio analysis and the use and limitation of a range of financial information.
- Topic 2.5 Making human resource decisions: Growing a business means that decisions relating to organisational structure, recruitment, training and motivation need to be made to influence business activity. These aspects are considered in this final topic.

### 3. Planning

Of course you might prefer to teach the content in a different way: for example, you might prefer to change the order of content within topics, reorganise the content across topics or even reorganise the topics across themes. This might also depend on how many teachers you have in your department and how the content is divided between you.

Our course planner suggests an alternative approach to organising the content within the specification and may provide a helpful starting point if you want to do things differently. The course planner can be downloaded from the GCSE Business subject page:

<https://qualifications.pearson.com/en/qualifications/edexcel-gcses/business-2017.html>

#### Teaching over two or three years

The first assessment for the new GCSE (9-1) in Business is in summer 2019. For most centres this will mean starting the new specification in September 2017. If you want to teach the new course over 3 years you will need to start in September 2016. Our 3-year course planner suggests an approach to teaching the content over a longer time period. The course planner can be downloaded from the GCSE Business subject page:

<https://qualifications.pearson.com/en/qualifications/edexcel-gcses/business-2017.html>

### 3.3 Suggested resources

#### Support materials

Whether you're planning to run the course over two or three years, or have a one or two-teacher model, you will be supported by editable course planners and a scheme of work to help you plan your delivery of the new course. Our comprehensive resources will also support you as you plan, teach, track and assess the new specification.

Our scheme of work includes a range of suggested resources you might like to try and our subject advisor Colin Leith will continue to share topical case studies to use in class. We'll also provide specific support for the new areas of the specification. In addition, you can find and share resources by using the hashtag #LionTheme1 and #LionTheme2.

Section 6 *Qualification support materials* on page 40 summarises the planned support and when this will be available for centres.

As we've worked to retain continuity with the current specification, you might also be able to use and adapt many of your existing resources.

#### Published resources

We're also working with a range of publishers who are seeking endorsement. The latest information about published resources can be found on the GCSE Business subject page:

<https://qualifications.pearson.com/en/qualifications/edexcel-gcses/business-2017.html>

## 4. Content guidance

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This content guidance aims to provide teaching and delivery ideas as well as guidance around the specification content. The specification must always be used as the authoritative source of information regarding teaching and learning requirements. Assessments will always be based on the information in the specification.

### Theme 1: Investigating small business

Small businesses are all around us and make up a large majority of the total number of businesses in the UK. This theme explores the story of small businesses, from spotting opportunities to how they are formed and how they are run. Students should be given opportunities to consider and investigate real small businesses that exist in their local area. Teachers could use some of the legacy controlled assessment tasks from the previous specification as a basis for completing some practical investigation into local small businesses. Small businesses are everywhere and it is highly likely that, in any group of students, a percentage of families own and run their own business. This is a valuable source of reference and teachers are encouraged to use examples of real businesses and those known to your students throughout this theme.

Theme 1 content gives an insight into the dynamic nature of small businesses. This serves as a basis for Theme 2, when the attention turns to growing businesses.

#### 1.1 Enterprise and entrepreneurship

The dynamic nature of enterprise and entrepreneurs is at the heart of this topic.

##### 1.1.1 The dynamic nature of business

Businesses are dynamic. This means they respond to what consumers want. Some business ideas are formed by entrepreneurs spotting possible gaps in the market. Others are formed by entrepreneurs believing they can offer better than what already exists in the market. Students should be able to give examples of why new business ideas come about due to:

- changes in technology
- changes in what consumers want
- products/services becoming obsolete.

The rise of web technologies and the use of smart phones create opportunities for new business ideas. There are many examples of new businesses that use web-based technologies, such as web development, photo editing and printing, and specialist retail businesses.

Consumer taste changes impact on the popularity of goods and services. Teachers could refer to local examples of new businesses that have opened up locally and how these might reflect changing consumer preferences. For example, high streets now tend to have lots of coffee shops and cafés, and students could consider whether this is a consumer trend. As people increasingly become interested in keeping fit and healthy, so opportunities for individuals to become personal trainers increase.

As products become obsolete these give rise to new business ideas. For example, many petrol station forecourt car washes have closed and have been replaced by car washing enterprises.

New business ideas can come from original ideas or from adapting existing products/services/ideas. Students could find examples of both to compare.

## 4. Content guidance

### 1.1.2 Risk and reward

Risk and reward both impact on business activity. Risk is something that can be planned for. For example, entrepreneurs can ensure they have carried out market research to ascertain the type of goods or services that customers want.

The reward for business activity includes business success, profit and independence. Business success can be measured in terms of the level of sales, market share and profit. (Business revenue, costs and profit are covered in 1.3.2). It is the drive for business success – and the risk of failure – that motivates business owners to provide goods and services that consumers want.

### 1.1.3 The role of business and enterprise

Businesses produce goods and services to meet the needs of consumers. Goods are physical products, such as bicycles, computers and pens. Services are non-physical items and include things such as hairdressing, bus/train journeys and music streaming services.

To succeed, businesses need to provide goods and services that consumers want – this is at the heart of the role of business and enterprise in an advanced economy like the UK. By identifying and supplying what consumers want, businesses are more likely to succeed. Consumers benefit from this dynamic process. Students could consider local examples of the role of small businesses in meeting consumers' needs; for example, through shops and businesses in local high streets.

Businesses aim to add value to their products. Added value is the difference between the cost of inputs such as raw materials and the price that customers are willing to pay. Methods to add value are: convenience, branding, quality, design and unique selling points (USPs). Teachers are encouraged to use real examples to illustrate this important concept. For example, the price of loose vegetables in a supermarket could be explored and compared with the price of the same vegetables which are either peeled or chopped in advance. In this case, the higher price is possible due to the convenience that this affords consumers. Another example can be found in a local music shop which sells vinyl records and allows customers to listen to these before they buy. This USP gives the business the chance to add value and charge a higher price than rival music stores.

Entrepreneurship is the pattern of behaviour of entrepreneurs. Entrepreneurs organise resources – people (workers), equipment and buildings – to produce goods and services. They make decisions about these resources and ultimately take risks. Any decision taken by an entrepreneur involves some risk; for example, deciding to employ one more worker adds to costs, which may reduce profitability.

## 1.2 Spotting a business opportunity

The focus of this topic is on how entrepreneurs identify business opportunities that will enable them to produce the goods and services that will ultimately ensure their business survives and prospers.

### 1.2.1 Customer needs

Customer needs are varied and change over time. Businesses need to respond to this changing nature of need. Customer needs are price, quality, choice and convenience.

