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# Unit 1 Business in the Real World

## 3.1.1 The purpose and nature of businesses

Topic	Red	Amber	Green
Understand what a business is			
Give reasons for starting a business			
Understand the difference between goods and services			
Understand the difference between needs and wants			
Explain the factors of production			
Define opportunity cost			
Define and give examples of sectors of production			
Understand the term enterprise			
Understand the term entrepreneur			
List characteristics of an entrepreneur			
Explain the objectives of an entrepreneur			

## 3.1.2 Business ownership

Topic	Red	Amber	Green
Explain the concept of limited liability			
Give the pros and cons of each form of ownership: <ul style="list-style-type: none"><li>• Sole traders</li><li>• Partnerships</li><li>• Private limited companies (Ltd)</li><li>• Public limited companies (plc)</li><li>• Not-for-profit organisations</li></ul>			

## 3.1.3 Setting business aims and objectives

Topic	Red	Amber	Green
List business objectives			
Explain why businesses set objectives			
Understand how and why the objectives set may change as businesses evolve.			
Understand the success of a business can be measured in other ways than profit.			

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### 3.1.4 Stakeholders

Topic	Red	Amber	Green
Understand who the main stakeholders of a business are			
Understand stakeholders' main objectives			
Understand the impact of business activity on different stakeholders			
Understand how businesses may face conflict between stakeholders			

### 3.1.5 Business location

Topic	Red	Amber	Green
Students should be able to understand the factors that influence where a business is located, including proximity to the market, availability of raw materials, labour, competition and costs.			

### 3.1.6 Business planning

Topic	Red	Amber	Green
Understand the reasons why businesses create plans			
Analyse the benefits and drawbacks of business planning			
Understand the difference between variable costs, fixed costs and total costs			
Understand the concept of revenue, costs, profit and loss.			

### 3.1.7 Expanding a business

Topic	Red	Amber	Green
Explain the pros and cons of organic growth and external growth			
Understand the meaning of purchasing and technical economies of scale			
Understand that diseconomies of scale occur because of poor communication, coordination issues and reduced staff motivation			
Calculate and interpret average unit costs.			

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# Unit 2 Influences on Business

## 3.2.1 Technology

Topic	Red	Amber	Green
Understand what e – commerce is and how it allows businesses to access wider markets			
Understand the impact of the changing use of ICT and how it influences business activity.			
Understand that digital communication is changing the way businesses communicate with stakeholders.			
Understand the meaning of factors of production – land, labour, capital, enterprise			
Know relevant examples of digital technology / communication.			

## 3.2.2 Ethical and environmental considerations

Topic	Red	Amber	Green
Define the term 'ethics'			
Analyse where there may be a possible trade – off between ethics and profit.			
Understand that ethical behaviour requires businesses to act in ways that stakeholders consider to be both fair and honest.			
Know relevant examples of ways in which a business can behave ethically			
Analyse the benefits and drawbacks of ethical behaviour.			
Understand environmental considerations raised by business activity: <ul style="list-style-type: none"><li>• impact on traffic congestion</li><li>• recycling</li><li>• disposing of waste</li><li>• noise and air pollution.</li></ul>			
Understand how business and consumers accept greater environmental responsibility in their decision making			
Analyse the costs and benefits to businesses of being environmentally friendly			
Define the term 'sustainability'			
Understand that sustainability includes concerns around global warming and the use of scarce resources			
Analyse where there may be a possible trade-off between sustainability and profit.			

## 3.2.3 The economic climate on businesses

Topic	Red	Amber	Green
Define the term 'interest rate'			
The impact of changing interest rates on businesses that rely on overdrafts and loans			

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Topic	Red	Amber	Green
The impact of changing interest rates on consumer spending			
The impact of changing interest rates on business expenditure and investment			
Identify how and why businesses might be affected by changes in levels of employment.			
Discuss how demand for products and services may change as incomes fluctuate.			

### 3.2.4 Globalisation

Topic	Red	Amber	Green
Define the term 'globalisation'			
Explain how British businesses attempt to compete internationally through design, quality and price			
Understand the benefits and drawbacks globalisation presents to UK businesses.			
Define the term 'exchange rate'			
Understand the impact of changing exchange rates on the profit and sales of those businesses that import and/or export.			

### 3.2.5 Legislation

Topic	Red	Amber	Green
Define the term 'employment law'			
Understand the impact on businesses of <ul style="list-style-type: none"><li>The national minimum wage / living wage</li><li>The Equality Act (2010)</li></ul>			
Define the term 'Health and Safety legislation'			
Understand the impact on businesses of the Health and Safety Act (1974)			
Define the term 'consumer law'			
Understand the impact of the Trade Descriptions Act			
Assess the impact of legislation on businesses. For example, the effect on costs, training needs, and recruitment.			
Assess the consequences of failure to follow legislation for the business.			

