

International GCSE

Business Studies (4BS0)

Teacher's guide

First examination 2011

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Introduction

The Edexcel International General Certificate of Secondary Education (International GCSE) in Business Studies is designed for schools and colleges. It is part of a suite of International GCSE qualifications offered by Edexcel.

About this guide

This guide is for teachers who are delivering or planning to deliver the Edexcel International GCSE in Business Studies (4BS0) qualification. The guide supports you in delivering the course content and explains how to raise the achievement of your students. The guide:

- provides an example scheme of work
- gives details of the Assessment Objectives and criteria
- suggests a range of possible textbooks and other resources
- gives advice on how students can reach their full potential
- provides a list of command words that are directly linked to the Assessment Objectives (AOs).

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Why choose this qualification?

Edexcel acknowledges the value of studying business. Governments must ensure that the workforce stays competitive in order to meet new or developing business-related challenges, such as the effects of increasing globalisation, the influence of business activity on our everyday lives and the future of our planet, and the value of fostering an entrepreneurial business climate.

Students must be taught only relevant and up-to-date information. In the UK there is a revised set of subject criteria for GCSE Business Studies, which informs the International GCSE in Business Studies content. This set of criteria is one of the reasons for the introduction of this International GCSE Business Studies qualification.

Edexcel's International GCSE in Business Studies is designed as a two-year course for schools and colleges. On its successful completion, students can develop their understanding of business further as this course provides a solid basis for Edexcel AS GCE and Advanced GCE in Business Studies, AS GCE and Advanced GCE in Economics and Business Studies, and equivalent qualifications.

Edexcel's International GCSE in Business Studies:

- is based on the content of the equivalent Edexcel GCSE Business Studies suite of qualifications
- is 100 per cent examined – there is a single-tier assessment route, graded A* to G, that allows all students to demonstrate their knowledge and understanding of business
- includes a detailed description of subject content
- offers a course for students of various ages and from diverse backgrounds
- provides a solid basis for further study of business.

Visit www.edexcel.com for more information about this International GCSE and related resources.

Support from Edexcel

We are dedicated to giving you exceptional customer service. Details of our main support services are given below. They will all help you to keep up to date with International GCSE 2009.

Website

Our website www.edexcel.com is where you will find the resources and information you need to successfully deliver International GCSE qualifications. To stay ahead of all the latest developments visit the microsite and sign up for our email alerts.

Ask Edexcel

Ask Edexcel is our free, comprehensive online enquiry service. Use Ask Edexcel to get the answer to your queries about the administration of all Edexcel qualifications. To ask a question please go to www.edexcel.com/ask and fill out the online form.

Ask the Expert

This free service puts teachers in direct contact with over 200 senior examiners, moderators and external verifiers who will respond to subject-specific queries about International GCSE 2009 and other Edexcel qualifications.

You can contact our experts via email or by completing our online form. Go to www.edexcel.com/asktheexpert for contact details.

Regional offices

If you have any queries about the International GCSE 2009 qualifications, or if you are interested in offering other Edexcel qualifications your Regional Development Manager can help you. Go to www.edexcel.com/international for details of our regional offices.

Training

A programme of professional development and training courses, covering various aspects of the specification and examination is available. Go to www.edexcel.com for details.

Section A: Qualification content

Introduction

The Edexcel International GCSE in Business Studies requires students to:

- relate their learning to real business examples
- be aware of current issues that affect businesses
- focus on current business practice
- understand the importance of seeing business issues through different perspectives
- be aware that information communication technology is essential to business decision-making processes and success, and affects all functional areas of business.

The subject content of the International GCSE in Business Studies (4BS0) reflects the content from the legacy International GCSE in Business Studies (4330). Students need to demonstrate knowledge and understanding of the following five content sections.

1 **Business Activity and the Changing Environment**

Introduces the nature and types of business within an economy and examines the interaction between businesses and their environment.

2 **Human Resources (HR)**

Looks at people in organisations, focusing on their roles, relationships and management in business.