Customers typically want a combination of price and quality that meets their needs. This does not necessarily mean that customers always want the cheapest price – the aim is to obtain the highest level of quality for an acceptable price. For example, customers at low-cost food retailers do not buy the products in the knowledge that the food is of low quality, but rather that it is of an acceptable quality for the price they pay. A visitor to an expensive restaurant may pay a lot more than a meal in a neighbouring restaurant but if the high price delivers the quality required, then this is an example of their needs having been met.

Choice is something increasingly demanded by customers and businesses need to respond to this consumer preference. Students could consider the product range of a typical coffee shop, with a wide choice of drinks and snacks to meet different needs.

Identifying and understanding customer needs is closely linked to business success. Where a business is successful in providing goods and services that customers want, it is more likely to generate sales.

### 1.2.2 Market research

Entrepreneurs use market research to identify what customers want. This research has many uses; for example, research helps an entrepreneur to identify gaps in the market and business opportunities, and therefore to reduce the risk associated with a business idea. Research data should be used on an ongoing basis to inform decisions.

Primary research involves obtaining data first hand to match the specific needs of the business. Examples include surveys, questionnaires, focus groups and observations. Social media can be a valuable means for a business of collecting market research data; for example, through feedback from Facebook and Twitter accounts. TripAdvisor reviews are commonplace and examples could be provided by students and/or teacher for class consideration of how the information might be useful to the business in question.

Secondary research includes data from other sources, such as internet reports, market reports from businesses such as MINTEL and government reports.

Quantitative data is numerical and can be analysed statistically. Qualitative data comes from interviews and depth studies, where the information is more specific and cannot easily be converted to numerical data. For example, an entrepreneur may discuss with customers plans for new products. The feedback can inform these plans, but could not readily be tabulated. Effective market research will usually link the quantitative and qualitative findings to help build a picture of likely customer preferences and behaviour, enabling the business to identify and anticipate customer needs and wants.

The advantages and disadvantages of both primary and secondary research should be explored. Consideration should be given to cost and accuracy to determine which is the more appropriate based on the size of the business. Small businesses are unlikely to be able afford extensive market research exercises.

Students could explore sample size and representation as well as bias as means of considering the reliability of data but are not expected to look at sampling techniques.

### 1.2.3 Market segmentation

Market segmentation is the division of a market into customer groups, each of which has distinct preferences. Markets can be segmented by location, demographics, lifestyle, income and age. Businesses provide products that are often aimed at particular market segments. Teachers could use local small businesses to explore the extent to which their products and/or services are aimed at particular market segments.

## 4. Content guidance

Market mapping refers to evaluating business ideas, goods and/or services by setting out the features of the market, product or service on a diagram. A market map is used to identify key features of a market to consider the extent to which gaps exist in the market. The map comprises two axes with each representing two features. Examples of features that can be used to produce a market map are: price (high/low), quality (high/low), range of products (small/extensive) and number of outlets (one/numerous). Students could produce their own market maps based on different business types in the local area.

### 1.2.4 The competitive environment

Competition occurs when two or more businesses act independently to supply goods and services to the same group of customers. Students should be encouraged to explore the extent of the competitive environment in which a small business operates. The advantages and disadvantages of different competitors should be considered in terms of: price, quality, location, product range and customer service.

This sub-topic lends itself to primary investigation by students. For example, cafés in a local area could be investigated to identify relative strengths and weaknesses with results collated into a table to allow decisions to be made about which is most competitive. This type of investigation will allow students to consider the impact of competition and, where lots of competition exists, what the impact on business decision making is.

## 1.3 Putting a business idea into practice

The first two topics have considered the dynamic nature of enterprise and entrepreneurs in identifying business ideas to meet the needs of customers. The aim of this topic is to provide an insight into some of the practical aspects of running a small business. All businesses have costs and to survive businesses need to make a profit. These considerations are covered in this topic.

### 1.3.1 Business aims and objectives

Students do not need to understand the distinction between aims and objectives but do need to understand what business aims and objectives are and why they differ between businesses. (How and why business aims and objectives change as businesses evolve are covered in Theme 2, topic 2.1.2.)

Students need to understand the distinction between financial and non-financial aims and objectives when starting up. Financial aims and objectives are those which relate to money in terms of the business. These are: survival, profit, sales, market share and financial security. To survive a business needs to make a profit, although in the short term this might not be the case or even possible.

Non-financial aims and objectives are social objectives (for example, providing a product or service which is beneficial to the environment), personal satisfaction, challenge, independence and control.

A useful exercise is to allow opportunities for students to meet entrepreneurs/small business owners to question them about their objectives. Inviting entrepreneurs into school can provide these opportunities. Comparison studies can be made when a number of entrepreneurs have been interviewed.

### 1.3.2 Business revenues, costs and profits

Students are required to understand the concept and know how to calculate the following:

- Revenue
- Fixed and variable costs
- Total costs
- Profit and loss
- Interest
- Break even level of output (from formula or diagram)
- Margin of safety (from formula or diagram)

The formulae for all these calculations are provided in the specification (in Appendix 3 on page 30).

Students will be expected to know how to calculate the total amount of interest as the percentage of total repayment for a mortgage or loan. Students are not required to calculate compound interest.

Students are also required to identify the break even level of output and margin of safety on a break even diagram and interpret the impact of changes in revenue and costs on break even charts. They will not be required to draw a break even diagram.

Students should be encouraged to show the workings for their calculations even though full marks are awarded for correct answers. Students should also ensure the correct units are included in their responses to calculate questions where these are required in the question.

### 1.3.3 Cash and cash-flow

Cash is needed by a business for a number of reasons. Primarily cash is needed to pay workers, suppliers and for overheads. If a business cannot pay any of these outgoings it risks insolvency.

Students need to understand the difference between cash and profit. This distinction can be made in simple terms.

- Profit is recorded straight away after a sale.
- Cash (inflows and outflows) is recorded as and when it is received or is spent.

For example, a website developer might build a website for a customer with terms of payment received in 60 days. The sale – profit – is recorded when the website is delivered, but the cash will not be recorded until payment by the customer is made.

The principle of cash-flow is important. Cash flows into a business as receipts; for example, from the sale of products or from loans. These are cash inflows. On the other hand, cash flows out of a business as payments; for example, for wages, suppliers, loans and advertising. These are cash outflows. Net cash flow is the difference between cash inflows and cash outflows.

Students should be able to interpret information on the cash position of a business and comment on this position. They are also required to calculate cash-flow forecasts.

Students are required to interpret cash-flow forecasts to explain what is happening or to evaluate the cash position. For example, a business where net cash flow is negative over a period of time may well be under threat of insolvency.

## 4. Content guidance

### 1.3.4 Sources of business finance

Small businesses need finance for a range of reasons. This might be for the actual start-up of the business or to fund any expansion plans that the owner may have. Students need to be aware of the difference between short-term and long-term sources of finance, and where different types might be more appropriate.

