

# INTERNATIONAL ADVANCED LEVEL

## Business Studies

### SPECIFICATION

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Pearson Edexcel International Advanced Subsidiary in Business Studies (XBS01)

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Pearson Edexcel International Advanced Level in Business Studies (YBS01)

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For first teaching in September 2013

First examination January 2014

Issue 2



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### Acknowledgements

This specification has been produced by Pearson on the basis of consultation with teachers, examiners, consultants and other interested parties. Pearson would like to thank all those who contributed their time and expertise to the specification's development.

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# About this specification

Pearson Edexcel International Advanced Level in Business Studies is designed for use in schools and colleges outside the United Kingdom. It is part of a suite of International Advanced Level qualifications offered by Pearson.

This qualification has been approved by Pearson Education Limited as meeting the criteria for Pearson's Self Regulated Framework.

Pearson's Self Regulated Framework is designed for qualifications that have been customised to meet the needs of a particular range of learners and stakeholders. These qualifications are not accredited or regulated by any UK regulatory body.

**Structure:** modular structure comprising four equally weighted units.

**Content:** up-to-date content which is engaging and relevant to international students.

**Assessment:** 100% external assessment, with January and June assessment opportunities.

**Approach:** encourages wider reading on current issues, using real-life examples.

## Specification updates

This specification is Issue 2 and is valid for the Pearson Edexcel International Advanced Subsidiary and International Advanced Level examination from 2014. If there are any significant changes to the specification Pearson will write to centres to let them know. Changes will also be posted on our website.

For more information please visit [www.edexcel.com/IAL](http://www.edexcel.com/IAL)

## Using this specification

This specification has been designed to give guidance to teachers and encourage effective delivery of the qualification. The following information will help you get the most out of the content and guidance.

**Compulsory content:** as a minimum, all the bullet points in the content must be taught. The word 'including' in unit content specifies the detail of what must be covered.

**Examples:** throughout the unit content, we have included examples of what could be covered or what might support teaching and learning. It is important to note that examples are for illustrative purposes only and centres can use other examples. We have included examples that are easily understood and recognised by international centres.

Unit assessments use a range of material and are not limited to the examples given. Teachers should deliver the qualification using a good range of examples to support the assessment of the unit content.

Students need to demonstrate knowledge of technical language where required.

**Depth and breadth of content:** teachers should prepare students to respond to assessment questions. Teachers should use the full range of content and all the assessment objectives given in *Section B: Specification overview*.

## Qualification abbreviations

International Advanced Level – IAL

International Advanced Subsidiary – IAS

International Advanced Level 2 (the additional content required for an IAL) – IA2

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# A Specification at a glance

## Unit overview

IAS	Unit 1: Business Enterprise	*Unit code WBS01	
	<ul style="list-style-type: none"><li>Externally assessed</li><li>Availability: January and June</li><li>First assessment: January 2014</li></ul>	50% of the total IAS marks	25% of the total IAL marks
<b>Content summary</b> <p>This unit provides an introduction to business practice, the importance of the market and how businesses interact with customers and competitors. Students will learn about the role of the entrepreneur, market research techniques, the importance and use of finance, break-even analysis and how to measure and analyse business performance. They will also consider how the wider economic environment and stakeholders may affect businesses, large and small.</p>			
<b>Assessment</b> <p>Examination of 1 hour and 30 minutes, consisting of supported multiple-choice questions and questions based on data.</p>			

IAS	Unit 2: Business Structures and Processes	*Unit code WBS02	
	<ul style="list-style-type: none"><li>Externally assessed</li><li>Availability: January and June</li><li>First assessment: January 2014</li></ul>	50% of the total IAS marks	25% of the total IAL marks
<b>Content summary</b> <p>This unit covers the key functional areas of a business. Students will develop their understanding of how businesses relate to their customers and analyse change in their markets. The unit introduces students to business operations and develops their understanding of finance and why businesses may fail. Students will also consider how businesses manage their people effectively.</p>			
<b>Assessment</b> <p>Examination of 1 hour and 30 minutes, consisting of supported multiple-choice questions and questions based on data.</p>			

\* See Appendix 2 for description of this code and all other codes relevant to this qualification.

IA2	Unit 3: Strategic Business Decisions	*Unit code WBS03	
<ul style="list-style-type: none"> <li>■ Externally assessed</li> <li>■ Availability: January and June</li> <li>■ First assessment: January 2014</li> </ul>		50% of the total IA2 marks	25% of the total IAL marks
<p><b>Content summary</b></p> <p>This unit develops the content of Unit 2 and examines the competitiveness of businesses through performance and non-performance indicators. Students will analyse corporate objectives and strategy on the basis of these indicators and on external influences to businesses. Students will assess the causes and effects of change on businesses and examine how companies can manage risk and grow effectively.</p>			
<p><b>Assessment</b></p> <p>Examination of 2 hours, consisting of questions based on data, including extended response questions.</p>			

IA2	Unit 4: Business in a Global Context	*Unit code WBS04	
<ul style="list-style-type: none"> <li>■ Externally assessed</li> <li>■ Availability: January and June</li> <li>■ First assessment: January 2014</li> </ul>		50% of the total IA2 marks	25% of the total IAL marks
<p><b>Content summary</b></p> <p>This synoptic unit focuses on the world of international business, and considers change and growth in global economies. Students will examine the different factors businesses have to consider when operating in a global market. Students will also assess the impact of multinational corporations on the global economy.</p>			
<p><b>Assessment</b></p> <p>Examination of 2 hours, consisting of questions based on data, including extended response questions.</p>			

\* See Appendix 2 for description of this code and all other codes relevant to this qualification.