### 3.2.6 Competitive environment

Topic	Red	Amber	Green
Define the term 'market'			
Define the term 'competition'			
Analyse potential impacts of competition on businesses and identify situations when businesses face minimal or no competition			
Understand the risks businesses face			
Understand the reasons why all businesses face uncertainty			

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Topic	Red	Amber	Green
Understand the reason why entrepreneurs embark on running businesses			
Explain the measures businesses can undertake to minimise risks			

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# Unit 3 Operations

## 3.3.1 Production Processes

Topic	Red	Amber	Green
Define the term 'job production'			
Explain when job production is appropriate			
Analyse the advantages and disadvantages of job production			
Define the term 'flow production'			
Explain when flow production is appropriate			
Analyse the advantages and disadvantages of flow production			
Define the term 'efficiency'			
Define the term 'lean production'			
Define the term 'just in time production' and recognise it as a method of lean production			
Analyse how production might be made more efficient using lean production techniques.			

## 3.3.2 The role of procurement

Topic	Red	Amber	Green
Define the term 'just in time (JIT) production'			
Define the term 'just in case (JIC) production'			
Evaluate the use of JIT to a given business (reduced costs must be balanced against the cost of more frequent deliveries and lost purchasing economies of scale).			
Evaluate the use of JIC to a given business (the benefits of having spare stock to satisfy demand balanced against the cost of holding buffer stock).			
Define the term 'supplier'.			
Analyse the factors that affect the choice of supplier for a given business, including: <ul style="list-style-type: none"><li>• price</li><li>• quality</li><li>• reliability</li></ul>			
Define the term 'procurement'			
Define the term 'logistics'			
Understand the effects of procurement and logistics on a business, including: <ul style="list-style-type: none"><li>• efficiency</li><li>• lower unit costs.</li></ul>			
Analyse the benefits of reduced costs must be balanced against the quality of service.			
Define the term 'supply chain'			
Analyse the benefits of managing an effective supply chain, including: <ul style="list-style-type: none"><li>• working with suppliers to ensure that key processes are running efficiently and cost effectively</li><li>• getting goods and services for the best price and value</li></ul>			

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Topic	Red	Amber	Green
<ul style="list-style-type: none"><li>cutting any waste and unnecessary costs to create a streamlined process and fast production times.</li></ul>			

### 3.3.3 The concept of quality

Topic	Red	Amber	Green
Define the term 'quality'			
Understand customer expectations of quality in terms of production of goods and the provision of services.			
Explain how businesses measure quality			
Explain how businesses: <ul style="list-style-type: none"><li>identify quality issues</li><li>the consequences of these issues</li></ul>			
Define the term 'total quality management' (TQM)			
Analyse the advantages of using TQM			
Analyse the costs and benefits of maintaining quality, such as: <ul style="list-style-type: none"><li>additional sales</li><li>image/reputation</li><li>higher price</li><li>inspection costs</li><li>staff training</li><li>product recalls</li><li>the provision of services.</li></ul>			
Explain the impact of business growth on quality, especially in terms of outsourcing and franchising.			

### 3.3.4 Good customer services

Topic	Red	Amber	Green
Define the term 'customer service'			
Analyse the techniques businesses use to provide good customer service, including: <ul style="list-style-type: none"><li>product knowledge</li><li>customer engagement (creating a positive experience for the customer)</li><li>post sales services (e.g. user training, help lines, servicing).</li></ul>			
Analyse of good customer service, including: <ul style="list-style-type: none"><li>increase in customer satisfaction</li><li>customer loyalty</li><li>increased spend</li><li>profitability.</li></ul>			
Analyse the effect of poor customer service, including: <ul style="list-style-type: none"><li>dissatisfied customers</li><li>poor reputation via word of mouth</li><li>reduction in revenue.</li></ul>			
Explain the impact of advances in ICT on customer service, including: <ul style="list-style-type: none"><li>websites</li><li>e-commerce</li></ul>			

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Topic	Red	Amber	Green
• social media.			



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# Unit 4 HR

## 3.4.1 Organisational structures

Topic	Red	Amber	Green
Define the terms: <ul style="list-style-type: none"><li>organisational structure</li><li>span of control</li><li>chain of command</li><li>delaying</li><li>delegation</li></ul>			
Explain why businesses have internal organisational structures			
Understand different job roles and responsibilities throughout the business			
Assess the impact that having a tall or flat organisational structure has on how a business is managed			
Assess how organisational structure may affect communication			
Evaluate the effectiveness of different organisational structures			
Contrast centralised and decentralised organisational structures			