Short-term sources of finance for small businesses are an overdraft and trade credit. Both of these sources are not suitable for large amounts or to fund large expansion plans.

Long-term sources of finance for small businesses are personal savings, venture capital, share capital, loans, retained profit and crowd funding. Examples of crowd funding could be provided, such as through [www.crowdcube.com](http://www.crowdcube.com), where real business case studies can be viewed.

Students should be able to compare the advantages and disadvantages of different types of finance.

## 1.4 Making the business effective

The aim of this topic is to provide an insight into some key decisions for small businesses. In addition to the options for the type of ownership, the topic explores issues around business location, the marketing mix and business planning. All of these topics provide plentiful opportunities for teachers to use real-life examples. If students have opportunities to speak with entrepreneurs/small business owners, these aspects can be raised in discussion.

### 1.4.1 The options for start-up and small businesses

Students are required to have an understanding of limited and unlimited liability and need to recognise the types of business organisation that each apply to. Limited liability significantly reduces the risk faced by owners, which may help the business in raising finance; for example, through a bank loan. Students should be able to recognise the advantages and disadvantages of sole trader, partnership and private limited companies as a form of business ownership.

Students should understand the terms franchisor and franchisee – a franchisee buys the right from a franchisor to use the business idea – and be able to state the advantages and disadvantages of franchise as an option for starting up a business. Teachers could allow students to search for franchise opportunities using a franchise directory, such as [www.franchisedirect.co.uk](http://www.franchisedirect.co.uk) to identify some of the costs, support and conditions connected to different franchise opportunities.

### 1.4.2 Business location

The nature of the business will influence the location decision and students need to consider the implications of the proximity to market, labour, materials and competitors on business location decisions. For example, a plumbing business may choose to locate close to an area with a high population to be close to its market. Consideration also needs to be given to how e-commerce might affect location decisions and whether fixed premises are even needed. Increasingly, through the internet, it is easier to set up and run a business as the physical location is less important than the product being offered.

### 1.4.3 The marketing mix

The marketing mix comprises price, product, promotion and place (the 4Ps). Students should be encouraged to explore the 'mix' in this phrase, given the competitive environment in which a business operates. For a business on a busy high street with lots of competitors, price may be a key element of the marketing mix. For a web developer running their business from home, product – the quality of their creative work and functionality of their website – may be more important.

As customer needs change, so businesses might need to respond by changing the marketing mix. It is important for students to recognise the dynamic nature of the marketing mix and not to see this as something which is fixed. For example, a small bakery might introduce a delivery service in response to customer feedback; a restaurant might introduce a new lunchtime menu if the owners believe there is a market for this time.

Students must also explore how changes in technology – e-commerce and digital communication – affect the marketing mix. For example, the ubiquity of e-commerce impacts on decisions on 'place'; the owner of a business may judge that the need for a physical retail outlet is less important than previously. Digital communication, for example through websites, social media and email, has some impact on promotion. Accessibility of information through price comparison websites can impact on competitive pricing decisions. Students could investigate how many small businesses use social media to communicate with individual customers to ensure their needs are being met.

### 1.4.4 Business plans

Students are not required to know the format of a business plan or produce a business plan. They will need to know the role and importance of a business plan, identify the elements it contains and its role in reducing risk for a small business; for example, by increasing the sources of finance available. A clear, well-detailed business plan may lead a lender to offer finance at a lower rate of interest. Alternatively, a venture capitalist may be persuaded to invest in the business due to the quality and detail of the plan. Teachers could invite into school a small business adviser, perhaps from a local bank, to discuss aspects of business planning.

This sub-topic is also a useful revision tool for the topics already covered in theme 1 as the elements identified as comprising a business plan are: the business idea (1.1.1), business aims and objectives (1.3.1), target market (customer research, 1.2.2), forecast revenue, cost and profit (1.3.2), cash-flow forecast (1.3.3), sources of finance (1.3.4), location (1.4.2) and marketing mix (1.4.3).

## 1.5 Understanding external influences on business

This topic requires students to consider the impacts of the economy and legislation on small businesses. Students are not required to have an in-depth understanding of legislation and particular laws, but need to be able to consider how broad types of legislation affect businesses. Students will also need an awareness of developments in the wider economy, such as unemployment, inflation and the exchange rate. In addition, changes in technology should be considered from the point of view of how they impact on business.

## 4. Content guidance

### 1.5.1 Business stakeholders

Students need to understand the role of stakeholders in small businesses and how they can impact on the business. Different stakeholders have different objectives and these differences can give rise to conflict. Students could consider a business and identify the different stakeholders. They could explore how objectives differ and how this might give rise to conflict. It is possible to carry out this activity based on the school before considering a business.

### 1.5.2 Technology and business

There is no expectation that students will be taught specifically about different proprietary types of social media or payment systems. However, students need to be aware of how developments in the area of technology might impact on sales, costs and the marketing mix of a business. For example, 'social media' (in broad terms) is cheap to set up and can be used to communicate with a wide range of stakeholders, including potential customers. For example, students will have examples of how small businesses they know, such as a hairdresser, use social media by having a Facebook page or a Twitter feed. These real-life examples can be used to good effect.

In a similar way, payment systems can be examined in broad terms. The rise of e-commerce means customers increasingly pay online using credit/debit cards. Contactless payment systems, such as with contactless credit/debit cards, Apple Pay and Android Pay, are growing in popularity. These make life more convenient for customers and so a business with such systems may have a competitive advantage over one that does not. However, installing such systems incurs a cost for the business.

### 1.5.3 Legislation and business

Students are not required to have an in-depth understanding of specific legislation but need to understand the purpose of legislation and the impact it has on businesses. One impact on business is the cost of meeting legal requirements. A positive aspect of this, however, is that all businesses have to adhere to the same legislation, and as such a 'level playing field' is created. No business can gain a cost advantage over another by not implementing costly requirements due to legislation.

The principles of consumer and employment law must be considered. Consumer law aims to protect consumers by ensuring businesses produce safe products which are labelled correctly and which have correct measurements. It also protects consumers' rights. Employment law seeks to prevent business from discriminating against workers on the basis of sex, age, religion and disability. It also protects workers in terms of recruitment, pay and health and safety.

### 1.5.4 The economy and business

The economic climate refers to the broad performance of the UK economy, as measured by GDP growth. Economic growth will impact on unemployment and inflation, and students should be aware of these measures and the implications for the economy when they change. For example, rising unemployment will mean falling incomes and some sectors of the economy, such as the leisure industry, potentially suffering from falling sales.

Students are not expected to know the causes of any economic changes and the focus is on the impact of these changes on businesses.

There are lots of frequently updated data supplied by the government on each of these areas. Students can be encouraged to explore how changes in each can affect small businesses. For example, rising GDP growth leads to higher consumer incomes, which in turn should lead to higher spending with businesses. An investigation of a local area could be carried out by students to explore the extent to which changes can be explained by changes in economic conditions.