## B Specification overview

### Summary of assessment requirements

Unit number and unit title	Level	Assessment information	Number of raw marks allocated in the unit
Unit 1: Business Enterprise	IAS	Examination length: 1 hour and 30 minutes Examination paper in two sections: Section A Supported multiple-choice questions. Worth 24 marks.  Section B Questions based on data. Worth 56 marks.	80
Unit 2: Business Structures and Processes	IAS	Examination length: 1 hour and 30 minutes Examination paper in two sections: Section A Supported multiple-choice questions. Worth 24 marks.  Section B Questions based on data. Worth 56 marks.	80
Unit 3: Strategic Business Decisions	IA2	Examination length: 2 hours Examination paper in two sections: Section A Questions based on data. Worth 40 marks.  Section B Questions based on data. Worth 40 marks. The case studies for Section A and B will have a linked context.	80
Unit 4: Business in a Global Context	IA2	Examination length: 2 hours Examination paper in two sections: Section A Questions based on data. Worth 40 marks.  Section B Questions based on data. Worth 40 marks. The case studies for Sections A and B will <b>not</b> be linked.	80

**Note:** Data represents passages of text based on a real business example, which may include graphs, tables of information and/or diagrams.

## B Specification overview

### Assessment objectives and weightings

		% in IAS	% in IA2	% in IAL
AO1	Demonstrate knowledge and understanding of the specified content.	25%	20%	22.5%
AO2	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	25%	20%	22.5%
AO3	Analyse problems, issues and situations.	25%	30%	27.5%
AO4	Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources.	25%	30%	27.5%

### Relationship of assessment objectives to units

Unit number	Assessment objective			
	AO1	AO2	AO3	AO4
Unit 1	25%	25%	25%	25%
Unit 2	25%	25%	25%	25%
IAS weighting	25%	25%	25%	25%
Unit 3	20%	20%	30%	30%
Unit 4	20%	20%	30%	30%
IA2 weighting	20%	20%	30%	30%
Total for IAL	22.5%	22.5%	27.5%	27.5%

## Qualification summary

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### Aims

The aims of the International Advanced Level qualifications in Business Studies are to enable students to:

- develop an interest in and enthusiasm for the study of business
- gain a holistic understanding of business
- develop a critical understanding of organisations and their ability to meet society's needs and wants
- understand that business behaviour can be studied from a range of perspectives
- generate relevant solutions to business problems and issues
- be aware of the ethical dilemmas and responsibilities faced by organisations and individuals
- acquire a range of relevant business and generic skills, including decision-making, problem solving, the challenging of assumptions and the quantification and management of information.

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### IAS/IA2 knowledge and understanding

These International Advanced Level qualifications in Business Studies require students to:

- investigate different types of businesses that develop and sell products and/or services in a local, national or international marketplace. At IA2 level, students will study the ways in which companies make decisions, and grow and operate in the global market place
- be able to analyse numerical information and understand how it assists the decision-making process of a business
- understand how a business is managed, how its performance is analysed and how it could trade internationally.

### IAS/IA2 skills

These International Advanced Level qualifications in Business Studies require students to use both qualitative and quantitative methods to make justifiable decisions.

# C Business Studies unit content

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**Unit 1 Business Enterprise** **13**

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**Unit 2 Business Structures and Processes** **21**

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**Unit 3 Strategic Business Decisions** **27**

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**Unit 4 Business in a Global Context** **35**

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## Course structure

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- The Pearson Edexcel International Advanced Level in Business Studies comprises four units and contains an International Advanced Subsidiary subset of two IAS units.
- The Pearson Edexcel International Advanced Subsidiary in Business Studies is the first half of the International Advanced Level course and consists of Units 1 and 2. It may be awarded as a discrete qualification or contribute 50 per cent of the total International Advanced Level marks.
- The full International Advanced Level award consists of the two IAS units (Units 1 and 2), plus two IA2 units (Units 3 and 4) which make up the other 50 per cent of the International Advanced Level. Students wishing to take the full International Advanced Level must, therefore, complete all four units.
- The structure of this qualification allows teachers to construct a course of study that can be taught and assessed either as:
  - ◆ distinct modules of teaching and learning with related units of assessment taken at appropriate stages during the course; or
  - ◆ a linear course which is assessed in its entirety at the end.

## 1.1 Unit description

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### About this unit

This unit provides an introduction to business practice, the importance of the market and how businesses interact with customers and competitors. Students will learn about the role of the entrepreneur, market research techniques, the importance and use of finance, break-even analysis and how to measure and analyse business performance. They will also consider how the wider economic environment and stakeholders may affect businesses, large and small.

Students are also expected to:

- carry out calculations
- interpret or use data from graphs, tables or diagrams.

Note: 'Data' represents passages of text which may include graphs, table(s) of information or diagrams.

## 1.2 Assessment information

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Examination length: 1 hour and 30 minutes

Examination paper in two sections:

Section A: supported multiple-choice questions – 24 marks.

Section B: questions based on data – 56 marks.

Total for paper: 80 marks.

Students may use a calculator.

The quality of written communication will be assessed in the context of this unit through the 14 mark data response question in Section B of the paper. When answering this question students should consider the structure, coherence, punctuation and grammar of their responses.

## 1.3 Unit content

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### 1.3.1 Entrepreneurship

#### What students need to learn:

- 1 Characteristics**
  - Individual characteristics, including takes initiative, hard-working, resilient, creative, self-confident, risk-taking, effective communicator.
  
- 2 Motivations**
  - Reasons why people set up businesses, including:
    - ◆ profit as a motive, e.g. profit maximisers, profit satisficers
    - ◆ other motives, e.g. ethical stance, social entrepreneurship.
  
- 3 Role**
  - The initial idea.
  - Creating and setting up a business.
  - Running a business.
  - Expanding a business.
  - Innovation within a business.
  
- 4 Company structures**
  - Different ways of structuring a business, including:
    - ◆ sole trader
    - ◆ partnership
    - ◆ private limited company
    - ◆ public limited company
    - ◆ co-operative.
  - Other forms of business organisation, including franchises.
  
- 5 Stakeholders**
  - Definition: any person or organisation that has an interest in the outcome of a business decision/action.
  - Internal stakeholders, e.g. employees, owners/shareholders.
  - External stakeholders, e.g. suppliers, customers.
  
- 6 Opportunity cost**
  - Choices and potential trade-offs.
  - Impact on decision-making.
  - Effects on stakeholders.

### 1.3.2 Researching a business opportunity

#### What students need to learn:

- 1 Market research**
    - Product and market orientation.
    - Primary and secondary market research (quantitative and qualitative), used to quantify demand and gain insight into consumer behaviour.
    - Use of ICT to support market research, including websites, social networking, databases.
    - Sampling: size, methods, potential bias.
    - Market segmentation, e.g. gender, age.
  
