



INTERNATIONAL BACCALAUREATE ORGANIZATION

**DIPLOMA PROGRAMME**

**Business and management**

For first examinations in 2002

*Business and Management Guide*  
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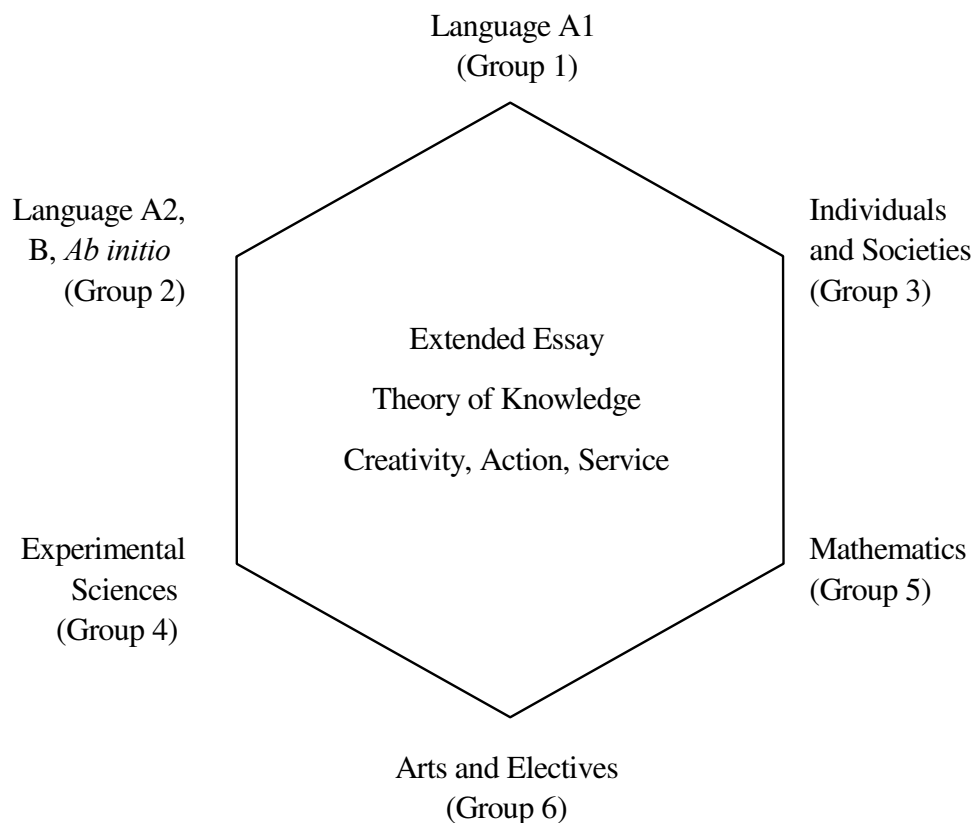
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# INTRODUCTION

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The International Baccalaureate Diploma Programme is a rigorous pre-university course of studies, leading to examinations, that meets the needs of highly motivated secondary school students between the ages of 16 and 19 years. Designed as a comprehensive two-year curriculum that allows its graduates to fulfil requirements of various national education systems, the diploma model is based on the pattern of no single country but incorporates the best elements of many. The programme is available in English, French and Spanish.

The curriculum is displayed in the shape of a hexagon with six academic areas surrounding the core. Subjects are studied concurrently and students are exposed to the two great traditions of learning: the humanities and the sciences.



Diploma candidates are required to select one subject from each of the six subject groups. At least three and not more than four are taken at Higher Level (HL), the others at Standard Level (SL). Higher Level courses represent 240 teaching hours; Standard Level courses cover 150 hours. By arranging work in this fashion, students are able to explore some subjects in depth and some more broadly over the two-year period; this is a deliberate compromise between the early specialization preferred in some national systems and the breadth found in others.

Distribution requirements ensure that the science-orientated student is challenged to learn a foreign language and that the natural linguist becomes familiar with laboratory procedures. While overall balance is maintained, flexibility in choosing Higher Level concentrations allows the student to pursue areas of personal interest and to meet special requirements for university entrance.

Successful Diploma candidates meet three requirements in addition to the six subjects. The interdisciplinary Theory of Knowledge (TOK) course is designed to develop a coherent approach to learning which transcends and unifies the academic areas and encourages appreciation of other cultural perspectives. The Extended Essay of some 4000 words offers the opportunity to investigate a topic of special interest and acquaints students with the independent research and writing skills expected at university. Participation in the school's Creativity, Action, Service (CAS) programme encourages students to be involved in sports, artistic pursuits and community service work.

*For first examinations in 2002*

# NATURE OF THE SUBJECT

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Business and management is the rigorous and critical study of the ways in which individuals and groups interact in a dynamic business environment. It is an academic discipline that examines how business decisions are made and how these decisions make an impact on internal and external environments. The ideals of international cooperation and responsible citizenship are at the heart of business and management.

The IBO Business and Management programme is designed to give students an understanding of business principles, practices and skills. Emphasis is also placed on understanding technical innovation and day-to-day business functions of marketing, human resource management and finance. However, a fundamental feature of the programme is the concept of synergy. In its technical sense, it is a concept that means an organization should seek an overall return greater than the sum of its parts. Applied to the Business and Management programme, it necessitates a style of teaching and learning based on integrating and linking the various modules to give students, by the end of the course, a holistic overview.

Other characteristics of the Business and Management programme are that teaching and learning should include the application of tools and techniques of analysis to enhance the understanding of complex business activities. Students should also appreciate the ethical concerns and issues of social responsibility in the business environment. Finally, students should be able to make sense of the forces and circumstances that drive change in an interdependent and multicultural world. This should enable students to assimilate the principles of business and management, and to become critical and effective participants in local and world affairs.

# AIMS

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The aims of all subjects in **Group 3, Individuals and Societies**, are to:

- encourage the systematic and critical study of: human experience and behaviour; physical, economic and social environments; the history and development of social and cultural institutions
- develop in the student the capacity to identify, to analyse critically and to evaluate theories, concepts and arguments about the nature and activities of the individual and society
- enable the student to collect, describe and analyse data used in studies of society, to test hypotheses, and to interpret complex data and source material
- promote the appreciation of the way in which what has been learned is relevant to both the culture in which the student lives and the culture of other societies
- develop an awareness in the student that human attitudes and opinions are widely diverse and that a study of society requires an appreciation of such diversity
- enable the student to recognize that the content and methodologies of the subjects in Group 3 are contestable and that their study requires the toleration of uncertainty.

The aims of the **Business and Management** programme at Higher Level and Standard Level are to:

- promote the importance of exploring business issues from different cultural perspectives
- encourage a holistic view of the world of business
- enable the student to develop the capacity to think critically
- enhance a student's ability to make decisions
- enable a student to appreciate the pace, nature and significance of change.

# OBJECTIVES

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Having followed the **Business and Management** programme at Higher Level or Standard Level candidates will be expected to:

- demonstrate knowledge and understanding of business terminology, concepts and principles
- identify social and cultural factors, and ethical considerations, in the actions of organizations
- assess the impact of the actions of organizations on the internal and external environment
- demonstrate competence in problem-solving by identifying the problem, selecting and interpreting data, applying appropriate analytical tools, and recommending solutions by evaluating their quantitative and qualitative implications
- assess data from a variety of sources
- evaluate information in order to distinguish between fact and opinion
- collect, organize, interpret and present information in different forms, justifying and evaluating the chosen methodology
- demonstrate their ability to apply theory to real-life situations.



# SYLLABUS OUTLINE

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## Higher Level

*The Higher Level (HL) syllabus consists of six compulsory modules and a Research Project.*

### Modules

- 1 Introduction to Organizations
- 2 The External Environment
- 3 Marketing
- 4 Human Resource Management
- 5 Operations Management
- 6 Accounting and Finance

### Research Project

A Research Proposal and Written Report based on a research question which:

**either**

- addresses an issue facing an organization or range of organizations

**or**

- analyses a decision to be made by an organization or range of organizations.

# SYLLABUS OUTLINE

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## Standard Level

*The Standard Level (SL) syllabus consists of four compulsory modules and a Written Assignment.*

### Modules

- 1 Introduction to Organizations
- 2 Marketing
- 3 Human Resource Management
- 4 Accounting and Finance

### Written Assignment

A Written Assignment based on the application of tools, techniques and theory to a real business situation or problem.