3 **Accounting and Finance**

Explores the use of accounting and financial information as an aid to decision making.

4 **Marketing**

Focuses on identifying and satisfying customer needs in a changing and competitive international environment.

5 **Production**

Examines the way organisations use and manage resources to produce goods and services.

Whilst these five content sections are listed as discrete topics, teachers and students should recognise that – because business is dynamic – these five areas interrelate. An example of how the sections can be integrated is given in the example course planner found later in this guide.

Information for Edexcel centres

Changes to content from Edexcel International GCSE (4330) to this qualification

Edexcel centres will be pleased to note that there are few changes to the legacy International GCSE in Business Studies (4330) subject content. None of these changes is substantial in nature, and therefore existing resources will not need major adaptation to meet the requirements of this qualification.

The table below summarises the changes that have been made to the International GCSE in Business Studies (4BS0) qualification. There are no changes to Topic 4: Marketing or Topic 5: Production.

Legacy International GCSE in Business Studies (4330) content reference	This qualification content reference
<p>Topic 1: Business Activity and the Changing Environment</p> <p>1.7 Technology and environmental influences</p>	<p>Topic name changes to external influences.</p> <p>Ethical issues has been added to the content. The term ‘environmental’ has been clarified as environmental/sustainable and e-commerce is now referred to as e-business.</p>
<p>Topic 2: Human Resources</p> <p>2.1 Internal organisation</p>	<p>Reference to research and development is removed from the production section (but remains in the marketing section). Quality and stock control is now included under production. The term ‘personnel’ is now referred to as human resources.</p>
<p>2.3 Recruitment and selection</p>	<p>The term ‘job specifications’ has been clarified as person (job) specifications. Equal opportunities now include reference to religious preference.</p>
<p>Topic 3: Accounting and Finance</p> <p>3.3 Cost and break-even analysis</p>	<p>Reference to costs has been clarified as ‘direct and indirect (overhead) costs and fixed and variable costs’.</p>
<p>3.4 Final accounts</p>	<p>Topic name changes to financial statements.</p> <p>The term ‘assets’ has been clarified as fixed and current assets, and liabilities as current and long-term liabilities.</p>

Changes to assessment from Edexcel International GCSE (4330) to this qualification

The assessment structure has been simplified. Based on experience of running single-tier business papers with great success, International GCSE Business Studies students will, in

future, be assessed through sitting a single paper. Students therefore do not need to be entered for either Foundation tier or Higher tier. There is no coursework or equivalent examination requirement.

Information for centres starting the Edexcel International GCSE for the first time

Familiar content areas

The content of the Edexcel International GCSE in Business Studies (4BS0) reflects the content found in other examination board International GCSE and O Level qualifications.

Teachers will be familiar with all topic areas in the Edexcel International GCSE in Business Studies.

Therefore it is unlikely that teachers will need to adapt their existing resources substantially in order to teach the Edexcel International GCSE in Business Studies successfully and effectively.

Simple assessment approach

The Edexcel approach to assessing this International GCSE in Business Studies qualification is simple and straightforward.

- There is a single, two-hour written examination, accessible by all students.
- The examination consists of two sections based on a scenario (context) that has been carefully selected with international centres and students in mind.
- Each of the sections focuses on specific Assessment Objectives, ensuring teachers and students know what to expect and can plan how best to approach and answer the questions.
- The structured and progressive nature of the examination questions allows all students to demonstrate what they know, understand and can do.

The Edexcel International GCSE in Business Studies has been developed so that it follows the UK-based GCSE Business Studies subject criteria closely – approved by the Qualifications and Curriculum Authority (QCA), the UK's regulatory body for public examinations and publicly-funded qualifications.

Section B: Assessment

Assessment overview

The approach to assessing the International GCSE in Business Studies (4BS0) has been simplified as follows:

- a single untiered paper is sat by all students
- coursework (or equivalent exam paper) is no a requirement.