### **1.5.5 External influences**

In the same way that a small business is likely to have to respond to changes in internal factors, such as costs, so they are likely to respond to changes in external factors. Some businesses will be affected by changes in exchange rates; for example, an importer will be affected if the exchange rate changes. In this example, a well-worn but effective technique to help students is SPICED – Strong Pound Imports Cheaper Exports Dearer. This is a memorable mnemonic that can help students to remember how a business will be affected and therefore how they might respond.

This sub-topic is also a useful revision tool for the topic as a whole as students will need to understand possible responses by businesses to changes in technology (1.5.2), legislation (1.5.3) and the economic climate (1.5.4).

## 4. Content guidance

### Theme 2: Building a business

This theme builds on some of the concepts explored in Theme 1 as it explores the opportunities and challenges businesses face as they grow. Larger businesses could include larger private limited companies, relative to those considered in Theme 1 and public limited companies. There is a wealth of information in the business media that can be drawn on and students should be encouraged to use real world examples wherever possible to contextualise their understanding.

#### 2.1 Growing the business

This topic explores the opportunities and issues faced by growing business. Students will also consider the impact of globalisation and the ethical and environmental issues facing businesses.

##### 2.1.1 Business growth

Virtually every business has growth as an objective: the question is how growth can be achieved and how it is going to be funded. There are plenty of real-world examples of businesses trying to grow through a variety of different means. There is a wealth of YouTube clips showing businesses intent on growth and trying to raise finance on Dragon's Den. For example, Hungryhouse.co.uk tried to grow through innovation and changing its marketing mix. It had struggled to raise internal finance and needed venture capital to expand. Although the Dragons agreed to inject venture capital, this subsequently fell through but the company is now one of the most valuable private limited companies in the UK. It now intends to float on the stock exchange to raise additional share capital. Case studies such as this could be used to provide a variety of different contexts so that students can understand the benefits and drawbacks of different types of growth and the advantages and limitations of using each of the different funding methods. The Hungryhouse.co.uk example could be contrasted with Justeat.co.uk which decided to float on the stock exchange to fund its desire to grow.

##### 2.1.2 Changes in business aims and objectives

Topic 1.3.1 introduced aims and objectives for businesses starting up and as a business grows in size and evolves its objectives can change. Innocent drinks could be used as an example here. Initially the company had ethical considerations at its heart but as it has grown, Coca-Cola has taken an increasingly larger stake in the business and as a result the importance of some of the original objectives has declined. The growth of Aldi and Lidl at the expense of the traditional supermarkets is another example of how changing market conditions and entering of new markets can encourage a business to change its objectives.

##### 2.1.3 Business and globalisation

The market for goods and services is becoming increasingly global and interconnected in nature. As a result of this, exporting goods and services abroad and facing competition from foreign imports has become much more common place. It has also presented opportunities for businesses to relocate to low-cost locations overseas and there are plenty of examples of UK companies that have taken advantage of lower labour costs abroad; for example, Dyson vacuum cleaners are manufactured in Malaysia.

Barriers to international trade are also explored, such as tariffs and the effects that these may have on businesses in restricting opportunities, efficiency and competition. For example, an interesting starting point may be to consider the difficulty UK businesses would have if the UK were to leave the EU trading bloc.

The global market has created opportunities for internet-based e-commerce companies to sell beyond their national boundaries. This could be explored using examples such as ASOS plc which now retails clothing in virtually every market in the world. AO.com is another example of a business that was set up to exploit the opportunities created by the internet and is now a major EU appliance retailer.

The challenges faced by competing internationally are also explored and students could consider how companies such as McDonalds have adapted their marketing mix for different cultures and religions abroad. Looking at resources such as [www.rudefoodnames.com](http://www.rudefoodnames.com) is a fun way to get students to consider the challenges of having a brand that means the same thing in different languages and cultures – but do make sure to check all examples and choose appropriate ones before showing to students.

### 2.1.4 Ethics, the environment and business

This section considers the impact on a business from ethical and unethical behaviour and explores whether there is a trade-off between ethics and profit. In its simplest form students would probably argue that there is since being ethical leads to an increase in costs. However, businesses such as Lush have shown that ethical behaviour can be a valuable source of added value. There are numerous real-world contemporary examples to use when covering this section, ranging from Starbucks' reported tax avoidance to Volkswagen's reported falsification of emissions and fuel efficiency ratings.

Pressure groups can impact on businesses that behave in an unethical manner and can be an important method of keeping unethical businesses in check. Ethical behaviour by businesses may be more or less important in certain markets. For example, Nestlé Baby Milk Action has been generally unsuccessful in persuading Nestlé to abandon its African powdered milk range.

## 2.2 Making marketing decisions

The focus of this topic is for students to consider each of the four elements of the marketing mix for a larger business and to then consider how, to an extent, certain elements of the marketing mix can influence other elements and be used in an integrated way to build and influence competitive advantage. For example, for many larger businesses, the ability to exploit economies of scale is likely to mean that price becomes a much more important element of the marketing mix especially for mass market products. This could be contrasted with smaller businesses operating in niche markets where product tends to be a much more important element. In Theme 2 it is likely that students will have to consider how a larger business uses the marketing mix, whereas in Theme 1 the aim is to introduce the marketing mix to students.

### 2.2.1 Product

Different elements of the design mix may be more important depending on the nature of the product or service being considered. For example, the function and aesthetics of an Apple iPad are arguably more important than the cost, as it is these elements that allow it to stand out in its market. The resultant higher costs of production are more than recouped by the ability to charge higher prices.

The four phases of the product life cycle (introduction, growth, maturity and decline) are explored and students should be able to recognise that the life cycle of a product is dependent on factors such as how dynamic the market is and how strong the product's brand name is, etc. Extension strategies will lengthen the product life cycle. For example, lowering price, re-branding, re-positioning and increased advertising. Students will not be required to draw the product life cycle.

This section also considers methods of differentiating a product or service and the reasons why this is important.

## 4. Content guidance

### 2.2.2 Price

Price is linked to product (2.2.1) as different methods of pricing are relevant for each stage of the product life cycle. Students could make contrasts with the high margin, lower volume pricing strategies used by Waitrose and contrast with the lower margin, higher volume strategy used by Tesco. Specific pricing strategies are not required, although students need to understand why businesses choose a given price and the rationale behind that decision; for example, to reflect the brand or quality of the product.

Technology is allowing new pricing models to be adopted. For example, Candy Crush Saga uses a freemium strategy where the initial game is free of charge and then users have to pay extra for additional features in the game. Since these features are essentially part of the game, charging for them generates a very high profit margin. Another example could be the existence of price comparison websites which has made markets significantly more price competitive, restricting the prices that can be charged and resulting in lower profit margins for the business. An example of this is the car insurance market.