  - 2 The market**
    - Definition: any medium in which buyers and sellers interact and agree to trade at a price, e.g. virtual, face-to-face.
    - Market size and characteristics, e.g. a mass market, a niche market.
    - Competition from existing businesses, e.g. differentiation.
  
  - 3 Positioning**
    - Market mapping.
    - Competitive advantage of product or service.
    - Adding value.
  
  - 4 Product trial**
    - Customer trialling to encourage purchases, e.g. free samples, tasting.
    - Test marketing of a product to assess likely demand levels.
-

### 1.3.3 Supply and demand

#### What students need to learn:

- 1 Demand**
    - The relationship between price and demand.
    - Non-price factors affecting demand, including tastes and fashions, income, price of substitutes and complements, demographics, seasonality, external shocks.
  
  - 2 Supply**
    - The relationship between price and supply.
    - Non-price factors affecting supply, including changes in costs, technological change, climate/weather, external shocks, taxes and subsidies.
  
  - 3 Interaction of supply and demand**
    - How changes in demand might impact on supply.
    - How changes in supply might impact on demand.
-

### 1.3.4 Finance

#### What students need to learn:

- 1 Sources of finance**
    - Internal sources: retained profit, sale of assets.
    - External sources: loans, debentures, venture capital, ordinary share capital, overdrafts, leasing, trade credit.
    - Alternative sources, e.g. business angels and venture capitalists, peer-to-peer.
    - Secured and unsecured loans and the cost of borrowing.
    - Sources of finance appropriate for company structure.
    - Implications of limited and unlimited liability.
    - Relevance of a business plan in obtaining finance.
-

### 1.3.5 Measuring business performance

#### What students need to learn:

- 1 Pricing, sales revenue, costs and profit**
    - Pricing strategies, including cost-plus, competitive, skimming, penetration, psychological, destroyer/predatory, premium.
    - Sales revenue, fixed and variable costs.
    - Calculation of profit/loss.
  
  - 2 Break-even**
    - Contribution (selling price minus variable cost per unit).
    - Break-even point (total fixed costs + total variable costs = total sales revenue).
    - Using contribution to calculate break-even point.
    - Margin of safety.
  
  - 3 Measuring and improving profit**
    - Gross profit.
    - Profit for the year.
    - Calculation of gross profit margin and profit for the year margin.
    - How a business might improve profitability.
  
  - 4 Importance of cash flow**
    - Distinction between profit and cash flow.
    - How to construct simple cash flow forecast.
    - Use of a cash flow forecast to manage finances.
-

### 1.3.6 The wider business environment

#### What students need to learn:

- 1 Government influences**
    - Impact on businesses of government policy, e.g. taxation, spending levels.
    - Impact on businesses of government legislation, e.g. health and safety, minimum wages.
    - Government support for businesses, e.g. grants, subsidies.
    - Government protection of businesses, e.g. trademarks, patents.
    - Consumer protection legislation, e.g. product safety, product labelling.
  
  - 2 Economic influences**
    - Impact on businesses of unemployment, e.g. effect on demand, job recruitment.
    - Impact on businesses of exchange rates, e.g. exporters, importers.
    - Impact on businesses of inflation, e.g. cost of supplies, competitiveness.
  
  - 3 Social influences**
    - Impact on businesses of the digital economy, e.g. ecommerce, communications.
    - Impact on businesses of ethical considerations, e.g. Fair Trade, child labour.
    - Impact on businesses of environmental considerations, e.g. the circular economy, climate change.
    - Impact on businesses of demographic change, e.g. an ageing population, migration.
-



## 2.1 Unit description

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### About this unit

This unit covers the key functional areas of a business. Students will develop their understanding of how businesses relate to their customers and analyse change in their markets. The unit introduces students to business operations and develops their understanding of finance and why businesses may fail. Students will also consider how businesses manage their people effectively.

Students are also expected to:

- carry out calculations
- interpret or use data from graphs, tables or diagrams.

Note: 'Data' represents passages of text which may include graphs, table(s) of information or diagrams.

## 2.2 Assessment information

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Examination length: 1 hour and 30 minutes.

Examination paper in two sections:

Section A: supported multiple-choice questions – 24 marks.

Section B: questions based on data – 56 marks.

Total for paper: 80 marks.

Students may use a calculator.

The quality of written communication will be assessed in the context of this unit through the 14 mark data response question in Section B of the paper. When answering this question students should consider the structure, coherence, punctuation and grammar of their responses.

### 2.3 Unit content

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#### 2.3.1 Marketing

##### What students need to learn:

- 1 Marketing objectives and strategy**
    - Definition of marketing: the management process responsible for sales promotion and for identifying, anticipating and satisfying customer requirements profitably.
    - Marketing objectives – based on market research, sales or profit forecasts, e.g. increased sales, build a brand image.
    - Marketing strategies appropriate for different types of market, e.g. niche markets, mass markets.
  
  - 2 Marketing mix**
    - Components of the marketing mix: product, price, promotion, place (4Ps).
    - Identification of a marketing mix which meets the needs of a product or service.
    - Product life cycle and product extension strategies.
    - Boston matrix and the product portfolio.
    - How current social trends may affect the composition of the marketing mix:
      - ◆ product, e.g. use of recycled materials, ethical sourcing
      - ◆ price, e.g. online sales, price comparison sites
      - ◆ promotion, e.g. viral marketing, social media
      - ◆ place, e.g. cloud, online distribution.
  
  - 3 Price elasticity of demand (PED)**
    - Effect on businesses of price changes.
    - Calculation and interpretation of PED.
    - Effects on total revenue.
    - Implications for pricing strategies.
  
  - 4 Income elasticity of demand (YED)**
    - Normal and inferior goods.
    - Effect on businesses of changes in income.
    - Calculation and interpretation of YED.
    - Implications for businesses.
-

## 2.3.2 Managing operations

### What students need to learn:

- 1 Productivity and efficiency**
    - Definition of productivity: output per unit of input.
    - Factors influencing productivity, including physical capital, technology, process innovation, human capital, organising resources, access to finance.
    - Distinction between labour and capital intensive production.
    - Definition of efficiency: organising production so that waste is minimised and costs are the lowest possible.
    - Factors influencing efficiency, including location of production, quality and availability of labour, labour turnover.
  