The tables below give an overview of the assessment for International GCSE Business Studies. Teachers should make this information available to students, so that they are fully prepared and know exactly what to expect in the assessment.

Paper 1	Percentage	Marks	Time allowed	Availability
Business Studies (4BS0/01)	100%	100	Two hours	Every June examination series, from June 2011

Paper structure	Questions and marks	Assessment Objectives (AOs) targeted
Section A	3 compulsory questions 20 marks per question 60 marks in total	Mainly or exclusively Assessment Objectives (AOs)* AO1 (general business knowledge and understanding) AO2 (ability to apply business knowledge to a given situation).
Section B	2 compulsory questions 20 marks each question 40 marks in total	Mainly or exclusively Assessment Objectives (AOs)*: AO3 (ability to select and analyse business information and situations) AO4 (ability to evaluate and make judgements about business information and situations).

* See page 8 for details of the Assessment Objectives (AOs).

Assessment Objectives and weightings

	% in International GCSE
AO1: recall, select, use and communicate their knowledge and understanding of concepts, issues and terminology used in business in an effective manner	20-30%
AO2: apply knowledge and understanding using appropriate terms, concepts, theories and methods effectively in specific contexts	25-40%
AO3: select, organise and interpret data from a variety of sources to investigate and analyse issues and problems	20-30%
AO4: analyse and evaluate evidence, make reasoned judgements and present appropriate conclusions	15-25%
Total	100%

Assessment summary

Paper 1	Description	Knowledge and skills
Business Studies (4BS0/01)	2 hours in length. All five major topics will be assessed. Calculators are required. A business context is given at the start, with further information included as and when required.	Information on the Assessment Objectives is given in the above table, and further information is available in the specification.
	Section A (60 marks): 3 compulsory questions at 20 marks each, multiple-choice and short-answer questions. Targeted mainly at grades C and below.	Section A questions are targeted mainly or exclusively at knowledge, understanding and application (Assessment Objectives 1 and 2).
	Section B (40 marks): 2 compulsory questions at 20 marks each, short-answer then longer-answer questions. Targeted mainly at grades C and above.	Section B questions are targeted mainly or exclusively at selection, analysis and evaluation (Assessment Objectives 3 and 4).

Examination questions

Introduction

Although students will be tested on their general knowledge and understanding of business, most of the marks are given for the ability to apply, select, analyse and evaluate. The questions need to be put into context, and students need to be able to relate their answers appropriately. The context is given at the start of Section A and developed in Section B.

The following context, from the sample assessment materials for Section A, represents what can be expected in an examination.

Context

Comet Cars plc (CC plc) is a manufacturer of cars. The Head Office and one of its factories are located in the city of Bristol (UK). There are two other UK factories in Coventry and Wolverhampton.

There are many car manufacturers in Europe and the rest of the world. This means that *CC plc* has to survive and operate in a very competitive market. As a result, the directors of *CC plc* realise that the company must produce a range of quality cars in order to stay competitive with other manufacturers.

The directors realise how important it is to keep making and selling new cars that appeal to customers.

Section A

This section is targeted at Assessment Objectives (AOs)1 and 2. Multiple-choice questions are given at the start of the paper, and they often test a general understanding of business knowledge (AO1). (Examples are given in the sample assessment materials.)

AO1 question

An example of a Section A short-answer question, which tests general understanding of business knowledge and which does not require application, is shown below.

(b) *CC plc*'s balance sheet contains both share capital and a bank loan.

Describe **two** differences between share capital and a bank loan.

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(4)

The topic reference for this question, taken from the sample assessment materials, is 3.1 of the subject content (accounting and finance – external and internal sources of finance).

A student answer to the above short-answer question, worth all four marks, is shown below. The marking points have been indicated.