Other factors that could influence price are the level of competition; for example, grocery prices are decreasing due to the entrance of Lidl and Aldi into the food retail market. The point the product is in the product life cycle is also a factor; for example, during the introduction phase, 4K television manufacturers chose to price their products at a high price and aimed their product at a high income market segment.

### 2.2.3 Promotion

Different promotion strategies are appropriate for different products or services and the market they are aimed at. How and why businesses are making increasing use of technology, such as using social media, as part of their promotional activities is explored in this section. For example, many businesses have now have apps that can be downloaded onto mobile devices. This allows customers or potential customers to be targeted with offers that are personal to them. They can also provide a two-way platform so that customers can interact with the company to build customer loyalty.

There is no requirement for students to have a technical understanding of the technology behind these promotional methods.

### 2.2.4 Place

Students need to understand two distribution methods: retailers and e-tailers, selling direct to the consumer via the internet (e-commerce). There is no requirement to know other methods of distribution such as via a wholesaler. The intention of this section is for students to consider how most goods and services in the UK are distributed. Students and teachers could consider how Amazon has provided a platform for smaller retailers to sell direct to consumers via its website.

### 2.2.5 Using the marketing mix to make business decisions

In this section students will pull together the separate marketing mix elements to understand how they form an interconnected marketing strategy. For example, an internet-based business might charge low prices because it does not face the high costs of an additional retail estate, such as AO.com compared with Currys Digital. Retailers of fashionable clothing such as Abercrombie and Fitch have to promote and price their products in such a way to reflect and reinforce the perceived quality of the clothing. The design mix and the stage at which the product is at in its life cycle could also determine which blend of the '4Ps' is the most appropriate. In almost all circumstances certain elements of the marketing mix will be more important than others depending on factors such as the nature of the product, the amount of competition, the market segment targeted, etc. and students should explore this dynamic.

Students should explore which element or elements of the marketing mix are critical in determining competitive advantage and be able to make judgements about which parts of the marketing mix are the most important in different business contexts.

## 2.3 Making operational decisions

This topic considers some of the day-to-day issues a growing business faces in its regular operations and how customer needs are met through the design, supply, quality and sales decisions a business makes.

### 2.3.1 Business operations

The purpose of business operations is to produce goods and services, and the advantages and disadvantages of the different types of production process should be considered.

Technology is changing the way in which businesses manufacture their products and this has an impact on cost, productivity, quality and flexibility. The emphasis in this sub-topic is on how technology impacts on production decisions and there is no requirement for specialist knowledge. For example, the sample assessment materials reference 3D printing as the context for Question 4a: students are not required to demonstrate an understanding of this technology in their responses but do need to apply their knowledge and understanding of the impact of such technological developments on the business, such as reducing the cost of product development. Where a specific technology is used as a context, this will be explained in the accompanying extracts.

### 2.3.2 Working with suppliers

Students are required to interpret bar graph stock graphs and may be asked to identify from the diagram the amount of buffer stock, the maximum stock level held, the length of time it takes for stock to arrive once it has been re-ordered and the size of a given order. Students will not be asked to draw a bar graph stock graph.

Students also need to understand the use of just in time (JIT) stock control and the factors which lead to the efficient procurement of raw materials: quality, delivery (cost, speed, reliability), availability, costs and trust. These factors could be explored using an industry such as car manufacturing which also provides a useful link with JIT.

## 4. Content guidance

Students will also need to know the impact on logistical and supply decisions on costs, reputation and customer satisfaction. For example, a more reliable supplier could possibly be more expensive, raising the business' costs. However, this would reduce the negative impact on branding and customer satisfaction as the business would be able to improve availability of their product and reduce the likelihood of stock costs. This could be explored by considering the high-end fashion industry where suppliers are often based in the EU in order to reduce the shipping times in an industry where fashions are constantly changing, but at the same time recognising that the business must be able to meet demand should a fashion trend occur; for example when Kate Middleton wore an M&S dress demand for the dress increased rapidly.

### 2.3.3 Managing quality

Quality control is where quality is checked at the end of the production process and quality assurance is where quality is checked throughout the manufacturing process. Controlling quality throughout the production process can be expensive, but it could ultimately reduce costs because defects do not then have to be dealt with. The concept of quality and its importance in allowing a business to control costs and gain a competitive advantage is also required. The car manufacturing industry could again be an interesting example to use here since quality assurance throughout the manufacturing process has reduced defects to a small proportion of parts per million.

### 2.3.4 The sales process

The sales process starts with building customer interest. This can be done through knowledge of the product and the sales person's ability to translate product knowledge into how the features of the product will benefit the consumer.

The next stage involves the speed and efficiency of the service. If service is slow the customer will potentially abandon their purchase and switch to a competitor instead.

This is followed by customer engagement, where the seller has to consider whether they have generated sufficient customer interest for the sale to go ahead, and ends in post-sales or after-sales service where the business receives feedback from the customer and may have to correct any defects or problems. This could be taught via a trip to a local retailer where students are asked to observe sales people in action and isolate the various stages within the process.

Students need to understand the impact on a business if an element of the sales process is poor and be able to recognise the importance of good customer service and the impact this will have on the business, such as the impact on its brand, competitive advantage and the likelihood of repeat purchase.

## 2.4 Making financial decisions

This topic requires students to make use of financial information to understand business performance and make business decisions. Students are required to learn formulae in order to make calculations and interpret these calculations in the context of a given business.

### 2.4.1 Business calculations

Students need to calculate and interpret gross profit margin, net profit margin and average rate of return (ARR). They will also need to understand the concept of gross profit and net profit and how to calculate these. All the required formulae can be found in the specification (Appendix 3 on page 30).

Gross profit margin shows the proportion of revenue left over after the business has paid for its costs of sales. A business that adds a lot of value would be expected to have a high gross profit margin.

Net profit margin is the proportion of revenue left over after the business has paid all of its costs. A business such as Tesco would have a low net profit margin due to the competitiveness of the grocery market. However if sales are high, this could still generate substantial total profits. Equally, a business with high net profit margins may have low total profits if sales are low.

ARR measures the return or profit from a proposed capital project. Students may be given figures which they have to use to calculate the ARR. Students could use these calculations to decide which of two investment projects the business should invest in. For example, students could calculate the ARR of extending a factory and compare this with the ARR of purchasing new machinery and make a judgement about which project the business should choose.

### 2.4.2 Understanding business performance

Students are required to use and interpret a range of quantitative business data as part of business decision making. Students could be given numerical information in the form of, for example: charts or graphs which may include financial data such as sales revenue or marketing data, percentage increase in sales volume or market data such as average incomes and use this information in business decision making.