# SYLLABUS DETAILS

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## Introduction

Both the Higher Level (HL) and the Standard Level (SL) syllabuses consist of compulsory modules divided into topics and subtopics. All parts of the syllabus are compulsory.

There are three main differences between the HL and SL syllabuses.

- The number of modules is different.

Higher Level	6 modules
Standard Level	4 modules

(The Standard Level syllabus does not include the modules External Environment and Operations Management.)

- The topics and subtopics in the modules are not identical.
- The learning outcomes for the same topic may be different, for example:

Higher Level	<b>Analyse</b> changes in organizational structures and their effects.
Standard Level	<b>Describe</b> changes in organizational structures and their effects.

## Structure of the Syllabus

The modules are divided into two columns: **content** and **learning outcomes**.

Content	Learning Outcomes
1.1 Topic <ul style="list-style-type: none"><li>• Subtopic<ul style="list-style-type: none"><li>· details</li><li>· details</li></ul></li></ul>	This column clarifies the content by describing the level of knowledge and type of performance required. The learning outcomes define the limits to the depth and breadth of the topics and subtopics.

The following conventions are used.

- **Active verbs**      These define what is required within the learning outcomes.  
Example:                Prepare and analyse a cash flow forecast from given information.
  
- **Brackets**            Notes in round brackets relate to the syllabus and cross references.  
Example:                LIFO (*last-in-first-out*), (See Module 6.4.)  
Notes in square brackets give additional information and guidance about the assessment requirements.  
Example:                [Candidates will not be tested on the manufacturing account or double entry.]
  
- **Italics**                Text in italics indicates that a working definition of the term can be found in the Glossary, Appendix 1.  
Example:                *Gantt chart*.

## Estimated Teaching Hours

The IBO recommends 240 and 150 teacher contact hours for Higher Level and Standard Level programmes respectively. The teaching hours for Business and Management may be allocated in a number of ways and the times given below are one way of dividing the programme hours. However, this allocation will depend on a number of factors such as teachers' specialisms and the ability and interests of students. Teachers should therefore adjust the timings in line with these kinds of factors.

HIGHER LEVEL		STANDARD LEVEL	
Module	Hours	Module	Hours
1 Introduction to Organizations	30	1 Introduction to Organizations	30
2 The External Environment	20	2 Marketing	35
3 Marketing	40	3 Human Resource Management	35
4 Human Resource Management	40	4 Accounting and Finance	35
5 Operations Management	35		
6 Accounting and Finance	45		
Research Project	30	Written Assignment	15
Total Hours	240	Total Hours	150

## Higher Level

The Business and Management Higher Level (HL) syllabus consists of six free-standing modules that may be taught in any order, concurrently or sequentially.

### Module 1: Introduction to Organizations

Module 1 is about the structure of organizations, organizational objectives and the different environments in which organizations operate.

Content	Learning Outcomes
<p>1.1 Types of Organizations</p> <ul style="list-style-type: none"> <li>• Profit, <i>non-profit</i> and <i>non-governmental (NGO)</i> <ul style="list-style-type: none"> <li>· <i>sole traders/proprietors</i></li> <li>· <i>partnerships</i></li> <li>· <i>companies/corporations</i></li> <li>· <i>charities</i></li> <li>· <i>cooperatives</i></li> <li>· <i>franchises</i></li> </ul> </li> <li>• Private sector and public sector</li> </ul>	<p>Analyse local organizations of different types and identify their main features. Explain the advantages and disadvantages of each type of organization identified. Relate each type of ownership to the degree of control.</p> <p>Distinguish between organizations in the private and public sectors.</p>
<p>1.2 Growth and Evolution</p> <ul style="list-style-type: none"> <li>• Internal growth</li> <li>• Mergers, demergers, and takeovers</li> <li>• Global <i>conglomerates</i></li> <li>• Networks</li> <li>• Subsidiaries</li> <li>• <i>Joint ventures/strategic alliances</i></li> <li>• Multinational companies</li> <li>• <i>Holding companies</i></li> <li>• Economies and diseconomies of scale</li> </ul>	<p>Understand how and why organizations evolve in different ways including, for example, company and brand acquisitions.</p> <p>Analyse the reasons for forming global <i>conglomerates</i> and networks.</p> <p>Analyse the role of subsidiaries, <i>joint ventures/strategic alliances</i>, multinational companies and <i>holding companies</i>.</p> <p>Apply these concepts to decisions relating to the scale of operations.</p>

Content	Learning Outcomes
<p>1.3 Organizational Objectives</p> <ul style="list-style-type: none"> <li>• The nature, role and importance of objectives</li>   <li>• The hierarchy of objectives               <ul style="list-style-type: none"> <li>· <i>mission statements</i></li> <li>· aims</li> <li>· <i>strategic objectives</i></li> <li>· <i>operational objectives</i></li> <li>· business plans</li> <li>· <i>SWOT</i></li> </ul> </li> </ul>	<p>Explain the importance of objectives in managing an organization.</p> <p>Distinguish between objectives, strategies and tactics, and describe how these interrelate.</p> <p>Construct and interpret business plans. Use <i>SWOT</i> analysis to assess an organization's position, and to define and refine its objectives.</p>
<p>1.4 <i>Ethical</i> Objectives</p>	<p>Appreciate why organizations would consider setting <i>ethical</i> objectives, how they would implement them, and what the disadvantages and advantages for the organization are.</p>
<p>1.5 <i>Stakeholders</i></p> <ul style="list-style-type: none"> <li>• Types           <ul style="list-style-type: none"> <li>· suppliers</li> <li>· employees</li> <li>· stockholders</li> <li>· customers</li> <li>· special interest groups</li> <li>· creditors</li> <li>· competitors</li> </ul> </li> <li>• Conflict</li> </ul>	<p>Explain the interests of <i>stakeholders</i> and the likelihood of conflict between them.</p>
<p>1.6 Decision-making Processes</p>	<p>Apply suitable decision-making frameworks and recognize the stages involved in making decisions in different situations.</p>
<p>1.7 Change</p>	<p>Understand the dynamic nature of organizations and assess the relative importance of driving and restraining forces using, for example, the following diagram.</p> <div style="text-align: center;"> <pre>           graph TD             DF[DRIVING FORCES] --&gt; EQ[EQUILIBRIUM]             RF[RESTRAINING FORCES] --&gt; EQ           </pre> </div>

## Module 2: The External Environment

The aim of Module 2 is to provide a general framework of different environments in which organizations operate. *PEST/STEP* analysis should be used as the framework. It is recommended that an integrated case study approach should be adopted as a vehicle for delivering these issues.

Content	Learning Outcomes
<p>2.1 The Legal and Political Environment</p> <ul style="list-style-type: none"> <li>• The law as a framework and as a possible constraint on business</li>   <li>• Political stability and instability</li> </ul>	<p>Appreciate the impact that domestic laws and international laws have on organizations, for example, consumer laws, international standards, restrictions on commercial practice (mergers and takeovers), planning (local legislation), international trading laws. [Candidates will <b>not</b> be tested on country-specific laws.]</p> <p>Appreciate the impact of political stability and instability on organizational decisions.</p>
<p>2.2 The Social and Cultural Environment</p> <ul style="list-style-type: none"> <li>• Differences of attitudes, lifestyles and social values within and between countries</li>   <li>• The impact on organizations of               <ul style="list-style-type: none"> <li>· demographic trends</li> <li>· pressure groups</li> </ul> </li> </ul>	<p>Explain how these factors have an impact on organizations.</p> <p>Assess the impact of demographic trends and pressure groups on organizational decision-making.</p>
<p>2.3 The Technological Environment</p> <ul style="list-style-type: none"> <li>• The impact of technological change on all aspects of organizations</li> </ul>	<p>Understand how technological change affects organizations.</p>
<p>2.4 The Ecological Environment</p> <ul style="list-style-type: none"> <li>• The impact of organizational decisions on the ecological environment</li> <li>• The effect of the ecological environment on organizations</li> </ul>	<p>Analyse how factors such as pollution, location and depletion of resources make an impact on organizational decision-making.</p>

Content	Learning Outcomes
<p>2.5 The Economic Environment</p> <ul style="list-style-type: none"> <li>• The impact on organizations of <ul style="list-style-type: none"> <li>· economic growth and changes in the standard of living</li> <li>· inflation</li> <li>· exchange rate changes</li> <li>· unemployment</li> <li>· interest rates</li> </ul> </li>   <li>• <i>Regional economic groups/blocs</i> <ul style="list-style-type: none"> <li>· protectionist policies</li> <li>· interdependence between members</li> </ul> </li>   <li>• Inward and outward investments</li> </ul>	<p>Demonstrate an understanding of the ways in which economic trends affect organizations. For example, it is more important to consider the consequences of inflation than the causes, and the impact of interest rates than how they are determined.</p> <p>Explain the impact on business of a country being a member of a <i>regional economic group/bloc</i>, for example, NAFTA (North American Free Trade Association).</p> <p>Examine the consequences of investment flows between countries.</p>



## Module 3: Marketing

Module 3 should be studied in a way that encourages integration with other parts of the syllabus, for example, **Module 6, Accounting and Finance**. The impact of new technologies should be integrated into each element of the marketing module. The emphasis in this module is on the formulation of marketing strategies to achieve organizational objectives and in response to the changing environment. Throughout this module the focus should be on interpretation rather than calculation.