  - 2 Product or service design**
    - The design mix (function, aesthetics, economic manufacture).
    - Changes in the elements of the design mix to reflect social and economic trends, e.g. changes in type of materials and technology used in design to minimise waste, resource depletion.
  
  - 3 Capacity utilisation**
    - Calculating capacity utilisation:  
(current output/maximum possible output) x 100.
    - Implications of under- and over-utilisation of capacity.
    - Ways of improving capacity utilisation.
  
  - 4 Inventory control**
    - Inventory control graphs.
    - Implications of poor inventory control, e.g. cash tied up in inventory, loss of production.
  
  - 5 Lean production and quality management**
    - Just in time (JIT) management of inventory.
    - Competitive advantage of short product development lead times.
    - Minimising waste of resources.
    - Quality management techniques, including quality assurance and quality control.
    - Total Quality Management (TQM) as part of company culture, e.g. continuous improvement (Kaizen), quality circles.
-

### 2.3.3 Managing finance

#### What students need to learn:

- 1 Budgets**
    - Types of budget, e.g. sales budget, production budget.
    - Purpose of budgets.
    - Historical-based budgeting.
    - Zero-based budgeting.
    - Variance analysis.
  
  - 2 Sales forecast**
    - Purpose of sales forecasts.
    - Difficulties of estimation.
    - Factors affecting sales forecasts, e.g. economic variables, actions of competitors.
  
  - 3 Managing working capital**
    - Importance of working capital.
    - Managing potential cash shortfalls.
    - Managing customer and supplier credit terms and payments, including timing of payments.
    - Holding appropriate levels of inventory.
    - Contingency finance planning, including overdrafts, loans, factoring, introduction of extra cash into the business by the owner/shareholders.
  
  - 4 Why businesses fail**
    - Differences between cash and profit.
    - Importance of cash in the short run and profit in the long run.
    - Reasons why businesses fail, including poor management of cash flow, overestimation of sales, poor inventory control, changing market conditions, attitude of lenders to releasing funds, overtrading.
-

### 2.3.4 Managing people

#### What students need to learn:

- 1 Organisational structures**
    - Hierarchy.
    - Types of structure, including tall, flat, matrix.
    - Chain of command.
    - Span of control.
    - Decentralisation and centralisation.
    - How organisational structures affect the ability to manage businesses effectively.
  
  - 2 Recruitment, selection and training**
    - Planning staffing requirements accurately.
    - Internal against external recruitment.
    - Recruitment and selection process.
    - Costs of recruitment, selection and training.
    - Types of training, including induction, on-the-job, off-the-job.
  
  - 3 Leadership styles**
    - Types of leadership style, including autocratic, paternalistic, democratic, laissez-faire.
    - McGregor's Theory X and Theory Y.
  
  - 4 Motivation of staff**
    - Motivation theorists (Taylor, Mayo, Maslow, Herzberg).
    - Financial incentives to improve staff performance including piecework, commission, bonus, profit share, performance related pay.
    - Non-financial techniques to improve staff performance, including delegation, consultation, empowerment, team working, flexible working, job enrichment, job rotation.
  
  - 5 Reduction of labour costs**
    - Flexible employment, e.g. part-time, flexible hours.
    - Flexible working, e.g. multi-skilled workforce, responding to change.
    - Reducing staff costs, e.g. dismissal, redundancy.
-



### 3.1 Unit description

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#### About this unit

This unit develops the content of Unit 2 and examines the competitiveness of businesses through performance and non-performance indicators. Students will analyse corporate objectives and strategy on the basis of these indicators and on external influences to businesses. Students will assess the causes and effects of change on businesses and examine how companies can manage risk and grow effectively.

Students are also expected to:

- carry out calculations
- interpret or use data from graphs, tables or diagrams.

Note: 'Data' represents passages of text which may include graphs, table(s) of information or diagrams.

### 3.2 Assessment information

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Examination length: 2 hours.

Examination paper in two sections:

Section A: questions based on data – 40 marks.

Section B: extended response questions based on data – 40 marks.

Total for paper: 80 marks.

Students may use a calculator.

Synoptic assessment in the context of this unit requires students to:

- understand the inter-relatedness of many business issues and problems
- understand how certain concepts, theories and techniques may be relevant to a range of different contexts
- apply such concepts, theories and techniques in analysing business issues and problems and in evaluating arguments and evidence.

The emphasis will be on students' ability to use business concepts, theories and techniques that they have built up during their course of study. The assessment of this unit may draw on material from Units 1 and 2, enabling synoptic assessment.

The quality of written communication will be assessed in the context of this unit through the 12 mark data response question in Section A and both the 20 mark questions in Section B of the paper. When answering these questions students should consider the structure, coherence, punctuation and grammar of their responses.

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## 3.3 Unit content

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### 3.3.1 Corporate objectives and strategy

What students need to learn:

- 1 Corporate objectives**
  - Corporate aims.
  - Mission statements.
  - Corporate objectives.
  
- 2 Stakeholder influences on corporate objectives**
  - Stakeholder objectives.
  - Stakeholder conflicts.
  - Impact of conflicting and common aims between different groups of stakeholders.
  - Corporate social responsibility (CSR) and potential conflicts between profit-based and other objectives.
  
- 3 Corporate culture**
  - Definition of corporate culture: the set of important assumptions that are shared by people working in a particular business and influence the ways in which decisions are taken.
  - Classification of corporate cultures, including power, role, task, person cultures (Charles Handy).
  - Factors influencing the formation of corporate culture, e.g. owner aspirations, customer demand.
  - Characteristics of strong corporate cultures, e.g. staff loyalty, high staff motivation.
  - Characteristics of weak corporate cultures, e.g. poor retention of skilled staff, staff do not support objectives.
  - Difficulties in changing an established corporate culture.