Students also need to be aware of the problems of making decisions using financial information since the figures used can become out of date or can have other limitations. For example, the time period over which the financial performance has been measured could also be a limitation especially in a business where demand is seasonal.

A range of business data (within case studies or as standalone information) can be used throughout the teaching and learning to support students in developing these quantitative skills.

## 2.5 Making human resource decisions

This topic explores people in businesses. It considers the decisions relating to organisational structure, recruitment, training and motivation.

### 2.5.1 Organisational structures

Students need to understand the difference between a flat and hierarchical organisational structure and the difference between a centralised (where decision making has to go through head office) and decentralised (where decisions can be delegated to branch manager level) business, and when each are appropriate.

The importance of effective communication is also explored and students need to understand the impacts on a business from insufficient or excessive communication on efficiency and motivation and what the barriers are to effective communication. For example, too many e-mails can reduce the productivity of the workforce since a worker would be unable to isolate which e-mails are the most important to act on. Similarly, the use of jargon or technical language could cause confusion so the recipient of the information makes mistakes resulting in rising costs for the business.

Different ways of working include working hours, types of contract and making use of technology. For example, high-speed internet connections can offer workers greater flexibility and reduce costs for the business. However, it can isolate workers and possibly lead to lower motivation.

## 4. Content guidance

### 2.5.2 Effective recruitment

This section explores different job roles and responsibilities. Students need to know the hierarchical lines of reporting in a typical business and a broad understanding of the responsibilities of directors, senior managers, supervisors and operational/support staff. There is no need for students to know detailed job descriptions for each of these roles, but they should have some idea of where each role fits on a hierarchical structure.

Students also need to understand how people are recruited to take up these positions and the difference between internal recruitment (recruiting from inside the organisation) and external recruitment (recruiting from outside the organisation) and the advantages and drawbacks of these two methods of recruitment.

Documentation supporting the recruitment process are a CV, person specification, application form and job description. This section of the specification could be taught via a mini recruitment process for a fictitious job where groups of students have to decide which is the best applicant considering the information they have been provided with.

### 2.5.3 Effective training and development

Students will need to explore how businesses train and develop employees. The difference between formal training, such as paid-for specialist courses; informal training, such as learning by observing a colleague; and self-learning, such as acquiring knowledge through trial and error while working on the job should be considered. Students should explore the advantages and disadvantages of these types of training and recognise the importance of target setting and reviews to measure the performance of the workforce. The appraisal process can identify new training needs (such as the ability to use new technology) and in turn identify methods of motivating individuals and/or retaining them within the business.

Businesses might want to train and develop their employees as this can lead to improved quality and customer service, improved productivity and motivation as well as the obvious need to allow employees to be able to do a particular task, such as operate a new machine or computer system.

### 2.5.4 Motivation

The focus of this section is on the importance of motivation in the workplace and how this relates to productivity and in attracting and retaining employees. For example, motivated workers will have a higher level of productivity and the business will face lower staff turnover.

Students will need to know the appropriate financial and non-financial methods a business could use to motivate employees. For example, fringe benefits for a senior manager are likely to be very different to the fringe benefits offered to operational staff. Different methods of motivation will be applicable to a given context.

There is no requirement to cover specific motivational theories. However, these may be used in class as contexts if appropriate.

## 5. Assessment guidance

### 5.1 Assessment overview

Our new assessments have been designed in collaboration with teachers to ensure they are appropriate and accessible for all students. Careful consideration has been given to the design and structure of the papers, which include the organisation of the paper, paper length, question types and demand of the paper.

There are a range of question types, including multiple choice questions, short answer questions (1, 2 and 3 marks), open response questions (6 marks) and extended writing questions (9 and 12 marks). This range of question types enables the papers to differentiate effectively across the full 9 to 1 grading scale.

There are two equally-weighted exam papers which have a consistent approach and assessment structure. The papers are differentiated by content: in paper 1 questions will relate to the content that appears in Theme 1 and students may draw on underpinning knowledge and understanding developed through Theme 2 as appropriate; in paper 2 questions will relate to the content that appears in Theme 2 and students may draw on underpinning knowledge and understanding developed through Theme 1 as appropriate.

Paper 1	Paper 2
<p>Written examination: 1 hour and 45 minutes</p> <p>50% of the qualification</p> <p>90 marks</p>	<p>Written examination: 1 hour and 45 minutes</p> <p>50% of the qualification</p> <p>90 marks</p>
<p><b>Content overview</b></p> <p>Enterprise and entrepreneurship</p> <p>Spotting a business opportunity</p> <p>Putting a business idea into practice</p> <p>Making the business effective</p> <p>Understanding external influences on business</p>	<p><b>Content overview</b></p> <p>Growing the business</p> <p>Making marketing decisions</p> <p>Making product decisions</p> <p>Making financial decisions</p> <p>Making human resource decisions</p>
<p><b>Assessment overview</b></p> <p>The paper is divided into three sections.</p> <p>Section A: 35 marks</p> <p>Section B: 30 marks</p> <p>Section C: 25 marks</p> <p>The paper will consist of calculations, multiple-choice, short-open, open-response and extended-writing questions.</p> <p>Questions in Sections B and C will be based on a business context given in the paper.</p> <p>Calculators may be used in the examination.</p>	<p><b>Assessment overview</b></p> <p>The paper is divided into three sections.</p> <p>Section A: 35 marks</p> <p>Section B: 30 marks</p> <p>Section C: 25 marks</p> <p>The paper will consist of calculations, multiple-choice, short-open, open-response and extended-writing questions.</p> <p>Questions in Sections B and C will be based on a business context given in the paper.</p> <p>Calculators may be used in the examination.</p>

## 5. Assessment guidance

Each paper is organised into three sections which provide increasing challenge as students move through the paper.

### Section A

Questions in Section A do not relate to a specific business context. This section comprises multiple choice and short-answer questions to assess students' knowledge and understanding of business concepts and issues. There is also a longer question (one 6-mark question) at the end of the section to enable students to discuss a concept or issue in more detail.

### Section B

Section B is based on a business context. In paper 1 this is a small business operating in a local or national context and in paper 2 this is a larger business in a national or global context. All the questions in Section B will relate to the given business context.

The questions comprise short-answer questions to assess students' application of knowledge and understanding to the business context, and longer questions. There are two 6-mark questions and one 9-mark question in this section of the paper.

### Section C

Section C is also based on a business context and this is a different business to Section B. In paper 1 this is a small business operating in a local or national context and in paper 2 this is a larger business in a national or global context. All the questions in Section C will relate to the given business context.

The questions comprise short-answer and longer questions. There is one 9-mark and one 12-mark question in this section.