Content	Learning Outcomes
3.1 The Role of Marketing <ul style="list-style-type: none"> <li>• Definition and nature of marketing</li> <li>• Marketing objectives</li> <li>• Marketing of products</li> <li>• Marketing in <i>non-profit organizations</i></li> <li>• <i>Ethics</i> of marketing</li> </ul>	Define marketing and describe its relationship with other business activities.  Understand the goals that an organization is trying to achieve through its marketing, for example, market share and corporate image.  Describe the distinction between marketing goods and services.  Describe how <i>non-profit organizations</i> may need to market their products.  Explain the <i>ethical</i> issues involved in marketing.
3.2 Market Research <ul style="list-style-type: none"> <li>• The role of market research</li> <li>• Primary and secondary research</li> <li>• Design and use of questionnaires</li> <li>• Sampling               <ul style="list-style-type: none"> <li>· methods of sampling</li> <li>· qualitative understanding of sampling errors</li> </ul> </li> </ul>	Evaluate the role of market research in making business decisions.  Explain the methods of market research and evaluate the main research techniques.  Describe the principles of questionnaire design and assess different forms of questions, for example, open and closed.  Assess methods of sampling, for example, quota, random, stratified, cluster, <i>snowballing</i> and multi-stage.

Content	Learning Outcomes
3.2 continued <ul style="list-style-type: none"> <li>• Data               <ul style="list-style-type: none"> <li>· interpretation</li> <li>· presentation of data</li> </ul> </li> </ul>	Demonstrate an understanding of the significance of mean, median, mode and standard deviation. Use charts, graphs and other methods of data presentation. [Calculations of significance testing involving normal and binominal distributions are <b>not</b> required.]
3.3 Marketing Plans <ul style="list-style-type: none"> <li>• The marketing mix</li>   <li>• Marketing audit</li>   <li>• Market segmentation and consumer profiles</li>   <li>• Marketing objectives and market share</li>   <li>• Sales forecasting</li>   <li>• Development of marketing strategies and tactics</li>   <li>• Sales budgets and variances (See Module 6.3)</li> </ul>	Describe and evaluate the elements of marketing, for example, product, place, price, promotion, people, process, <i>physical evidence</i> and packaging.  Explain ways in which marketing plans are formulated in order to achieve organizational objectives.  Explain the usefulness of market segmentation and consumer profiles.  Construct marketing plans and demonstrate an understanding of the usefulness of such tools as the Ansoff matrix. Analyse internal and external constraints. Distinguish between market and product orientation.  Analyse sales trends and make forecasts from given data. Employ moving averages up to eight points and use centring to forecast future sales. Calculate and interpret index numbers.  Design appropriate marketing strategies for given situations.  Explain the purpose and use of sales budgets. Construct sales budgets, perform simple variance calculations, and assess the effectiveness of the marketing effort using ratios.

Content	Learning Outcomes
<p>3.4 Product</p> <ul style="list-style-type: none"> <li>• Classification of products</li> <li>• Research and development</li> <li>• Various product life cycles and extension strategies</li> <li>• Product portfolio analysis</li> <li>• Product branding</li> <li>• Targeting and positioning of products</li> </ul>	<p>Classify products by, for example, line, range and mix.</p> <p>Describe the importance of innovation in an era of rapid technological change and assess the problems of financing research and development.</p> <p>Analyse the relationship between the product life cycle and the marketing mix, and suggest appropriate extension strategies.</p> <p>Understand and use portfolio analysis techniques, for example, Ansoff matrix, General Electric Screen and the Boston Consulting Group Matrix.</p> <p>Evaluate the importance and role of product branding.</p> <p>Demonstrate an understanding of targeting and <i>position maps</i> and their application.</p>
<p>3.5 Price</p> <ul style="list-style-type: none"> <li>• Policies <ul style="list-style-type: none"> <li>· cost-based</li> <li>· competition-based</li> <li>· consumer orientated</li> </ul> </li> <li>• Supply and demand</li> </ul>	<p>Analyse the appropriateness of each pricing policy, for example, skimming, penetration pricing and price discrimination.</p> <p>Explain the effects of changes in the conditions of supply and demand. Explain, but do not calculate, elasticity.</p>
<p>3.6 Promotion</p> <ul style="list-style-type: none"> <li>• Techniques of promotion</li> </ul>	<p>Explain the techniques of bringing products to the attention of consumers and persuading them to buy, for example, point of sale, direct marketing and merchandising, <i>e-commerce</i>.</p>
<p>3.7 Distribution</p> <ul style="list-style-type: none"> <li>• Channels of distribution</li> </ul>	<p>Evaluate the effectiveness of different types of distribution channels.</p>

Content	Learning Outcomes
<p>3.8 International Marketing</p> <ul style="list-style-type: none"> <li>• Entry into international markets</li>   <li>• Exchange rates</li>   <li>• Cultural factors</li>   <li>• Globalization</li>   <li>• <i>Regional economic groups/blocs</i></li> </ul>	<p>Compare the different strategies used to enter overseas markets, for example, <i>joint ventures/strategic alliances</i> and multinational production.</p> <p>Assess the risks associated with exchange rate fluctuations. [Calculations are <b>not</b> required.]</p> <p>Explain the effect of <i>cultural exports</i> on local societies and the <i>ethical</i> issues involved.</p> <p>Assess the causes and consequences of globalization.</p> <p>Explain how <i>regional economic groupings</i> affect the way organizations market their products.</p>

## Module 4: Human Resource Management

Module 4 is about the way people influence, and are influenced by, organizations in order to achieve organizational objectives.

Content	Learning Outcomes
<p>4.1 Human Resource Planning</p> <ul style="list-style-type: none"> <li>• Supply of human resources</li>   <li>• Recruitment</li> <li>• Appraisal</li> <li>• Training and development</li>   <li>• <i>Dismissal and redundancy/lay-off</i></li>   <li>• Management of, and response to, change</li> </ul>	<p>Identify the constraints and opportunities provided by demographic changes. Understand the significance of changes in labour mobility, both domestic and international.</p> <p>Describe methods of recruitment, appraisal, and training and development.</p> <p>Understand the legal rights of employees in the country where the candidate is taught.</p> <p>Analyse the reasons for the changes in work patterns and practices, and the consequences of these changes for employers and employees. Refer to theorists, for example, Handy. Refer to models for dealing with change, for example, working from home.</p>
<p>4.2 Organization Structure and Communication</p> <ul style="list-style-type: none"> <li>• The formal and informal organization <ul style="list-style-type: none"> <li>· delegation and span of control</li> <li>· levels of hierarchy</li> <li>· flat and tall organizations</li> <li>· line and staff functions</li> <li>· chain of command</li> <li>· delegation and accountability</li> <li>· bureaucracy</li> <li>· centralization and decentralization</li> </ul> </li>   <li>• The organization of human resources</li> </ul>	<p>Analyse changes in organizational structures and their effects. Construct different types of organizational charts. Explain how organizational structures affect employee motivation, communication and performance.</p> <p>Understand factors influencing the degree of centralization and decentralization.</p> <p>Identify why firms need to organize employees in particular ways, for example, by function and geography. Evaluate the methods of organizing human resources and apply them to different firms with differently situated labour forces, products or services, and objectives.</p>