### 4 Corporate strategy

- Corporate strategy, e.g. market entry or exit, mergers and takeovers.
  - Portfolio analysis, including Boston matrix.
  - Achieving competitive advantage through distinctive capabilities, e.g. brand image, customer loyalty.
  - Porter's strategic matrix (cost leadership, differentiation, cost focus, differentiation focus).
  - Impact of strategic and tactical decisions on human, physical and financial resources.
  - Strategic choice can involve co-operation or competition.
  - External influences on strategy, including Political, Economic, Social, Technological, Legal and Environmental (PESTLE).
-

### 3.3.2 Making strategic and tactical decisions

#### What students need to learn:

- 1 Decision making models**
    - SWOT analysis.
    - Ansoff's matrix.
  
  - 2 Investment appraisal**
    - Nature and purpose of investment appraisal.
    - Calculations and interpretations of figures generated by investment appraisal techniques:
      - ◆ simple payback
      - ◆ average rate of return
      - ◆ discounted cash flow (net present value only).
    - Limitations of investment appraisal techniques.
  
  - 3 Decision trees**
    - Nature and purpose of decision trees.
    - Construction and interpretation of simple decision tree diagrams.
    - Limitations of decision trees.
  
  - 4 Critical Path Analysis (CPA)**
    - Nature and purpose of critical path analysis.
    - Constructing simple networks showing critical path and calculating the total float.
    - Calculating Earliest Start Time (EST) and Latest Finish Time (LFT).
    - Limitations of critical path analysis.
  
  - 5 Contribution**
    - Nature and purpose of contribution.
    - Calculation and interpretation of contribution.
    - Contribution as a decision-making tool for making special order decisions.
  
  - 6 Business contingency planning**
    - Nature and purpose of business contingency planning.
    - Business contingencies, e.g. external shocks, loss of data.
    - Contingency planning to reduce risk.
-

### 3.3.3 Assessing competitiveness

#### What students need to learn:

- 1 Interpretation of financial statements**
    - Nature and purpose of financial statements: statement of comprehensive income, statement of financial position.
    - Calculation and interpretation of ratios using simplified financial statements to determine:
      - ◆ profitability (gross profit margin, profit for the year margin)
      - ◆ return on capital employed (ROCE)
      - ◆ liquidity (current and acid test ratio)
      - ◆ gearing ((non-current liabilities/capital employed) x100).
    - Limitations of ratio analysis.
    - Corporate response to profitability, liquidity and gearing issues.
  
  - 2 Human resource competitiveness**
    - Calculation and interpretation of:
      - ◆ labour productivity (output per time period/number of employees)
      - ◆ labour turnover ((number of staff leaving/number of staff employed) × 100).
    - Limitations of these calculations.
    - Corporate response to labour productivity and labour turnover issues.
-

### 3.3.4 Company growth

#### What students need to learn:

- 1 Nature of company growth**
    - Organic and inorganic growth.
    - Mergers and takeovers, including horizontal, vertical and conglomerate.
    - Joint ventures.
    - Reasons for growth, including to achieve economies of scale.
  
  - 2 Effects of growth**
    - Positive effects of growth, e.g. increased market share, diversification.
    - Negative effects of growth, e.g. diseconomies of scale, problems with communication.
-



## 4.1 Unit description

---

### About this unit

This synoptic unit focuses on the world of international business, and considers change and growth in global economies. Students will examine the different factors businesses have to consider when operating in a global market. Students will also assess the impact of multinational corporations on the global economy.

Students are also expected to:

- carry out calculations
- interpret or use data from graphs, tables or diagrams
- develop and refine the concepts and theories they previously covered in Units 1, 2 and 3, and to apply these in a range of international contexts.

Note: 'Data' represents passages of text which may include graphs, table(s) of information or diagrams.

### 4.2 Assessment information

---

Examination length: 2 hours.

Examination paper in two sections:

Section A: questions based on data – 40 marks.

Section B: extended response questions based on data – 40 marks.

Total for paper: 80 marks.

Students may use a calculator.

Synoptic assessment in the context of this unit requires students to:

- understand the inter-relatedness of many business issues and problems
- understand how certain concepts, theories and techniques may be relevant to a range of different contexts
- apply such concepts, theories and techniques in analysing business issues and problems and in evaluating arguments and evidence.

The emphasis will be on students' ability to use business concepts, theories and techniques that they have built up during their course of study. The assessment of this unit may draw on material from other parts of the course, enabling synoptic assessment.

The quality of written communication will be assessed in the context of this unit through the 12 mark data response question in Section A and both the 20 mark questions in Section B of the paper. When answering these questions students should consider the structure, coherence, punctuation and grammar of their responses.

---

## 4.3 Unit content

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### 4.3.1 International markets

What students need to learn:

- 1 Reasons for the increased growth of international trade**
    - Factors contributing to increased globalisation, e.g. political change, improvements in transport and communication.
    - Increasing trade liberalisation.
    - Increasing specialisation by countries, e.g. Indonesia and palm oil, Sri Lanka and tea.
    - Reduction of international trade barriers, including the role of the World Trade Organization (WTO).
    - Expansion of trading blocs, e.g. European Union, Association of Southeast Asian Nations (ASEAN).
    - Increase in foreign direct investment (FDI).
  
  - 2 Conditions that prompt businesses to trade internationally**
    - Push factors, e.g. saturated domestic markets, fierce domestic competition.
    - Pull factors, e.g. extending product life cycle, increase in sales and profits.
    - Outsourcing and offshoring.
  
  - 3 Global mergers and takeovers**
    - Spreading risk over different countries/regions.
    - Entering new markets/trade blocs.
    - Acquiring national/international brand names and patents.
    - Securing resources/supplies.
    - Maintaining/increasing global competitiveness.
-

### 4.3.2 Changing global economy

#### What students need to learn:

- 1 Growing economies**
    - Indicators of growth, e.g. GDP per capita, literacy.
    - Emergence of the BRICS economies (Brazil, Russia, India, China, South Africa).
    - Other growing countries, e.g. Mexico, Indonesia.
    - An awareness of other growing regional economies, e.g. Africa, South America.
    - Implications of their economic growth for individuals and businesses, e.g. trade opportunities for businesses, employment patterns.
-

### 4.3.3 Business location

#### What students need to learn:

- 1 Assessment of a country as a market**
    - Factors to consider, including:
      - ◆ levels and growth of disposable income
      - ◆ ease of doing business
      - ◆ infrastructure
      - ◆ geographic proximity
      - ◆ exchange rate.
  