## 5.2 Assessment objectives

There are three assessment objectives for GCSE (9-1) in Business. These are:

- knowledge and understanding
- application
- analysis and evaluation

Ofqual has provided a further breakdown of the assessment objectives to define the skills within each assessment objective:

- AO1 is divided into knowledge in isolation (AO1a) and understanding (AO1b); no more than 15% of the total marks for the qualification should reward demonstrating knowledge in isolation (AO1a).
- AO2 is always assessed in its entirety.
- AO3 is divided into analysis (AO3a) and evaluation (AO3b).

These breakdowns can be seen in the table on page 32.

Assessment objective		Definitions
<b>AO1</b> 35%	Demonstrate knowledge and understanding of business concepts and issues	AO1a: Demonstrate knowledge of business concepts and issues AO1b: Demonstrate understanding of business concepts and issues
<b>AO2</b> 35%	Apply knowledge and understanding of business concepts and issues to a variety of contexts	AO2: Apply knowledge and understanding of business concepts and issues to a variety of contexts
<b>AO3</b> 30%	Analyse and evaluate business information and issues to demonstrate understanding of business activity, make judgements and draw conclusions	AO3a: Analyse business information and issues to demonstrate understanding of business activity AO3b: Evaluate business information and issues to demonstrate understanding of business activity, make judgements and draw conclusions

Ofqual has also provided definitions for key terms within the assessment objectives. Below are definitions of key business terms that have been used in the mark schemes for our assessments:

- **Concepts** are business models or ideas that relate to business activity, influences on business, business operations, finance, marketing and human resources.
- **Issues** in the context of this this qualification means any external or internal event which will impinge on the environment of an organisation. They are aspects of subject content, and may include causes and consequences – that is internal and external changes and the results of these, problems, and/or opportunities.
- **Business information** is qualitative or quantitative information that relates to business, either directly or indirectly. It could include, but is not limited to, financial data, marketing data or market data or any other internal or external information that may have a bearing on business activity.

Full descriptions of the skills required to access the assessment objectives can be found in the sample assessment materials and are summarised in Section 5.5 on page 35.

## 5. Assessment guidance

### 5.3 Command word taxonomy

A taxonomy of command words has been carefully defined and will be used consistently across the assessments. The table below summarises the list of the command words which may be used in the papers.

Command word	Marks	AO(s) assessed	This type of question will require students to:
<i>Multiple choice question</i>	1	AO1a (1)	Select one or more correct answer from a choice of answers. These questions test recall of knowledge from the specification content.
Define	1	AO1a (1)	Define a term from the specification content.
Give	1	AO1a (1)	Give an answer testing recall of knowledge from the specification content.
State	1	AO2 (1)	Give an answer, no longer than a sentence, referring to a piece of contextual information from which they must select the answer.
Identify	1	AO2 (1)	Select the correct answer from reading a graph or table of data.
Calculate	2	AO2 (2)	Use mathematical skills to reach the answer, based on given data. Calculators may be used and workings should be given.
Complete the table	1	AO1a (1)	Work out the values missing from the presented table of data. Calculators may be used.
Outline	2	AO2 (2)	Give two linked points about a business concept or issue, placed in context in the question.
Explain	3	AO1a (1) AO1b (2)	Give a statement of fact, with two further expansion points. These may expand on each other, or both from the same fact. There is no context in these questions.
Discuss	6	AO1b (3) AO3a (3)	Write an extended answer, requiring expansion and exploration of a business concept or issue. These questions will not be based on a given context but students may bring one in for illustration purposes.
Analyse	6	AO2 (3) AO3a (2)	Write an extended answer, requiring expansion and exploration of a business concept or issue. The answer will be placed in context by the question.
Justify	9	AO2 (3) AO3a (2) AO3b (2)	Write an extended answer, using information provided in order to recommend one of two options to a business owner.
Evaluate	12	AO1b (3) AO2 (3) AO3a (3) AO3b (3)	Write an extended answer, using knowledge of specification content to reach a supported conclusion about a business situation.

Examples of how these command words are used in Paper 1 and Paper 2 as well as how they relate to the assessment objectives can be seen in the sample assessment materials and the command word definitions can be found in Appendix 1 (page 27) of the specification.

## 5.4 Quantitative skills

A new requirement for GCSE (9-1) in Business is for students to be able to apply a range of quantitative skills relevant to business contexts. This includes calculations and the interpretation, use and limitation of quantitative and qualitative data in business contexts to support, inform and justify business decisions.

The table below shows the range and extent of mathematical skills students are required to know. Students must be able to draw on the knowledge and understanding learned from the subject content to apply these skills to relevant business contexts. (This list is taken from the document Business GCSE subject content published by the Department for Education (DfE) in December 2015.)

The minimum level of mathematics in the question papers will be equivalent to Key Stage 3 mathematics.

Quantitative skill	Specification reference
Calculations in a business context, including:	Introduced in the Theme 1 and Theme 2 overviews Outlined in Appendix 2 and formulae outlined in Appendix 3
Percentages and percentage changes	No direct content in the specification but may be assessed within interest in 1.3.2. May also be assessed using data in extracts for sections B and C.
Averages	No direct content in the specification but may be assessed using data in extracts for sections B and C.
Revenue, costs and profit	Topic 1.3.2
Gross profit margin and net profit margin ratios	Topic 2.4.1
Average rate of return	Topic 2.4.1
Cash-flow forecasts, including total costs, total revenue and net cash flow	Topic 1.3.2 and 1.3.3
Interpretation and use of quantitative data in business contexts to support, inform and justify business decisions, including:	Introduced in the Theme 1 and Theme 2 overviews Outlined in Appendix 2 and formulae outlined in Appendix 3
Information from graphs and charts	Business charts and graphs are included in Topics 1.2.3 (market mapping), 1.3.2 (break even), 2.2.1 (product life cycle), 2.3.2 (bar gate stock graphs) and 2.4.2. May also be assessed using data in extracts for sections B and C.
Profitability ratios	Topic 2.4.1

## 5. Assessment guidance

Quantitative skill	Specification reference
Financial data, including profit and loss, average rate of return	Topics 1.3.3 and 2.4.1
Marketing data, including market research data	Topics 1.2.2 and 2.4.2. May also be assessed using data in extracts for sections B and C.
Market data, including market share, changes in costs and changes in prices	Topics 1.3.2 and 2.4.2. May also be assessed using data in extracts for sections B and C.

### 5.5 Mark schemes

There are two 'types' of mark scheme in the new assessments: points-based and levels-based mark schemes. The mark schemes have been designed to clearly identify the skills being assessed within each question type.

Current centres will notice some changes in the approach to the mark schemes which have been introduced to ensure that the assessment objectives and skills are clearly addressed. The main difference is to how the questions are mapped to the assessment objectives rather than how students are expected to respond to questions.

#### Points-based mark schemes

Points-based mark schemes are used for all short-answer questions. These mark schemes show:

- the number of marks for the question
- the assessment objectives within each question
- example responses that would typically be expected
- any additional guidance

The correct response is shown for multiple-choice questions and calculations.