- 1 *Share capital is provided by the owners (1 mark), who receive a share of the profits as their reward (1 mark).*
- 2 *A bank loan is borrowed from and negotiated with a bank (1 mark). In return, the bank receives interest payments from the borrower (1 mark).*

AO2 question

An example of a Section A short-answer question that uses context information (the reference to quality), and which tests a student's ability to apply knowledge and understanding (AO2), is shown below with a model student answer.

(d) *CC plc* has a quality control system.

(ii) State **one** problem that *CC plc* will have if it makes poor quality cars.

How would this problem affect *CC plc*?

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(2)

The topic reference for this question, taken from the sample assessment materials, is 5.4 of the subject content (production – quality).

A student answer to the above short-answer question, worth both marks, is shown below. The marking points have been indicated.

CC plc will suffer bad publicity about its cars (**1 mark**), which will lose sales, which is a problem because they are in a very competitive market (**1 mark**).

Section B

This section is targeted at selecting and analysing business information (AO3), and at evaluating and judging it (AO4). Additional context will often be included at the start of Section B. For example:

The directors of *CC plc* want to introduce a new range of cars. These cars will be at the luxury end of the market and will be competing with expensive cars manufactured by other companies.

The directors of *CC plc* plan to invest in new machines to make the new range of cars. They hope this will lead to economies of scale. The new machines will make *CC plc* more capital-intensive.

AO3/AO4 question

An example of a Section B question targeted at AO3 and/or AO4 is as follows:

- (b) One director wants to promote the new luxury range using persuasive advertising methods. Another director would prefer to use informative advertising to promote the new range.
- (ii) Discuss how persuasive and informative advertising can both be suitable methods to use in this situation.

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(4)

The topic reference for this question, taken from the sample assessment materials, is 4.2 of the subject content (marketing – the marketing mix).

Stronger students will recognise the importance of taking account of the question phrase ‘in this situation’ when constructing their answers. What is ‘this situation’? The context tells students that *CC plc* operates in a competitive market, and the new car range is at the luxury end of an already established market. An example of a good student answer to the above short-answer question, worth full marks, is shown below. The marking points have been indicated.

Persuasive advertising tempts customers to buy CC plc's cars. It is likely to be used by other car manufacturers, so CC plc should use it to compete with them. Informative advertising seeks to give relevant information about the car (1 mark). This is particularly important with cars because they are very expensive (1 mark), and therefore customers need a lot of information on which to base their buying decision (1 mark). If CC plc did not provide such information, customers would buy from a competitor (1 mark).

The marking points have been applied as follows: 1 mark for knowledge of both types of advertising; 1 mark for applying answer to the context; 2 marks for analysing why.

Command words in relation to Assessment Objectives

When designing questions for the International GCSE in Business Studies qualification the senior examining team uses command words that are appropriate for the requirements of each of the Assessment Objectives (AOs). Students must become familiar with the link between the command words and the Assessment Objectives (see below). Mark schemes will be designed around the Assessment Objectives. The command word 'explain' is appropriate to all Assessment Objectives. Students should note that the number of marks available for each question is an indication of the Assessment Objective and the depth of response required. These command words will be used for each Assessment Objective.

Indicative command words			
AO1	AO2	AO3	AO4
Define	Apply	Analyse	Advise
Describe	Calculate	Compare	Assess
List	Give an example in context	Using the graph/data	Consider
Name	How	Select	Decide
Outline	Show		Discuss
State	Using X, ...		Evaluate
What is			Justify
			To what extent ...

Using the mark scheme

The mark scheme gives the responses we expect from students. Indicative answers are given but during the standardisation of examiners process the mark scheme is updated and expanded to cover unexpected, correct student responses.

Section C: Planning and teaching

Course planner

Whilst the specification's delivery is the responsibility of the centre, the following scheme of work for a two-year course might be a useful starting point. It is based on a traditional three-term yearly model and allocates the first five terms to teaching, leaving the final term available for revision and examination practice.