  - 2 Assessment of a country as a production location**
    - Factors to consider, including:
      - ◆ skills and availability of labour force
      - ◆ costs of production
      - ◆ infrastructure
      - ◆ location in trade bloc
      - ◆ government incentives
      - ◆ ease of doing business
      - ◆ natural resources
      - ◆ likely return on investment
      - ◆ joint ventures.
-

#### 4.3.4 Other considerations before trading internationally

##### What students need to learn:

- 1 Trade barriers**
    - Protectionism.
    - Tariffs.
    - Import quotas.
    - Other trade barriers, e.g. government legislation, domestic subsidies.
  
  - 2 Ethical considerations**
    - Stakeholder conflicts.
    - Pay and working conditions.
    - Environmental considerations, e.g. emissions, waste disposal.
    - Supply chain considerations, e.g. exploitation of labour, child labour.
    - Marketing considerations, e.g. misleading product labelling, inappropriate promotional activities.
  
  - 3 Social/cultural differences in doing business**
    - Considerations for businesses, including:
      - ◆ religion
      - ◆ cultural differences
      - ◆ diet
      - ◆ language, e.g. unintended meanings, inappropriate/inaccurate translations
      - ◆ inappropriate branding and promotion
      - ◆ gender roles.
-

### 4.3.5 Global marketing

#### What students need to learn:

- 1 Global marketing**
    - Global marketing strategy and global localisation (glocalisation).
    - Different marketing approaches, including:
      - ◆ domestic/ethnocentric
      - ◆ mixed/geocentric
      - ◆ international/polycentric.
    - Application and adaptation of the marketing mix (4Ps) for global markets.
  
  - 2 Global niche markets**
    - Definition of international subcultures: groups of people across the globe who have common interests or values.
    - Features of global niche markets.
    - Application and adaptation of the marketing mix (4Ps) to suit global niches.
-

### 4.3.6 Multinational corporations (MNCs)

#### What students need to learn:

- 1 Potential positive impact of multinationals on overseas countries**
    - Positive factors to consider, including:
      - ◆ foreign direct investment (FDI) flows
      - ◆ employment and income
      - ◆ wider effects, e.g. jobs created indirectly, spread of wealth
      - ◆ impact on local businesses
      - ◆ impact on wider economy, e.g. tax revenues, economic growth
      - ◆ skills and technology transfer
      - ◆ corporate social responsibility (CSR).
  
  - 2 Potential negative impact of multinationals on overseas countries**
    - Negative factors to consider, including:
      - ◆ poor wages and working conditions
      - ◆ exploitation of labour/child labour
      - ◆ impact on local businesses
      - ◆ transfer pricing and tax avoidance
      - ◆ race to the bottom
      - ◆ cultural imperialism
      - ◆ environmental impact.
  
  - 3 Controlling multinationals**
    - Factors to consider, including:
      - ◆ political influence
      - ◆ legal control
      - ◆ pressure groups
      - ◆ social media.
-

# D Assessment and additional information

## Assessment information

<b>Assessment requirements</b>	For a summary of assessment requirements and assessment objectives, see <i>Section B: Specification overview</i> .
<b>Entering candidates for the examinations for this qualification</b>	Details of how to enter candidates for the examinations for this qualification can be found in the International Information Manual, copies of which are sent to all examinations officers. The information can also be found at <a href="http://www.edexcel.com/international">www.edexcel.com/international</a>
<b>Resitting of units</b>	<p>There is one resit opportunity allowed for each unit prior to claiming certification for the qualification. The best available result for each contributing unit will count towards the final grade.</p> <p>After certification all unit results may be reused to count towards a new award. Students may re-enter for certification only if they have retaken at least one unit.</p> <p>Results of units are held in the Pearson unit bank and have a shelf life limited only by the shelf life of this specification.</p>
<b>Awarding and reporting</b>	<p>The IAS qualification will be graded and certificated on a five-grade scale from A to E. The full International Advanced Level will be graded on a six-point scale A* to E. Individual unit results will be reported.</p> <p>A pass in an International Advanced Subsidiary subject is indicated by one of the five grades A, B, C, D, E of which grade A is the highest and grade E the lowest. A pass in an International Advanced Level subject is indicated by one of the six grades A*, A, B, C, D, E of which Grade A* is the highest and Grade E the lowest. To be awarded an A* students will need to achieve an A on the full International Advanced Level qualification and an A* aggregate of the IA2 units. Students whose level of achievement is below the minimum judged by Pearson to be of sufficient standard to be recorded on a certificate will receive an unclassified U result.</p>
<b>Performance descriptions</b>	Performance descriptions give the minimum acceptable level for a grade. See <i>Appendix 1</i> for the performance descriptions for this subject.

**Unit results**

The minimum uniform marks required for each grade for each unit:

**All units**

Unit grade	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Maximum uniform mark = 100	<b>80</b>	<b>70</b>	<b>60</b>	<b>50</b>	<b>40</b>

Students who do not achieve the standard required for a grade E will receive a uniform mark in the range 0–39.

**Qualification results**

The minimum uniform marks required for each grade:

**International Advanced Subsidiary cash-in code XBS01**

Qualification grade	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Maximum uniform mark = 200	<b>160</b>	<b>140</b>	<b>120</b>	<b>100</b>	<b>80</b>

Students who do not achieve the standard required for a grade E will receive a uniform mark in the range 0–79.

**International Advanced Level cash-in code YBS01**

Qualification grade	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Maximum uniform mark = 400	<b>320</b>	<b>280</b>	<b>240</b>	<b>200</b>	<b>160</b>

To be awarded an A\* students will need to achieve an A on the full International Advanced Level qualification and an A\* aggregate of the IA2 units.

Students who do not achieve the standard required for a grade E will receive a uniform mark in the range 0–159.

**Language of assessment**

Assessment of this specification will be available in English only. Assessment materials will be published in English only and all work submitted for examination must be produced in English.