Content	Learning Outcomes
<p>4.2 continued</p> <ul style="list-style-type: none"> <li>• Communication <ul style="list-style-type: none"> <li>· oral</li> <li>· written</li> <li>· visual</li> <li>· non-verbal</li> </ul> </li> </ul>	<p>Compare the ways in which communication takes place within organizations, analyse the causes of communication failure and evaluate the solutions to such failures.</p> <p>Prepare different forms of communication, for example, reports, executive summaries and oral presentations.</p>
<p>4.3 Corporate/Organizational Culture</p>	<p>Describe different corporate/organizational cultures and analyse their effects on, for example, motivation and organizational structures.</p> <p>Analyse the consequences of cultural clashes within and between organizations, for example, when organizations merge and leadership styles change.</p>
<p>4.4 Motivation and Leadership</p> <ul style="list-style-type: none"> <li>• Motivational theories</li>   <li>• Leadership styles <ul style="list-style-type: none"> <li>· autocratic</li> <li>· democratic</li> <li>· laissez-faire</li> <li>· situation leadership</li> <li>· <i>contingency theory</i></li> </ul> </li>   <li>• Methods of payment <ul style="list-style-type: none"> <li>· <i>wages</i> (time and piece rates)</li> <li>· <i>salary</i></li> <li>· profit-related pay</li> <li>· performance-related pay</li> <li>· <i>employee share ownership schemes</i></li>   <li>· fringe benefits</li> </ul> </li>   <li>• Job design</li> <li>• Different ways of working</li> </ul>	<p>Apply the theories of writers such as Herzberg, McGregor, Maslow, Taylor, and Ouchi, to given situations.</p> <p>Analyse the various styles of leadership and their implications for organizations. Evaluate their appropriateness to different work situations and the effect on individuals. Apply to given situations the theories of writers such as Likert, Fiedler, Blake and Mouton, and Tannenbaum and Schmidt.</p> <p>Evaluate alternative methods of payment in different circumstances in the workplace.</p> <p>Explain how different methods of job design and different ways of working, for example, enrichment, teleworking and flexible working, affect productivity, motivation and job satisfaction.</p>

Content	Learning Outcomes
<p>4.5 Employee and Employer Associations</p> <ul style="list-style-type: none"><li>• Objectives</li><li>• Cooperation</li> <li>• Conflict<ul style="list-style-type: none"><li>· causes</li><li>· resolution</li></ul></li></ul>	<p>Recognize the dynamic nature of the relationship between employee and employer associations.</p> <p>Identify the sources of conflict in the workplace and assess alternative approaches to conflict resolution.</p>
<p>4.6 Groups</p> <ul style="list-style-type: none"><li>• Formal and informal groups</li><li>• Factors affecting cohesiveness</li><li>• Individuals in groups</li><li>• Management of groups</li></ul>	<p>Analyse critically the role of formal and informal groups and their influence on productivity and motivation.</p> <p>Explain group dynamics and the relative importance of different groups and individuals in an organization.</p>

## Module 5: Operations Management

Module 5 is about operational decision-making, quality assurance, and customer care. The term 'operations management' implies a wider brief than production management, which tends to be associated with the manufacturing industry. It recognizes that service industries also need to manage their operations. Operations management can be defined as the design and operation of systems for manufacture, transport, supply or service. It is, therefore, important that this module is integrated with the study of labour markets, financial control and marketing.

Content	Learning Outcomes
<p>5.1 Patterns of Production</p> <ul style="list-style-type: none"> <li>• Job, batch, line and flow, and mass production</li> <li>• Cell production, teamwork and productivity implications</li> </ul>	<p>Describe and compare the features and applications of each system.</p> <p>Analyse the implications for marketing, human resource management and finance arising from changing the production system.</p> <p>Understand the need for organizations to use more than one pattern of production.</p>
<p>5.2 New Product Development</p> <ul style="list-style-type: none"> <li>• Research and development</li>   <li>• Investment appraisal (See Module 6.2)</li> </ul>	<p>Describe the importance of innovation in an era of rapid technological change and assess the problems of financing research and development.</p>
<p>5.3 Production Planning</p> <ul style="list-style-type: none"> <li>• Stock levels</li> <li>• Stock control</li> <li>• Usage patterns, <i>lead times</i>, buffer stocks, <i>just-in-case</i>, and re-order levels</li> <li>• <i>Just-in-time</i> and optimum stock levels</li>   <li>• Outsourcing and subcontracting</li> <li>• Long-term supply agreements</li>   <li>• Project management <ul style="list-style-type: none"> <li>· critical path analysis (CPA)</li> <li>· <i>Gantt chart</i></li> </ul> </li>   <li>• Decision trees</li> </ul>	<p>Recognize the need for optimum stock levels and analyse appropriate graphs.</p> <p>Explain the causes and consequences of changes in <i>make-or-buy</i> decisions and decide whether a company should make or buy. [This should include calculations to support decisions.]</p> <p>Construct and interpret a network, identify the critical path and calculate the free and total float.</p> <p>Describe how a <i>Gantt chart</i> may supplement CPA .</p> <p>Construct and interpret decision trees and assess their value.</p>



Content	Learning Outcomes
<p>5.4 Quality Assurance</p> <ul style="list-style-type: none"><li>• Quality and customer care/service</li><li>• Total quality culture</li><li>• Continuous improvement</li></ul> <ul style="list-style-type: none"><li>• International quality standards</li></ul>	<p>Explain the move from traditional quality control techniques to a total quality culture within the entire organization. Refer to theorists, for example, Deming.</p> <p>Show how international quality standards, for example, ISO (International Organization for Standardization) and EN (European Number) have influenced the quality standards of individual organizations.</p>
<p>5.5 Location of Production</p> <ul style="list-style-type: none"><li>• National</li><li>• International</li></ul>	<p>Explain the causes and consequences of location and relocation, and consider the effects of globalization.</p>

## Module 6: Accounting and Finance

The focus of Module 6 is on how organizations manage their financial resources and how accounting and financial information is used to aid decision-making and financial control. This module is divided into: **Management Accounting** (6.1–6.5), emphasizing internal analyses and reporting; **Financial Accounting** (6.6–6.8), emphasizing external influences on decision-making. It is important for students to understand the distinction between them.

### Management Accounting

Content	Learning Outcomes
6.1 Source and Application of Funds <ul style="list-style-type: none"> <li>• Forms of finance               <ul style="list-style-type: none"> <li>· internal and external finance</li> <li>· long-term, medium-term and short-term funding</li> </ul> </li> <li>• Debt and equity</li> </ul>	Assess the advantages and disadvantages of each form of finance and be able to comment on the appropriateness of the sources of finance in relation to the specific needs of an organization.  Calculate and draw conclusions from changes in gearing.
6.2 Investment Appraisal <ul style="list-style-type: none"> <li>• Methods               <ul style="list-style-type: none"> <li>· <i>payback period</i></li> <li>· <i>ARR (accounting rate of return)</i></li> <li>· <i>DCF (discounted cash flow)</i></li> <li>· <i>NPV (net present value)</i></li> <li>· <i>IRR (internal rate of return)</i></li> </ul> </li> </ul>	Make calculations from given data and analyse the results.  [Discount tables will be given for examination questions.]
6.3 Budgets and Cash Flow Forecasts <ul style="list-style-type: none"> <li>• Types and purpose of budgets</li> <li>• Cash flow forecasts</li> <li>• Variance analysis</li> </ul>	Explain the importance of budgeting for organizations.  Prepare and analyse a cash flow forecast from given information.  Calculate and interpret variances.