Term 1 of 5

Content area	Topic	Activities	Resources
1	Business Activity and the Changing Environment		
1.4	Primary, secondary and tertiary activity <ul style="list-style-type: none"> Primary – extraction of natural resources Secondary – raw materials transformed into semi-finished/finished goods Tertiary – eg transport/distribution or financial/professional services. closely 	Teacher explanation Group discussion Question and answer Research into relevant business activities	Textbooks Worksheets Internet Speakers Work experience
1.3	Factors of production <ul style="list-style-type: none"> Enterprise, capital, labour 	↓	↓
1.1	Objectives <ul style="list-style-type: none"> Wealth creation, survival, market share, profitability 		
1.2	Types of organisation <ul style="list-style-type: none"> Ownership, control, sources of finance, use of profits, stakeholders Sole trader, partners, private/public limited, franchising, multi-nationals Public sector 	Teacher explanation and examples Student research Writing up examples of local businesses Presentations	Local businesses Case-studies Visits Pamphlets Annual reports Websites Business magazines Newspapers
1.8	Judging success <ul style="list-style-type: none"> Size, turnover, shareholders, number of employees, consumer reaction/satisfaction 	↓	↓

Term 2 of 5

Content area	Topic	Activities	Resources
2	Human Resources		
2.1	Internal organisation <ul style="list-style-type: none"> key terms used, eg delegation key departments roles/responsibilities of employees 	Group discussion Question and answer Group presentations on departments	Visiting speaker School structure Mini-enterprise Case studies
2.2	Communication <ul style="list-style-type: none"> good communication effects of poor communication methods of communication – paper, electronic, people, organisations 	Examples and use of different methods of communication (eg face-to-face activities)	Exemplar materials (eg letters, memos, email)
4	Marketing		
4.1	The market <ul style="list-style-type: none"> market types – consumer, industrial market orientation (consumer focus) and product orientation (product focus) marketing – process, identify consumer wants, predict future wants market segments – consumers in groups 	Developing a marketing plan within a given context ↓	Textbooks Company websites Owners of businesses Research Appropriate data
4.2	The marketing mix <ul style="list-style-type: none"> price – the main strategies promotion – aims, types types of advertising – persuade, inform advertising media place – channels of distribution, methods product – goods/services, branding, packaging, product mix, product life cycle 	↓	Promotional materials Trade fairs Advertising materials Newspapers Magazines Videos
4.3	Market research <ul style="list-style-type: none"> primary and secondary using, presenting, analysis and evaluation of research findings 	↓	↓

Term 3 of 5

Content area	Topic	Activities	Resources
2	Human Resources (continued)		
2.3	Recruitment and selection <ul style="list-style-type: none"> • internal/external recruitment • job descriptions and person specifications • advertising – media, style, target, place • interviews – planning operation • selection – matching applicant to job description and job specification • effects of legislation on equal opportunities – sex/gender, race, pay, disability, sexual preference 	Recruitment and selection exercises Mock interviews	Textbooks Newspaper advertisements Application forms Job descriptions Job specifications Visit by HR manager Other business representatives School governors Parents
2.4	Training <ul style="list-style-type: none"> • induction – introduces new employees to the business and staff • on-the-job and off-the-job training • government schemes • costs/benefits to employer and employee • qualifications, promotion prospects 	Explanation of different types of training Note taking Individual and/or group research	Video Visits Work experience Case studies
2.5	Motivation and rewards <ul style="list-style-type: none"> • theories – Maslow and Herzberg • rewards – wages/salaries, commission, bonus, profit sharing, share ownership, non-financial incentives, job satisfaction 	Group discussion Notes Question and answer Research (eg a questionnaire)	Textbooks Internet Employees
	End-of-year/'mock' examination on topics taught to date	Revision exercises Examination techniques	Past papers Chief examiner's annual reports.