To provide clarity, short-answer questions with a points-based mark scheme are mapped to one assessment objective. Short-answer AO2 questions have the context in the question, not the response. Students are not required to bring contexts into their answers to gain these marks, but they will need to give correct answers in the context asked. Examples of these are provided in the sample assessment materials.

The example responses in the mark schemes show typical responses expected from students but are not intended to be exhaustive. Current centres will notice that although the assessment objectives within each question might be different, the student responses are consistent with current question styles. For example, a 3-mark explain question is now mapped to AO1a (knowledge) and AO1b (understanding) but the typical traits of the response are comparable with the approach taken to the current 3-mark explain questions which are mapped to AO1 (knowledge and understanding) and AO3 (analysis and evaluation).

## Levels-based mark schemes

Questions with 6 or more marks have a levels-based mark scheme. These clearly show:

- the number of marks for the question
- the assessment objectives within each question
- indicative content
- a levels grid which describes the qualities and skills expected within responses

The number of marks and assessment objectives within each question highlight the skills being assessed. Each assessment objective 'strand' has a maximum of 3 marks to ensure that there is no over emphasis on any one type of skill in the questions.

The indicative content in the mark schemes shows the typical types of responses expected but are not used as a basis for marking (see *Using the levels-based mark schemes* on page 39).

The levels grids have been designed to make clear the skills and attributes expected for each question and within each level. These are based on the assessment objectives and definitions summarised in Section 5.3. These skills will appear consistently across the mark schemes; however, as different question types target different assessment objectives, there is a different levels-based grid for discuss, analyse, justify and evaluate questions. These levels-based grids will always be consistent within the question type and a summary of the levels based grids for each question type can be seen below and on pages 37-38.

Evaluation has been further divided into 'judgements' and 'conclusions' to ensure the focus of the evaluation for a given response is clear. The 9-mark justify questions require students to reach a judgement because they are given two options and are asked to make a business decision and justify their response. The 12-mark question requires students to draw a conclusion.

### Discuss

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> <li>• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).</li> <li>• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).</li> <li>• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>
Level 3	5–6	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).</li> <li>• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>

## 5. Assessment guidance

### Analyse

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> </ul>
Level 3	5–6	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> </ul>

### Justify

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> <li>Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>Makes a judgement, providing a simple justification based on limited evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>
Level 2	4–6	<ul style="list-style-type: none"> <li>Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>Makes a judgement, providing a justification based on sound evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>
Level 3	7–9	<ul style="list-style-type: none"> <li>Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>Makes a judgement, providing a clear justification based on a thorough evaluation of business information and issues relevant to the choice made (AO3b).</li> </ul>

**Evaluate**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> <li>• Demonstrates elements of knowledge and understanding of business concepts and issues, with limited business terminology used (AO1b).</li> <li>• Limited application of knowledge and understanding of business concepts and issues to the business context (AO2).</li> <li>• Attempts to deconstruct business information and/or issues, finding limited connections between points (AO3a).</li> <li>• Draws a conclusion, supported by generic assertions from limited evaluation of business information and issues (AO3b).</li> </ul>
Level 2	5–8	<ul style="list-style-type: none"> <li>• Demonstrates mostly accurate knowledge and understanding of business concepts and issues, including appropriate use of business terminology in places (AO1b).</li> <li>• Sound application of knowledge and understanding of business concepts and issues to the business context although there may be some inconsistencies (AO2).</li> <li>• Deconstructs business information and/or issues, finding interconnected points with chains of reasoning, although there may be some logical inconsistencies (AO3a).</li> <li>• Draws a conclusion based on sound evaluation of business information and issues (AO3b).</li> </ul>
Level 3	9–12	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of business concepts and issues throughout, including appropriate use of business terminology (AO1b).</li> <li>• Detailed application of knowledge and understanding of business concepts and issues to the business context throughout (AO2).</li> <li>• Deconstructs business information and/or issues, finding detailed interconnected points with logical chains of reasoning (AO3a).</li> <li>• Draws a valid and well-reasoned conclusion based on a thorough evaluation of business information and issues (AO3b).</li> </ul>

## 5. Assessment guidance

### Using the levels-based mark schemes

The open response and extended answer questions have levels-based mark schemes to allow students the opportunity to demonstrate what they know and understand and reward them appropriately. This means that students can approach a response quite differently and will be rewarded for the overall *quality* of their response rather than for the *quantity* of points made.

#### Finding the right level

The first stage when applying the levels-based mark schemes is to decide which level the answer should be placed in. To do this, examiners use a 'best-fit' approach, deciding which level most closely describes the quality of the answer.

Answers can display characteristics from more than one level, and where this happens examiners use their professional judgement to decide which level is most appropriate.

#### Placing a mark within a level

After a level has been decided on, the next stage is to decide on the mark within the level. The guidance below describes how to place an answer within the level. However, indicative content should also be used for guidance.

Examiners should be prepared to use the full range of marks available in a level and not restrict marks to the middle. Markers should start at the middle of the level (or the upper middle mark if there is an even number of marks) and then move the mark up or down to find the best mark. To do this, they should take into account how far the answer meets the requirements of the level:

- If it meets the requirements fully, markers should be prepared to award full marks within the level. The top mark in the level is used for answers that are as good as can realistically be expected within that level
- If it only barely meets the requirements of the level, markers should consider awarding marks at the bottom of the level. The bottom mark in the level is used for answers that are the weakest that can be expected within that level
- The middle marks of the level are used for answers that have a reasonable match to the descriptor. This might represent a balance between some characteristics of the level that are fully met and others that are only barely met.

## 6. Qualification support materials

The table below summarises the free qualification support materials we're planning to make available to help you plan, teach, track and assess, and develop the new specification.

The availability column gives an indication of when the materials will be ready to download; however, these dates are subject to change as we work through the accreditation process.

Free qualification support materials will be made available to download from the Course Materials tab on the GCSE Business subject page:

<https://qualifications.pearson.com/en/qualifications/edexcel-gcses/business-2017.html>

Support materials		Availability
Plan	Getting Started Guide Course planners (2 and 3 year models) Mapping documents Scheme of work	Available now  Scheme of work: Autumn term 2016
Teach	Case studies A guide to using practical examples and business investigations Support for new content areas	Autumn term 2016 and Spring term 2017
Track and assess	Specimen papers Marked exemplar materials examWizard ResultsPlus	Specimen papers and exemplars: Spring term 2017 examWizard: Autumn term 2017 ResultsPlus: Autumn term 2019
Develop	Launch events Getting Ready to Teach events Mocks marking training National Programme of training Subject advisor service	Subject advisor ongoing Launch events from May 2016 Getting Ready to Teach events: from Spring term 2017 Other training from Autumn term 2017