## 3.4.2 Recruitment and selection of employees

Topic	Red	Amber	Green
Define the term 'recruitment and selection'			
Explain why businesses need to recruit			
Differentiate between internal and external recruitment			
Analyse the advantages and disadvantages of both internal and external recruitment			
Outline the main stages in the recruitment and selection process, including: <ul style="list-style-type: none"><li>job analysis</li><li>job description</li><li>person specification</li><li>selection methods</li></ul>			
Analyse the benefits of having an effective recruitment and selection process for a business, including: <ul style="list-style-type: none"><li>high productivity</li><li>high quality output or customer service</li><li>staff retention</li></ul>			
Differentiate between full and part time employment contracts			
Analyse the benefits of full and part time employees			
Define the term 'job share'			
Define the term 'zero hours contract'			

## 3.4.3 Motivating employees

Topic	Red	Amber	Green
Define the term 'motivation'			
Analyse the benefits of having a highly motivated workforce			

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Topic	Red	Amber	Green
Explain how businesses measure quality			
Understand financial methods of motivation, including: <ul style="list-style-type: none"><li>• salary</li><li>• wage</li><li>• commission</li><li>• profit sharing</li></ul>			
Understand non – financial methods of motivation, including: <ul style="list-style-type: none"><li>• management style</li><li>• training</li><li>• being given responsibility</li><li>• fringe benefits.</li></ul>			

### 3.4.4 Training

Topic	Red	Amber	Green
Define the term 'training'			
Explain the benefits of training employees for a business, including: <ul style="list-style-type: none"><li>• increased productivity</li><li>• ability to deal with changes in technology</li><li>• increased motivation</li><li>• staff retention</li><li>• production of high quality goods</li><li>• good customer service</li></ul>			
Understand the methods of training used by businesses, including: <ul style="list-style-type: none"><li>• induction training</li><li>• on the job training</li><li>• off the job training</li></ul>			
Explain the benefits of induction training			
Analyse the benefits and drawbacks of on the job and off the job training and evaluate which would be the most appropriate method for a variety of businesses			

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# Unit 5 Marketing

## 3.5.1 Identifying and understanding customers

Topic	Red	Amber	Green
Define the term 'marketing'			
Understand the importance of identifying and satisfying customer needs in order to: <ul style="list-style-type: none"><li>• provide a product or service that customers will buy</li><li>• increase sales</li><li>• select the correct marketing mix</li><li>• avoid costly mistakes</li><li>• be competitive.</li></ul>			

## 3.5.2 Segmentation

Topic	Red	Amber	Green
Define the term 'market segmentation'			
Understand how and why different businesses use segmentation to target customers, including: <ul style="list-style-type: none"><li>• gender</li><li>• age</li><li>• location</li><li>• income.</li></ul>			

## 3.5.3 The purpose and methods of market research

Topic	Red	Amber	Green
Define the term 'market research'			
Understand that market research involves collecting information about: <ul style="list-style-type: none"><li>• demand</li><li>• the target market</li><li>• competitors</li></ul>			
Understand that market research is used to: <ul style="list-style-type: none"><li>• identify market opportunities</li><li>• improve understanding of customers</li><li>• improve understanding of competitors</li></ul>			
Differentiate between qualitative and quantitative market research			
Analyse advantages and disadvantages of different methods of market research, including: <ul style="list-style-type: none"><li>• questionnaires</li><li>• surveys</li><li>• interviews</li><li>• focus groups</li><li>• internet research</li><li>• printed press e.g. newspapers.</li></ul>			
Evaluate the most appropriate market research method(s) for different businesses			

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Topic	Red	Amber	Green
Interpret and use qualitative and quantitative market research findings to help make appropriate decisions for different types of business			
Manipulate and interpret data from tables and charts.			
Calculate market size			
Calculate market share			

### 3.5.4 The elements of the marketing mix: price, product, promotion and place (4Ps)

Topic	Red	Amber	Green
Define the term 'marketing mix'			
The benefits and risks of developing new products.			
Understand the basic relationship between price and demand (i.e. as price rises, demand falls)			
Describe the internal and external factors that influence pricing decisions, including: <ul style="list-style-type: none"><li>costs</li><li>nature of the market</li><li>degree of competition</li><li>product life cycle</li></ul>			
Assess the suitability of pricing methods for different businesses			
Define the term 'product development'			
Identify the influences on product design, including: <ul style="list-style-type: none"><li>brand image</li><li>the needs of the target market</li></ul>			
Define the term 'product differentiation'			
Explain the importance of having a unique selling point (USP) in a competitive market			
Explain the importance of having a good brand image			
Understand the product lifecycle and use it to demonstrate how demand for a product may change over time			
Describe the stages of the product lifecycle, including: <ul style="list-style-type: none"><li>Development</li><li>Introduction</li><li>Growth</li><li>Maturity</li><li>Decline</li></ul>			
Describe the term 'extension strategy' and when they would be appropriate			
Evaluate the effectiveness of extension strategies, including: <ul style="list-style-type: none"><li>updating packaging</li><li>adding more or different features</li><li>changing target market</li><li>advertising</li><li>price reduction</li></ul>			
Define the term 'product portfolio'			