Content	Learning Outcomes
<p>6.4 <i>Costs and Costing</i></p> <ul style="list-style-type: none"> <li>• Types of costs <ul style="list-style-type: none"> <li>· fixed</li> <li>· variable</li> <li>· semi-variable</li> <li>· direct</li> <li>· indirect</li> </ul> </li> <li>• Methods of <i>costing</i> <ul style="list-style-type: none"> <li>· <i>full</i></li> <li>· <i>absorption</i></li> <li>· <i>activity-based</i></li> <li>· <i>standard</i></li> <li>· <i>marginal</i></li> </ul> </li> <li>• Concept of <i>cost centres</i> and <i>profit centres</i></li> <li>• <i>Stock valuation</i></li> </ul>	<p>Distinguish between different types of costs.</p> <p>Assess the appropriateness and limitations of different methods of <i>costing</i>.</p> <p>Assess the value of <i>cost</i> and <i>profit centres</i>.</p> <p>Make calculations using:  <i>LIFO (last-in-first-out)</i>  <i>FIFO (first-in-first-out)</i>  <i>AC (average-cost)</i>.  Recognize the consequences on profit.</p>
<p>6.5 <i>Break-even Analysis</i></p> <ul style="list-style-type: none"> <li>• Types of costs <ul style="list-style-type: none"> <li>· fixed</li> <li>· variable</li> <li>· semi-variable</li> <li>· direct</li> <li>· indirect</li> </ul> </li> </ul>	<p>Analyse the effects of changes in price or cost on the break-even quantity, profit, and margin of safety, using graphical and quantitative methods.</p> <p>Analyse the assumptions and limitations of <i>break-even analysis</i>.  (Formulae are provided in Appendix 2.)</p>

## Financial Accounting

Content	Learning Outcomes
<p>6.6 Final Accounts</p> <ul style="list-style-type: none"> <li>• Profit and loss accounts (income statements)</li> <li>• Balance sheets</li>   <li>• Intangible assets <ul style="list-style-type: none"> <li>· goodwill</li> <li>· patents and copyrights</li> <li>· brands</li> </ul> </li>   <li>• Depreciation <ul style="list-style-type: none"> <li>· straight line</li> <li>· reducing balance</li> </ul> </li> </ul>	<p>Explain the purpose of accounts. Construct and amend accounts from information given. [Both horizontal (T) and vertical formats are acceptable for all accounts. Candidates will <b>not</b> be tested on the manufacturing account or double entry.]</p> <p>Understand the difficulties associated with valuing intangible assets.</p> <p>Calculate depreciation using straight-line and reducing-balance methods and explain the strengths and weaknesses of each method.</p>
<p>6.7 <i>Working Capital (Net Current Assets)</i></p> <ul style="list-style-type: none"> <li>• <i>The working capital cycle</i></li>   <li>• <i>Management of working capital</i></li> </ul>	<p>Define <i>working capital (net current assets)</i>.</p> <p>Evaluate strategies for dealing with liquidity problems.</p>
<p>6.8 Ratio Analysis</p> <ul style="list-style-type: none"> <li>• Profitability</li> <li>• Liquidity</li> <li>• Efficiency</li> <li>• Gearing</li> <li>• Shareholders' ratios <ul style="list-style-type: none"> <li>· investment</li> <li>· ownership</li> </ul> </li> </ul>	<p>Calculate and use ratios to interpret financial statements. (Formulae are provided in Appendix 2.)</p>

## Standard Level

The Business and Management Standard Level (SL) syllabus consists of four free-standing modules that may be taught in any order, concurrently or sequentially.

### Module 1: Introduction to Organizations

Module 1 is about the structure of organizations, organizational objectives and the different environments in which organizations operate.

Content	Learning Outcomes
<p>1.1 Types of Organizations</p> <ul style="list-style-type: none"> <li>• Profit, <i>non-profit</i> and <i>non-governmental (NGO)</i> <ul style="list-style-type: none"> <li>· <i>sole traders/proprietors</i></li> <li>· <i>partnerships</i></li> <li>· <i>companies/corporations</i></li> <li>· <i>charities</i></li> <li>· <i>cooperatives</i></li> <li>· <i>franchises</i></li> </ul> </li> <li>• Private sector and public sector</li> </ul>	<p>Analyse local organizations of different types and identify their main features. Explain the advantages and disadvantages of each type of organization identified. Relate each type of ownership to the degree of control.</p> <p>Distinguish between organizations in the private and public sectors.</p>
<p>1.2 Growth and Evolution</p> <ul style="list-style-type: none"> <li>• Global <i>conglomerates</i></li> <li>• Networks</li> <li>• Subsidiaries</li> <li>• <i>Joint ventures/strategic alliances</i></li> <li>• Multinational companies</li> <li>• <i>Holding companies</i></li> </ul>	<p>Analyse the reasons for forming global <i>conglomerates</i> and networks.</p> <p>Analyse the role of subsidiaries, <i>joint ventures/strategic alliances</i>, multinational companies and <i>holding companies</i>.</p>
<p>1.3 Organizational Objectives</p> <ul style="list-style-type: none"> <li>• The nature, role and importance of objectives</li> <li>• The hierarchy of objectives <ul style="list-style-type: none"> <li>· <i>mission statements</i></li> <li>· aims</li> <li>· <i>strategic objectives</i></li> <li>· <i>operational objectives</i></li> <li>· <i>SWOT</i></li> </ul> </li> </ul>	<p>Explain the importance of objectives in managing an organization.</p> <p>Distinguish between objectives, strategies and tactics, and describe how these interrelate.</p> <p>Use <i>SWOT</i> analysis to assess an organization's position, and to define and refine its objectives.</p>

Content	Learning Outcomes
1.4 <i>Ethical</i> Objectives	Appreciate the reasons why organizations would consider setting <i>ethical</i> objectives, how they would implement them, and what the disadvantages and advantages for the organization are.
1.5 <i>Stakeholders</i> <ul style="list-style-type: none"> <li>• Types               <ul style="list-style-type: none"> <li>· suppliers</li> <li>· employees</li> <li>· stockholders</li> <li>· customers</li> <li>· special interest groups</li> <li>· creditors</li> <li>· competitors</li> </ul> </li> <li>• Conflict</li> </ul>	Explain the interests of <i>stakeholders</i> and the likelihood of conflict between them.
1.6 The External Environment <ul style="list-style-type: none"> <li>• Legal and political</li> <li>• Social and cultural</li> <li>• Technological</li> <li>• Ecological</li> <li>• Economic</li> </ul>	Appreciate how the external environment has an impact on organizations and how organizations influence the external environment. Use <i>PEST/STEP</i> analysis to investigate how external factors impact on organizations.

## Module 2: Marketing

Module 2 should be studied in a way that encourages integration with other parts of the syllabus, for example, **Module 4, Accounting and Finance**. The impact of new technologies should be integrated into each element of the marketing module. The emphasis in this module is on the formulation of marketing strategies to achieve organizational objectives, and in response to the changing environment. Throughout this module the focus should be on interpretation rather than calculation.

Content	Learning Outcomes
<p>2.1 The Role of Marketing</p> <ul style="list-style-type: none"> <li>• Definition and nature of marketing</li> <li>• Marketing objectives</li> <li>• Marketing of products</li> <li>• Marketing in <i>non-profit organizations</i></li> <li>• <i>Ethics</i> of marketing</li> </ul>	<p>Define marketing and describe its relationship with other business activities.</p> <p>Understand the goals that an organization is trying to achieve through its marketing, for example, market share and corporate image.</p> <p>Describe the distinction between marketing goods and services.</p> <p>Describe how <i>non-profit organizations</i> may need to market their products.</p> <p>Demonstrate an awareness of the <i>ethical</i> issues involved in marketing.</p>
<p>2.2 Market Research</p> <ul style="list-style-type: none"> <li>• The role of market research</li> <li>• Primary and secondary research</li> <li>• Design and use of questionnaires</li> <li>• Data <ul style="list-style-type: none"> <li>· interpretation</li> <li>· presentation of data</li> </ul> </li> </ul>	<p>Evaluate the role of market research in making business decisions.</p> <p>Explain the methods of market research and evaluate the main research techniques.</p> <p>Describe the principles of questionnaire design, and assess different forms of questions, for example, open and closed.</p> <p>Demonstrate an understanding of the significance of mean, median and mode. Use charts, graphs and other methods of data presentation. [Calculations of significance testing involving normal and binomial distribution are <b>not</b> required.]</p>

Demonstrate an understanding of targeting and *position maps* and their application.