## Additional information

<b>Malpractice</b>	For up-to-date information on malpractice, please refer to the latest Joint Council for Qualifications (JCQ) Suspected Malpractice in Examinations and Assessments: Policies and Procedures document, available on the JCQ website: <a href="http://www.jcq.org.uk">www.jcq.org.uk</a>
<b>Access arrangements and special requirements</b>	<p>Pearson's policy on access arrangements and special considerations for GCE, GCSE, IAL and Entry Level is designed to ensure equal access to qualifications for all students (in compliance with the Equality Act 2010) without compromising the assessment of skills, knowledge, understanding or competence.</p> <p>Please see the JCQ website (<a href="http://www.jcq.org.uk">www.jcq.org.uk</a>) for their policy on access arrangements, reasonable adjustments and special considerations.</p> <p>Please see our website (<a href="http://www.edexcel.com">www.edexcel.com</a>) for:</p> <ul style="list-style-type: none"> <li>■ the forms to submit for requests for access arrangements and special considerations</li> <li>■ dates for submissions of the forms.</li> </ul>
<b>Equality Act 2010</b>	Please see our website ( <a href="http://www.edexcel.com">www.edexcel.com</a> ) for information on the Equality Act 2010.
<b>Prior learning and progression</b>	<p><b>Prior learning</b></p> <p>There are no prior learning or other requirements for this qualification.</p> <p><b>Progression</b></p> <p>This qualification supports progression into further education, training or employment.</p>
<b>Combinations of entry</b>	Only units achieved from this qualification may contribute to the certification of the International Advanced Subsidiary in Business Studies or the International Advanced Level in Business Studies.
<b>Student recruitment</b>	<p>Pearson's access policy concerning recruitment to our qualifications is that:</p> <ul style="list-style-type: none"> <li>■ they must be available to anyone who is capable of reaching the required standard</li> <li>■ they must be free from barriers that restrict access and progression</li> <li>■ equal opportunities exist for all students.</li> </ul>



# E Support, training and resources

## Support

Pearson aim to provide the most comprehensive support for our qualifications. Here are just a few of the support services we offer:

- Subject Advisor – subject experts are on-hand to offer their expertise to answer any questions you may have on delivering the qualification and assessment.
- Subject Page – written by our Subject Advisors, the subject pages keep you up to date with the latest information on your subject.
- Subject Communities – exchange views and share information about your subject with other teachers.
- Training – see ‘Training’ below for full details.

For full details of all the teacher and student support provided by Pearson to help you deliver our qualifications, please visit [www.edexcel.com/ial/businessstudies/support](http://www.edexcel.com/ial/businessstudies/support)

## Training

Our programme of professional development and training courses, covering various aspects of the specification and examinations, are arranged each year on a regional basis. Pearson training is designed to fit you, with an option of face-to-face, online or customised training so you can choose where, when and how you want to be trained.

### Face-to-face training

Our programmes of face-to-face training have been designed to help anyone who is interested in, or currently teaching, a Pearson Edexcel qualification. We run a schedule of events throughout the academic year to support you and help you to deliver our qualifications.

### Online training

Online training is available for international centres who are interested in, or currently delivering, our qualifications. This delivery method helps us run training courses more frequently to a wider audience.

To find out more information or to book a place please visit:  
[www.edexcel.com/training](http://www.edexcel.com/training)

Alternatively, email [internationaltfp@pearson.com](mailto:internationaltfp@pearson.com) or telephone +44 (0) 44 844 576 0025

### Resources

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Pearson is committed to ensuring that teachers and students have a choice of resources to support their teaching and study.

Teachers and students can continue to use their existing GCE A level resources for International Advanced Levels.

To search for Pearson GCE resources, please visit [www.pearsonschools.co.uk](http://www.pearsonschools.co.uk)

To search for endorsed resources from other publishers, please visit [www.edexcel.com/resources](http://www.edexcel.com/resources)

### Specifications, Sample Assessment Materials and Teacher Support Materials

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Specifications, Sample Assessment Materials (SAMs) and Teacher Support Materials (TSMs) can be downloaded from the International Advanced Level subject pages.

To find a complete list of supporting documents, including the specification, SAMs and TSMs, please visit [www.edexcel.com/ial/businessstudies](http://www.edexcel.com/ial/businessstudies)

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## Introduction

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Performance descriptions describe the learning outcomes and levels of attainment likely to be demonstrated by a representative candidate performing at the A/B and E/U boundaries for IAS and IA2.

In practice most candidates will show uneven profiles across the attainments listed, with strengths in some areas compensating in the award process for weaknesses or omissions elsewhere. Performance descriptions illustrate expectations at the A/B and E/U boundaries of the IAS and IA2 as a whole; they have not been written at unit level.

Grade A/B and E/U boundaries should be set using professional judgement. The judgement should reflect the quality of candidates' work, informed by the available technical and statistical evidence. Performance descriptions are designed to assist examiners in exercising their professional judgement. They should be interpreted and applied in the context of individual specifications and their associated units. However, performance descriptions are not designed to define the content of specifications and units.