Term 4 of 5

Content area	Topic	Activities	Resources
3	Accounting and Finance		
3.3	Cost and break-even analysis <ul style="list-style-type: none"> types of costs – variable, fixed, direct and indirect break-even analysis 	Break-even by calculation and chart Discuss relationship between costs and revenue	Worksheet examples Guides to using ICT Company accounts Past papers.
3.4	Financial statements <ul style="list-style-type: none"> gross/net profit/capital/assets/liabilities trading account, profit and loss account, balance sheet – purpose, why prepared 	Teacher explanation Exercises in interpretation of final accounts	Worksheets Extracts from company accounts Textbooks.
3.5	Ratios and performance <ul style="list-style-type: none"> gross profit and net profit margins, ROCE current ratio and acid test 	Teacher guided working on ratios Interpret results	Worksheets
3.2	Budgets and cash flow forecasts <ul style="list-style-type: none"> budgets cash flow forecasts 	Group discussion Cash flow forecasts Mini-enterprise Business plan	Worksheets Business plan outlines ICT guides Textbooks
3.1	External/internal sources of finance Short-term start-up capital – <ul style="list-style-type: none"> own capital, overdraft, bank loan, friend/family, government/EU grant/loan Long-term – <ul style="list-style-type: none"> reinvestment of profits/reserves, issue more shares, bank. 	Group research into different sources of finance Presentation of findings in a given context	Textbook Company details Information from banks

Term 5 of 5

Content area	Topic	Activities	Resources
5	Production		
5.2	Methods of production <ul style="list-style-type: none"> job, batch, flow (mass) 	Matching methods of production to type of product	Examples of products Videos Visits
5.3	Productivity <ul style="list-style-type: none"> methods technology 	Examples of methods in given contexts	Visits Textbook Case studies
5.4	Quality <ul style="list-style-type: none"> quality control, TQM consequences of poor quality 	Teacher exposition Examples	Textbook Case studies
5.1	Economies and diseconomies of scale <ul style="list-style-type: none"> internal economies external economies 	Teacher exposition Note making	Textbook Case studies Worksheets
1	Business Activity and the Changing Environment (continued)		
1.5	Location <ul style="list-style-type: none"> production, competition, legislation, environment, employment 	Mapping activity and note-making on the factors that affect the location of all business	Maps Relevant data Textbook Case studies Work experience visits Relevant websites (eg Greenpeace)
1.6	Government influences on business activity and objectives <ul style="list-style-type: none"> government and government influences employees consumers – consumer protection legislation finance – public expenditure/taxation imports/exports 	Teacher exposition Note making	Textbook Case studies Worksheets
1.7	External influences <ul style="list-style-type: none"> environmental, technological, social, ethical, economic 	Group discussion Research	Relevant websites Textbooks Case studies

Teaching ideas

The value of making learning about business 'real' and vocational

Business is not a wholly academic subject. It is, by its very nature, vocational. If students are to learn effectively and to understand business, they should experience the real world of business wherever possible.

We suggest that teachers incorporate actual examples of local and regional businesses in their teaching, in order to illustrate and exemplify the 'textbook' content of International GCSE Business Studies. This is particularly important when students are faced with assessment, because they will be presented with a business scenario (usually based on a real business).

To perform well in the examination, students need to be able to apply and use their knowledge and understanding of business studies content. They are likely to achieve this more easily if they have been introduced to a range of real-life business examples and situations.

If possible, visits to local businesses, speakers from the business world, and the consideration and exploration of the students' centre as 'a business' will all help develop a practical understanding of business studies.

Ideas for making learning about business 'real'

The following suggestions are for any teachers who would like to involve their students in active learning through, for example, 'mini-projects'.

- Organise or take part in a competition.
- Visit a local business and interview the business owner.
- Organise an event such as a business exhibition, business open day at the centre or a presentation about business studies to another group of students.
- Organise an activity day on the theme of business.
- Undertake and report on a period of work experience.

Active learning: an example of a vocational learning assignment

Assignment: Marketing strategies (*Section 4 on page 12 of the specification content*)

Background work

A new retail business (for example a hairdresser or a garage) is opening in your local area. Similar businesses already exist in the area and for the new business to be successful, a small-scale marketing campaign will be necessary.