Content	Learning Outcomes
<p>2.5 Price</p> <ul style="list-style-type: none"> <li>• Policies <ul style="list-style-type: none"> <li>· cost-based</li> <li>· competition-based</li> <li>· consumer orientated</li> </ul> </li> <li>• Supply and demand</li> </ul>	<p>Analyse the appropriateness of each pricing policy, for example, skimming, penetration pricing and price discrimination.</p> <p>Describe the effects of changes in the conditions of supply and demand. Describe, but do not calculate, elasticity.</p>
<p>2.6 Promotion</p> <ul style="list-style-type: none"> <li>• Techniques of promotion</li> </ul>	<p>Describe the techniques of bringing products to the attention of consumers and persuading them to buy, for example, point of sale, direct marketing and merchandising, <i>e-commerce</i>.</p>
<p>2.7 Distribution</p> <ul style="list-style-type: none"> <li>• Channels of distribution</li> </ul>	<p>Evaluate the effectiveness of different types of distribution channels.</p>
<p>2.8 International Marketing</p> <ul style="list-style-type: none"> <li>• Entry into international markets</li> <li>• Exchange rates</li> <li>• Cultural factors</li> <li>• Globalization</li> <li>• <i>Regional economic groups/blocs</i></li> </ul>	<p>Compare the different strategies used to enter overseas markets, for example, <i>joint ventures/strategic alliances</i> and multinational production.</p> <p>Assess the risks associated with exchange rate fluctuations. [Calculations are <b>not</b> required.]</p> <p>Explain the effect of <i>cultural exports</i> on local societies and the <i>ethical</i> issues involved.</p> <p>Assess the causes and consequences of globalization.</p> <p>Describe how <i>regional economic groupings</i> affect the way organizations market their products.</p>



Content	Learning Outcomes
<p>3.3 continued</p> <ul style="list-style-type: none"> <li>• Leadership styles <ul style="list-style-type: none"> <li>· autocratic</li> <li>· democratic</li> <li>· laissez-faire</li> <li>· situation leadership</li> <li>· <i>contingency theory</i></li> </ul> </li>   <li>• Methods of payment <ul style="list-style-type: none"> <li>· <i>wages</i> (time and piece rates)</li> <li>· <i>salary</i></li> <li>· profit-related pay</li> <li>· performance-related pay</li> <li>· <i>employee share ownership schemes</i></li> <li>· fringe benefits</li> </ul> </li>   <li>• Job design</li> <li>• Different ways of working</li> </ul>	<p>Analyse the various styles of leadership and their implications for organizations. Evaluate their appropriateness to different work situations and the effect on individuals. Apply to given situations the theories of writers such as Likert, Fiedler, Blake and Mouton, and Tannenbaum and Schmidt.</p> <p>Evaluate alternative methods of payment in different circumstances in the workplace.</p> <p>Explain how different methods of job design, and different ways of working, for example, enrichment, teleworking and flexible working, affect productivity, motivation and job satisfaction.</p>

## Module 4: Accounting and Finance

The focus of Module 4 is on how organizations manage their financial resources and how accounting and financial information is used to aid decision-making and financial control. This module is divided into: **Management Accounting** (4.1–4.4), emphasizing internal analyses and reporting; **Financial Accounting** (4.5–4.6), emphasizing external influences on decision-making. It is important for students to understand the distinction between them.

### Management Accounting

Content	Learning Outcomes
4.1 Source and Application of Funds <ul style="list-style-type: none"> <li>• Forms of finance               <ul style="list-style-type: none"> <li>· internal and external finance</li> <li>· long-term, medium-term and short-term funding</li> </ul> </li> <li>• Debt and equity</li> </ul>	Assess the advantages and disadvantages of each form of finance and be able to comment on the appropriateness of the sources of finance in relation to the specific needs of an organization.  Calculate and draw conclusions from changes in gearing.
4.2 Investment Appraisal <ul style="list-style-type: none"> <li>• Method               <ul style="list-style-type: none"> <li>· <i>payback period</i></li> </ul> </li> </ul>	Calculate the <i>payback period</i> for an investment.
4.3 Cash Flow Forecasts	Prepare a cash flow forecast from given information.
4.4 <i>Break-even Analysis</i> <ul style="list-style-type: none"> <li>• Types of costs               <ul style="list-style-type: none"> <li>· fixed</li> <li>· variable</li> <li>· semi-variable</li> <li>· direct</li> <li>· indirect</li> </ul> </li> </ul>	Analyse the effects of changes in price or cost on the break-even quantity, profit, and margin of safety, using graphical and quantitative methods. Analyse the assumptions and limitations of <i>break-even analysis</i> . (Formulae are provided in Appendix 2.)

## Financial Accounting

Content	Learning Outcomes
<p>4.5 Final Accounts</p> <ul style="list-style-type: none"> <li>• Profit and loss accounts (income statements)</li> <li>• Balance sheets</li> </ul>	<p>Explain the purpose of accounts.            Construct and amend accounts from information given.            [Both horizontal (T) and vertical formats are acceptable for all accounts. Candidates will <b>not</b> be tested on the manufacturing account or double entry.]</p>
<p>4.6 Ratio Analysis</p> <ul style="list-style-type: none"> <li>• <i>Working capital (net current assets)</i></li> <li>• Profitability</li> <li>• Liquidity</li> <li>• Efficiency</li> </ul>	<p>Define, calculate and explain the need for <i>working capital (net current assets)</i>.</p> <p>Calculate and use ratios to interpret financial statements.            (Formulae are provided in Appendix 2.)</p>

# ASSESSMENT OUTLINE

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## Higher Level

*For first examinations in 2002*

External Assessment 75%

Written Papers 4½ hours

Paper 1 2 hours 40%

**Two** compulsory sections, A and B.

Section A

A maximum of **four** compulsory questions based on a case study issued in advance by the IBO.

**All** questions to be answered.

Section B

**Two** extended-response questions relating to the case study themes.

**One** question to be answered.

Paper 2 2½ hours 35%

**Six** data-response questions, each based on one or more of the six modules of the syllabus.

**Four** questions to be answered.

Internal Assessment (Research Project) 25%

A Research Project (Research Proposal 200–300 words and Written Report 1800–2000 words), total 2000–2300 words, to be internally assessed by the teacher and externally moderated by the IBO.

The Research Project must be based on a research question which:

**either** addresses an issue facing an organization or range of organizations

**or** analyses a decision to be made by an organization or range of organizations.

# ASSESSMENT OUTLINE

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## Standard Level

*For first examinations in 2002*

External Assessment 80%

Written Papers 3 hours

Paper 1 1½ hours 40%

A maximum of **four** compulsory questions based on a case study issued in advance by the IBO.

**All** questions to be answered.

Paper 2 1½ hours 40%

**Five** data-response questions, each based on one or more of the four modules of the syllabus.

**Three** questions to be answered.

Internal Assessment (Written Assignment) 20%

A Written Assignment, 1000–1500 words, to be internally assessed by the teacher and externally moderated by the IBO.

The Written Assignment must demonstrate the application of tools, techniques and theory to a real business situation or problem.

# ASSESSMENT DETAILS

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## External Assessment

### General

#### 1 Papers 1 and 2

The two written examination papers, Paper 1 and Paper 2, which are externally set and externally marked, are designed to allow candidates to demonstrate what they know and can do.

#### 2 Case Study (Paper 1)

- The case study is provided by the IBO several weeks before the examination session. Teachers are advised to spend no more than four weeks on the case study.
- The case study (approximately **2000** words) on which Paper 1 is based will be the same for Higher Level and Standard Level, but different questions will be set for each level.
- The purpose of the case study is to assess, in depth and across a number of modules, the candidate's ability to apply business knowledge to a given situation.

#### 3 Calculators

- Candidates may be expected to carry out simple arithmetic calculations, therefore each candidate is required to have access to a calculator with basic arithmetic operations for both examination papers. Calculators must not be shared.
- Regulations concerning calculators are given in the relevant section of the *Vade Mecum*.



## Higher Level Written Papers

### 1 Paper 1 (2 hours) 40%

**1.1** This paper is divided into two sections, both based on the IBO prescribed case study issued to candidates several weeks before the examination.

It is recommended that candidates spend approximately **1½ hours** on Section A and approximately **30 minutes** on Section B.

**1.2** Candidates should apply their knowledge in depth in this section.

**1.3** Section A

- Candidates should answer questions by referring primarily to information derived from the case study as well as referring to their own knowledge.
- This section consists of a maximum of **four** compulsory questions. The maximum number of marks for this section is 60 and the marks allocated to each question will depend on the number, type and combination of questions set. The marks available for each question, and each part of a question, will be indicated on the examination paper.

**1.4** Section B

- Candidates must answer **one** of the two extended-response questions in this section. The questions may contain supplementary material related to the case study.
- The purpose of this paper is to give candidates the opportunity to demonstrate higher order skills of analysis and evaluation in relation to the case study themes.
- The maximum number of marks available for this section is 20.