## IAS performance descriptors for Business Studies

	Assessment objective 1	Assessment objective 2	Assessment objective 3	Assessment objective 4
<b>Assessment objectives</b>	Demonstrate knowledge and understanding of the specified content.	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	Analyse problems, issues and situations.	Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources.
<b>A/B boundary performance descriptions</b>	<p>Candidates characteristically:</p> <ul style="list-style-type: none"> <li>a demonstrate knowledge and understanding of the key business concepts in the IAS specification, with few significant omissions.</li> </ul>	<p>Candidates characteristically:</p> <ul style="list-style-type: none"> <li>a demonstrate the ability to apply relevant knowledge to familiar and unfamiliar business contexts</li> <li>b show knowledge and understanding of the issues arising from these situations.</li> </ul>	<p>Candidates characteristically:</p> <ul style="list-style-type: none"> <li>a analyse problems, issues and situations:                             <ul style="list-style-type: none"> <li>■ build logical arguments</li> <li>■ use appropriate numerical and non-numerical techniques.</li> </ul> </li> </ul>	<p>Candidates characteristically:</p> <ul style="list-style-type: none"> <li>a distinguish between fact and opinion</li> <li>b assess the appropriateness of information from a variety of sources</li> <li>c make a reasoned evaluation of the sources considered.</li> </ul>
<b>E/U boundary performance descriptions</b>	<p>Candidates characteristically:</p> <ul style="list-style-type: none"> <li>a demonstrate a basic knowledge and some understanding of the business concepts in the IAS specification.</li> </ul>	<p>Candidates characteristically:</p> <ul style="list-style-type: none"> <li>a demonstrate the ability to apply a basic level of relevant knowledge to familiar business contexts</li> <li>b show some knowledge and understanding of the issues arising from these situations.</li> </ul>	<p>Candidates characteristically:</p> <ul style="list-style-type: none"> <li>a provide partial analysis of problems, issues and situations:                             <ul style="list-style-type: none"> <li>■ build arguments</li> <li>■ use appropriate numerical and non-numerical techniques.</li> </ul> </li> </ul>	<p>Candidates characteristically:</p> <ul style="list-style-type: none"> <li>a make some distinction between fact and opinion</li> <li>b assess at a basic level the appropriateness of information from one or more sources</li> <li>c make a partial evaluation of the sources considered.</li> </ul>

## IA2 performance descriptors for Business Studies

	Assessment objective 1	Assessment objective 2	Assessment objective 3	Assessment objective 4
<b>Assessment objectives</b>	Demonstrate knowledge and understanding of the specified content.	Apply knowledge and understanding of the specified content to problems and issues arising from both familiar and unfamiliar situations.	Analyse problems, issues and situations.	Evaluate, distinguish between and assess appropriateness of fact and opinion, and judge information from a variety of sources.
<b>A/B boundary performance descriptions</b>	<p>Candidates characteristically:</p> <p>a demonstrate precise knowledge and understanding of key business concepts drawn from the IA2 specification, with few omissions</p> <p>b show knowledge and understanding of the links between business concepts.</p>	<p>Candidates characteristically:</p> <p>a demonstrate effective application of relevant knowledge to familiar and unfamiliar business contexts</p> <p>b show knowledge and understanding of the issues arising from these situations.</p>	<p>Candidates characteristically:</p> <p>a critically analyse problems, issues and situations:</p> <ul style="list-style-type: none"> <li>■ build logical arguments</li> <li>■ use appropriate numerical and non-numerical techniques</li> </ul> <p>b analyse a business strategy</p>	<p>Candidates characteristically:</p> <p>a distinguish between fact and opinion</p> <p>b assess critically the appropriateness of information from a wide variety of sources</p> <p>c make a well-reasoned evaluation of the sources considered.</p>
<b>E/U boundary performance descriptions</b>	<p>Candidates characteristically:</p> <p>a demonstrate knowledge and some understanding of business concepts drawn from the IA2 specification</p> <p>b show some knowledge and understanding of the links between business concepts.</p>	<p>Candidates characteristically:</p> <p>a demonstrate the application of relevant knowledge to familiar and unfamiliar business contexts</p> <p>b show some knowledge and understanding of the issues arising from these situations.</p>	<p>Candidates characteristically:</p> <p>a provide a simple analysis of problems, issues and situations:</p> <ul style="list-style-type: none"> <li>■ build arguments</li> <li>■ use appropriate numerical and non-numerical techniques</li> </ul> <p>b outline a business strategy.</p>	<p>Candidates characteristically:</p> <p>a distinguish between fact and opinion</p> <p>b assess the appropriateness of information from several sources</p> <p>c make an evaluation of the sources considered.</p>



Type of code	Use of code	Code number
Unit codes	Each unit is assigned a unit code. This unit code is used as an entry code to indicate that a student wishes to take the assessment for that unit. Centres will need to use the entry codes only when entering students for their examination.	Unit 1 – WBS01 Unit 2 – WBS02 Unit 3 – WBS03 Unit 4 – WBS04
Cash-in codes	The cash-in code is used as an entry code to aggregate the student's unit scores to obtain the overall grade for the qualification. Centres will need to use the entry codes only when entering students for their qualification.	IAS – XBS01 IAL – YBS01
Entry codes	The entry codes are used to: <ol style="list-style-type: none"> <li>1 enter a student for the assessment of a unit</li> <li>2 aggregate the student's unit scores to obtain the overall grade for the qualification.</li> </ol>	Please refer to the Pearson Information Manual, available on our website ( <a href="http://www.edexcel.com">www.edexcel.com</a> ).



The following is a glossary of the comparison between the International Accounting Standards (IAS) terminology and the UK GAAP (Generally Accepted Accounting Practice in the UK) terminology.

The assessments for the International Advanced Subsidiary in Business Studies and the International Advanced Level in Business Studies will use **only** IAS terminology.

Previously used UK GAAP terminology	IAS terminology
Final accounts	Financial statements
<b>Trading and profit and loss account</b>	<b>Statement of comprehensive income</b>
Sales	Revenue
Purchases	Raw materials/ Ordinary goods purchased
Cost of goods sold	Cost of sales
Stock	Inventory
Work in progress	Work in progress
Gross profit	Gross profit
Sundry expenses	Other operating expenses
Sundry income	Other operating income
Interest receivable	Investment revenues/ finance income
Interest payable	Finance costs
Net profit	Profit for the year
<b>Balance sheet</b>	<b>Statement of financial position</b>
<b>Fixed assets</b>	<b>Non-current assets</b>
Land and buildings	Property
Plant and equipment	Plant and equipment
Investments	Investment property
Goodwill etc	Intangible assets
<b>Current assets</b>	<b>Current assets</b>
Stock	Inventory
Stock take	Inventory count
Debtors	Trade receivables
Prepayments	Other receivables
Bank and cash	Cash
<b>Current liabilities/Creditors: amounts due within 12 months</b>	<b>Current liabilities</b>
Creditors	Trade payables
Accruals	Other payables
Loans repayable within 12 months	Bank overdraft and loans
<b>Long term liabilities/ Creditors: amounts falling due after 12 months</b>	<b>Non-current liabilities</b>
Loans repayable after 12 months	Bank (and other) loans
Net book value	Carry over
<b>Capital</b>	<b>Capital or Equity</b>
Share capital	Share capital





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