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Topic	Red	Amber	Green
Describe the four categories of the Boston Matrix in terms of market share and market growth, including: <ul style="list-style-type: none"> <li>Star</li> <li>Cash cow</li> <li>Problem child / question mark</li> <li>Dog</li> </ul>			
Define the term 'promotional mix'			
Describe promotional methods, including: <ul style="list-style-type: none"> <li>advertising (newspapers, magazines, television, internet, billboards)</li> <li>public relations (PR)</li> <li>sales promotions (point of sales displays, 2 for 1 offers, free gifts, samples, coupons, competitions)</li> <li>sponsorship</li> <li>social media</li> </ul>			
Analyse the benefits and drawbacks of promotional methods used by businesses.			
Analyse factors influencing the selection of the promotional mix to assess their suitability for a given business, including: <ul style="list-style-type: none"> <li>finance available</li> <li>competitor actions</li> <li>the nature of the product or service</li> <li>the nature of the market (degree of competitiveness)</li> <li>target market</li> </ul>			
Describe the reasons for promotion, including: <ul style="list-style-type: none"> <li>inform / remind customers about the product</li> <li>create or increase sales</li> <li>create or change the image of the product</li> <li>persuade customers to buy the product</li> </ul>			
Define the term 'place' in terms of the different channels of distribution used by businesses			
Analyse the appropriateness of different methods of distribution, including: <ul style="list-style-type: none"> <li>wholesale</li> <li>retail</li> <li>telesales</li> </ul>			
Define the term 'e – commerce'			
Define the term 'm – commerce'			
Analyse how e – commerce and m – commerce can extend the reach of businesses to include international markets			
Analyse the benefits and drawbacks of a business using e – commerce and m – commerce.			
Define the term 'integrated marketing mix'			
Describe how the four elements of the marketing mix work together to create the brand image			
Recommend appropriate marketing activities for a given business.			
Evaluate methods to change the marketing mix over time.			

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# Unit 6 Finance

## 3.6.1 Sources of finance

Topic	Red	Amber	Green
Understand the main internal sources of finance available: <ul style="list-style-type: none"><li>• Retained profit</li><li>• selling unwanted assets</li></ul>			
Understand the main external sources of finance available: <ul style="list-style-type: none"><li>• a new share issue</li><li>• obtaining a loan or mortgage</li><li>• overdrafts</li><li>• trade credit</li><li>• hire purchase</li><li>• government grants</li></ul>			
Analyse the advantages and disadvantages of each method for a given situation			
Evaluate the suitability of sources of finance for new and established businesses.			

## 3.6.2 Cash flow

Topic	Red	Amber	Green
Define cash flow			
List the benefits of positive cash flow			
Understand the consequences of cash flow problems			
Explain why cash flow forecasts are made			
Understand the layout of a cash flow forecast: <ul style="list-style-type: none"><li>• Inflows</li><li>• Outflows</li><li>• Opening balance</li><li>• Net cash flow</li><li>• Closing balance</li></ul>			
Calculate: <ul style="list-style-type: none"><li>• Net cash flow</li><li>• Opening balance</li><li>• Closing balance</li></ul>			
Evaluate possible solutions to cash flow problems: <ul style="list-style-type: none"><li>• re-scheduling payments</li><li>• overdrafts,</li><li>• reducing cash outflow</li><li>• increasing cash inflow</li><li>• finding new sources of finance.</li></ul>			

## 3.6.3 Financial terms and calculations

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Topic	Red	Amber	Green
Understand the difference between variable and fixed costs			
Define revenue, costs, profit and loss			
Calculate total revenue			
Calculate total costs			
Calculate profit / loss			
Understand that businesses invest in new machinery, buildings and vehicles			
Calculate average rate of return			
Understand 'break – even output'			
Identify break – even point on a chart			
Identify margin of safety on break – even chart			
Evaluate the value of using break-even analysis to a business.			

### 3.6.4 Analysing the financial performance of a business

Topic	Red	Amber	Green
Explain the purpose of an income statement			
Explain the content of an income statement			
Calculate gross profit			
Calculate gross profit margin			
Calculate net profit			
Calculate net profit margin			
Use an income statement to judge the success of a business against: <ul style="list-style-type: none"><li>• Competitors</li><li>• Previous years</li></ul>			
Explain the purpose of the statement of financial position			
Differentiate between assets and liabilities			
Understand that a statement of financial position shows the value of a business at a point in time			
Explain why stakeholders would be interested in the financial performance of a business: <ul style="list-style-type: none"><li>• Owners</li><li>• Employees</li><li>• Customers</li><li>• Suppliers</li></ul>			