### 2 Paper 2 (2½ hours) 35%

**2.1** Candidates must answer **four** of the six data-response questions.

**2.2** The purpose of this paper is to assess candidates' knowledge across all the modules and their understanding of the whole syllabus. Each question may relate to more than one module.

**2.3** All questions will be based on stimulus material of different forms: written, pictorial, numerical or diagrammatic.

**2.4** The maximum number of marks available for this paper is 80 and each question is worth 20 marks.

## Standard Level Written Papers

- |   |         |            |     |
|---|---------|------------|-----|
| 1   | Paper 1 | (1½ hours) | 40% |
| <br>  |         |            |     |
| 1.1 This paper is based on the IBO prescribed case study issued to candidates several weeks before the examination.   |         |            |     |
| 1.2 Candidates should apply their knowledge in depth.   |         |            |     |
| 1.3 Candidates should answer questions by referring primarily to information derived from the case study as well as referring to their own knowledge.   |         |            |     |
| 1.4 This paper consists of a maximum of <b>four</b> compulsory questions. The maximum number of marks for this paper is 60 and the marks allocated to each question will depend on the number, type and combination of questions set. The marks available for each question, and each part of a question, will be indicated on the examination paper. |         |            |     |
| <br>  |         |            |     |
| 2   | Paper 2 | (1½ hours) | 40% |
| <br>  |         |            |     |
| 2.1 Candidates must answer <b>three</b> of the five data-response questions.  |         |            |     |
| 2.2 The purpose of this paper is to assess candidates knowledge across all the modules and their understanding of the whole syllabus. Each question may relate to more than one module.   |         |            |     |
| 2.3 All questions will be based on stimulus material of different forms: written, pictorial, numerical or diagrammatic.   |         |            |     |
| 2.4 The maximum number of marks available for this paper is 60 and each question is worth 20 marks.   |         |            |     |

# Internal Assessment

## General

- 1 Internal assessment is an integral part of the Business and Management programme and is compulsory for both Higher Level and Standard Level candidates. It enables candidates to demonstrate the application of their skills and knowledge in business and management without the time limitations and stress associated with written examinations.

## 2 Guidance and Authenticity

The teacher should play an important role in helping candidates to plan and to work on the Research Project (HL) or Written Assignment (SL). It is also helpful if teachers try to encourage candidates to be responsible for their own work and so take pride in the finished product.

- 2.1 It is the responsibility of the teacher to ensure that candidates are familiar with:
  - the requirements of the type of work internally assessed
  - the means by which the work is assessed
  - the assessment criteria.
- 2.2 Teachers and candidates will need to discuss the investigation. Candidates should be encouraged to initiate discussions with the teacher to obtain advice and information, and candidates will not be penalized for seeking guidance. However, if a candidate could not have completed the work without substantial support from the teacher, this should be recorded on the appropriate form in the *Vade Mecum*.
- 2.3 Teachers must explain clearly to candidates that the internally assessed work must be entirely their own, and that each candidate is required to sign a written declaration to this effect, verified by the teacher, when submitting their work.
- 2.4 Teachers are required to ensure that the work submitted is the candidate's own. If in doubt, authenticity may be checked by discussion with the candidate on the content of the work and scrutiny of one or more of the following:
  - the candidate's initial proposal
  - the first draft of the written work
  - the references and bibliography cited
  - the style of writing compared with work known to be that of the candidate.

## 3 Group Work

Group work is allowed for data collection, but individual contributions must be clearly identified. The final work must be the candidate's own individual findings and writing.

# Higher Level Research Project

25%

## 1 Introduction

The Research Project enables Higher Level candidates to demonstrate the application of their skills and knowledge to real organizational issues or decision-making. Candidates must select a real organization, not a fictional one, and the issue or decision under investigation must be real. The style and format of the report should be in the form of a useful working document for management.

## 2 Requirements

2.1 Higher Level candidates are required to:

- design and undertake research which **either** addresses an issue facing an organization or range of organizations **or** analyses a decision to be made by an organization or range of organizations
- produce a Research Proposal which should be used as the primary planning document and be set in terms of an action plan
- provide a title for the Research Project which, to give focus and direction, must be framed as a question
- produce a Written Report between 1800 and 2000 words.

2.2 More than one candidate is allowed to choose the same organization for their research provided that the Written Report reflects the candidate's own individual work, interpretation and analysis.

## 3 Choice of Research Topic

3.1 Candidates should, with the teacher's guidance, choose their own topic and organization. Ideally, candidates should find their topics interesting and motivating.

3.2 The teacher should approve each topic before work is started and should ensure that it complies with the requirements for internal assessment.

3.3 For a variety of reasons not apparent at the start of the project, for example confidentiality, some organizations fail to provide data, which will undermine the quality of the final report. Candidates must therefore make sure before starting their investigations that they will be able to obtain the necessary data from the chosen organization.

3.4 Candidates must be aware of ethical considerations when undertaking any research. There is a need for tact, sensitivity to other people and respect for confidentiality.

## 4 Research Proposal (200–300 words)

**4.1** The internal assessment must start with the Research Proposal which becomes the primary planning document, giving direction to the Research Project.

**4.2** The Research Proposal must outline:

- the research question
- the rationale for study
- areas of the syllabus to be covered
- possible sources of information
- organizations and individuals to be approached
- methods to be used to collect and analyse data, and the reason for choosing them
- the order of activities and timescale of the project.

Suggested Research Proposal Format

- Research question
- Theoretical framework
- Methodology
- Action plan

**4.3** Candidates should use the Research Proposal as their primary planning document, reviewing it regularly with the teacher and modifying or rewriting it as necessary should circumstances change.

**4.4** The maximum achievement level for Criterion A, Research Proposal, is 4. Candidates who fail to produce a Research Proposal will be awarded zero, (0), for this criterion.

## 5 Written Report (1800–2000 words)

- 5.1** The Written Report, which follows the Research Proposal, is the second part of the internally assessed Research Project.
- 5.2** The IBO does not specify the exact format for the report but it must follow acceptable practice in report presentation.

### Suggested Written Report Format

- Title page
- Acknowledgements
- Contents page
- Executive summary (abstract)  
A concise, clear, explicit summary (between 100–200 words) of the document, including any recommendations or conclusions. The research question and executive summary should guide the reader to the substance of the report.
- Introduction
- Research question
- Procedure or method
- Main results and findings
- Analysis and discussion
- Conclusions and recommendations
- Bibliography and references
- Appendices

- 5.3** The 2000 words does not include supplementary information such as the title page, executive summary, diagrams, figures, tables, references and appendices.

## 6 Time Allocation

- 6.1** The fact that internal assessment is an integral component of the Higher Level programme, contributing 25% to the final assessment, should be reflected in the total time allocated to the Research Project.
- 6.2** It is recommended that a total of approximately 30 hours should be allocated to the Research Project. This should include:
- time for the teacher to explain to candidates the requirements of the project, including business ethics and confidentiality
  - class time for candidates to work on their projects
  - time spent by the candidate to make arrangements with the selected organization and to visit to collect data
  - additional time spent outside normal class time for candidates to work on their own
  - time for consultation between the teacher and each candidate
  - time to review and monitor progress, and to check authenticity.

# Standard Level Written Assignment

20%

## 1 Introduction

The Written Assignment enables Standard Level candidates to demonstrate the application of business and management tools, techniques and theory to a real business situation or problem. Candidates must select a real situation or problem, not a fictional one, and must answer a question stated as a title.

## 2 Requirements

- 2.1 The subject matter must be chosen from a topic or subtopic of the syllabus modules taken from the following prescribed list.