You will need to investigate:

- the different types of media that would be available for such a campaign
- the market research that could be undertaken to decide on the marketing campaign
- marketing, including promotion and advertising.

Activity

Prepare a plan for your marketing campaign. You may use any appropriate method to present your plan, for example charts, tables, graphics and diagrams.

Your plan must indicate:

- the alternatives you have considered
- the reasons for the decisions you have made.

Your main tasks

- To conduct market research, in order to find your target market.
- To look at the results of the market research, decide what these results tell you and make any necessary changes to your original plans.
- To use your results to help decide how you can best advertise and promote your new business, ie plan a marketing campaign.

With each task, you should try to:

- give some background theory, for example notes from a textbook or from your teacher
- give details of the alternative actions or methods that were open to you
- state your reasons for the decisions you have made.

Task 1

To find out whether your business will be successful, you need to find out who your potential customers or target market will be and what kind of products and services they will require. This information will also be needed when you come to decide how to promote and advertise your new business.

Task 2

Draft a simple questionnaire, which will give you information about your target market and the products or services they require.

Apply your questionnaire, interviewing people who have an interest in your type of business.

Task 3

Visit a shop or shops similar to the type you have chosen to open. Either through your own observations, or by talking to the owner(s), make notes and try to answer the following:

- a) the name of the shop, its type and its aims and objectives
- b) the shop's location and how important you consider this to be with regard to the shop's success
- c) the range of goods or services it offers and what you consider its target market to be
- e) the effect opening your shop might have on the community and existing businesses.

Task 4

Using your completed questionnaires:

- a) review your market research results – what data does the questionnaire provide?
- b) discuss how your results will help you make decisions with regard to business location, target market, pricing and so on
- c) discuss the effectiveness of this kind of survey, as you carried it out compared to how it might be done in reality by a small business.

Task 5

Plan the marketing campaign, to bring your business to the notice of the public.

- a) Discuss the main ways in which any business can promote and advertise its products or services and how legal constraints can affect how it does this.
- b) Where possible, get the costs for the promotion. This may affect your eventual choice of method(s).
- c) Give your conclusions and final decisions on the promotional and advertising methods you have decided on.

An example lesson plan

Section	3 Accounting and Finance
Content	3.5 Ratios and performance
Previous learning	3.4 Financial statements
Lesson aim	To introduce the nature of, and need for, accounting ratios.
Lesson objectives	Students will be able to: <ul style="list-style-type: none"> a) explain the difference between profit, liquidity and profitability b) describe the function of the following ratios: gross and net profit margins, return on capital employed, current ratio and acid test ratio c) calculate accurately each of these ratios from given information.
Content	Methods and assessment
Financial statements (revision)	Question and answer: check notes and exercises.
Ratios (introduction)	Explanation of 'profitability' and 'liquidity'; use profit and sales figures from the previous exercise to explain difference between profit and profitability.
Ratios (types)	Issue a handout with definitions and formulae for the three profitability and two liquidity ratios. Students should take notes on the function of each ratio.
Ratios (calculation)	Students should use figures from previous exercises on financial statements to calculate ratios.
Revision and consolidation	Question and answer on profit, profitability and liquidity. New figures given for homework: students to calculate ratios.
Next lesson	Interpretation of ratios: describing the results, comparing with previous year's performance, comparing with another business in the same industry.

Resources

Please note that while resources are correct at the time of publication, they may be updated or withdrawn from circulation. Website addresses may change at any time.

Textbooks

Alpin S, Cooper J, O'Hara G and Petrucke F — *GCSE Business Studies for Edexcel* (Hodder & Stoughton, 2004) ISBN 0340816562

Borrington K and Stimpson P — *IGCSE Business Studies* (CD-ROM) (Hodder Murray, 2002) ISBN 071957269X

Borrington K and Stimpson P — *IGCSE Business Studies, 3rd Edition* (Hodder Murray, 2006) ISBN 034092649X

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