Module 1: Introduction to Organizations	Module 2: Marketing
<p><b>Topics</b></p> <p>1.1 Types of Organizations 1.4 <i>Ethical</i> objectives 1.5 <i>Stakeholders</i> 1.6 The External Environment</p> <p><b>Subtopics</b></p> <p>1.3.2 <i>SWOT</i> analysis</p>	<p><b>Topics</b></p> <p>2.2 Market Research 2.7 Distribution</p> <p><b>Subtopics</b></p> <p>2.1.5 <i>Ethics</i> of marketing 2.3.1 The marketing mix 2.3.3 Market segmentation and consumer profiles 2.3.4 <i>PEST/STEP</i> analysis 2.5.1 Pricing policies 2.8.3 Cultural factors</p>
Module 3: Human Resource Management	Module 4: Accounting and Finance
<p><b>Topics</b></p> <p>3.2 Organization Structure and Communication 3.3 Motivation and Leadership</p> <p><b>Subtopics</b></p> <p>3.1.2 Recruitment 3.1.3 Appraisal 3.1.4 Training and development</p>	<p><b>Topics</b></p> <p>4.1 Source and Application of Funds 4.2 Investment Appraisal 4.6 Ratio Analysis</p>

- 2.2 Candidates must produce a Written Assignment between 1000 and 1500 words.
- 2.3 The assignment must be written as an answer to a question. This should be written into the title. Candidates who fail to frame the title as a question will find that their work lacks focus and they will not be able to achieve the higher levels for all the criteria.



### 3 Choice of Assignment Topic

- 3.1 Candidates should, with the teacher's guidance, choose their own topic. Ideally, candidates should find their topics interesting and motivating.
- 3.2 The teacher should approve each topic before work is started and should ensure that it complies with the requirements for internal assessment.
- 3.3 More than one candidate may choose the same topic provided that the Written Assignment reflects the candidate's own individual work, findings and interpretation.

### 4 The Written Assignment

- 4.1 The assignment must be presented in the format specified by the IBO.

<p>IBO Required Written Assignment Format</p> <ul style="list-style-type: none"><li>• Research title (question)</li><li>• Introduction</li><li>• Statement of objective(s)</li><li>• Discussion</li><li>• Conclusions and recommendations</li><li>• Bibliography and references</li><li>• Appendices (if applicable)</li></ul>
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- 4.2 The supplementary information such as title page, diagrams, figures, tables, references and appendices is not included in the 1000–1500 words.

## 5 Time Allocation

- 5.1** The fact that internal assessment is an integral component of the Standard Level programme, contributing 20% to the final assessment, should be reflected in the total time allocated to the Written Assignment.
- 5.2** It is recommended that a total of approximately 15 hours should be allocated to the Written Assignment. This should include:
- time for the teacher to explain to candidates the requirements of the assignment, including business ethics and confidentiality
  - class time for candidates to work on their assignments
  - additional time spent outside normal class time for candidates to work on their own
  - time for consultation between the teacher and each candidate
  - time to review and monitor progress, and to check authenticity.

# ASSESSMENT CRITERIA

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There are two different methods of assessment in IBO Business and Management. For the external assessment there are detailed markschemes specific to each examination paper. Assessment criteria published in this guide are used to assess the internal assessment, that is, the Research Project (HL) and the Written Assignment (SL).

## Using the Assessment Criteria

The method of assessment used by the IBO is criterion-referenced, not norm-referenced, that is to say the method of assessing the Business and Management Higher Level Research Project and Standard Level Written Assignment judges each candidate in relation to identified assessment criteria and not in relation to the work of other candidates.

Teachers should judge the internally assessed work against the criteria using the descriptors.

- Different assessment criteria are provided for Higher Level and Standard Level. There are five assessment criteria (A–E) for the Higher Level and five (A–E) for the Standard Level internal assessment. For each assessment criterion, achievement level descriptors are defined which concentrate on positive achievement, although for the lower levels failure to achieve may be included in the descriptors.
- The aim is to find, for each criterion, the descriptor which conveys most adequately the achievement level attained by the candidate using the best-fit model.
- When the work to be assessed has been read, the descriptors for each criterion should be read until a descriptor is reached that most appropriately describes the achievement level. If a piece of work seems to fall between two descriptors both descriptors should be read again and the one which more appropriately describes the candidate's work chosen.
- Only whole numbers should be recorded; partial marks, fractions and decimals are not acceptable.
- Teachers should not think in terms of a pass/fail boundary, or make comparisons with the IBO 1–7 grade scale, but should concentrate on identifying the appropriate descriptor for each assessment criterion.
- The highest descriptors do not imply faultless performance but should be achievable by a candidate. Teachers should not hesitate to use the extremes if they are appropriate descriptions of the work being assessed.
- A candidate who attains a high level of achievement in relation to one criterion will not necessarily attain high levels of achievement in relation to the others, and vice versa. Teachers should not assume that the overall assessment of the candidates will produce any particular distribution of scores.

It is recommended that the assessment criteria and their descriptors be available to candidates at all times.

## Higher Level

The Higher Level Business and Management Research Project is assessed against five criteria which are related to the objectives for the Business and Management programme. Criterion A refers to the Research Proposal while Criteria B–E are used to assess the Written Report.

- Criterion A    Research Proposal**
- Criterion B    Use of Sources, Data and Theoretical Concepts (Written Report)**
- Criterion C    Analysis and Evaluation (Written Report)**
- Criterion D    Conclusion and Recommendations (Written Report)**
- Criterion E    Value to Management (Written Report)**

### A            Research Proposal

*Criterion A should be used to assess the Research Proposal only.*

#### Achievement Level

- 0**            There is no Research Proposal.
- 1**            The Research Proposal, and in particular the research question, are inappropriate.
- 2**            The Research Proposal, and in particular the research question, are generally appropriate but they are not consistently clear and focused. There is an attempt at planning, but little indication of the theoretical framework or methodology to be employed. There is little or no recognition of possible difficulties.
- 3**            The Research Proposal, and in particular the research question, are entirely appropriate, clear and focused. There is a more than adequate action plan, and a clear indication of the theoretical framework and methodology to be employed. Some possible difficulties have been anticipated.
- 4**            The Research Proposal, and in particular the research question, are entirely appropriate, clear and focused. There is a well-defined, succinctly presented action plan, and a clear indication of the theoretical framework and methodology to be employed. Possible difficulties have been anticipated, and the project appears to be realistically achievable.

**B Use of Sources, Data and Theoretical Concepts (Written Report)****Achievement  
Level**

- 0** There is no use of sources, data or theoretical concepts.
- 1** The sources and data are inappropriate or inadequate. There is a very limited understanding of relevant theoretical concepts and these concepts have been misused.
- 2** The sources and data are generally appropriate, but inadequate. There is a limited understanding of relevant theoretical concepts but these have not been used effectively.
- 3** The sources and data are generally appropriate and adequate. There is an understanding of relevant theoretical concepts and some evidence of their being used effectively.
- 4** The sources and data are entirely appropriate and more than adequate. There is a sound understanding of relevant theoretical concepts and consistent evidence of their being used effectively.
- 5** The sources and data are excellent. There is an in-depth understanding of relevant theoretical concepts and consistent evidence of their being used very effectively.

## C Analysis and Evaluation (Written Report)

### Achievement Level

- |          |  |
|----------|--|
| <b>0</b> | There is no analysis or evaluation.  |
| <b>1</b> | The analysis and evaluation of the findings are very limited and the discussion is superficial. Ideas and references to issues are dispersed throughout the report, which lacks order and coherence.   |
| <b>2</b> | The analysis and evaluation of the findings are limited and the discussion tends to be superficial. There is limited evidence of an attempt to put the ideas and references to issues in sequence in a coherent order.   |
| <b>3</b> | The analysis and evaluation of the findings are adequate but the discussion is unnecessarily descriptive. There is some integration of ideas and issues in a coherent order and some evidence of critical thinking.  |
| <b>4</b> | The analysis and evaluation of the findings are generally appropriate and adequate. The discussion is generally probing but at times unnecessarily descriptive. There is some integration of ideas and issues in a coherent order, and adequate evidence of critical thinking, but they are not sustained throughout the report. |
| <b>5</b> | The analysis and evaluation of the findings are appropriate and adequate. The discussion is probing. There is sound integration of ideas and issues, generally in a logically coherent order, and evidence of critical thinking throughout most of the report.   |
| <b>6</b> | The analysis and evaluation of the findings are entirely appropriate and more than adequate. The discussion is probing and generally informative. There is a very good, sound integration of ideas and issues in a logically coherent order, and consistent evidence of critical thinking throughout the report.                 |
| <b>7</b> | The analysis and evaluation of the findings are excellent. The discussion is probing, in-depth and informative. There is an excellent integration of ideas and issues in a logically coherent order, and consistent evidence of critical, reflective thinking throughout the report.   |

## D Conclusions and Recommendations (Written Report)

### Achievement Level

- |          |  |
|----------|--|
| <b>0</b> | There are no conclusions and recommendations.  |
| <b>1</b> | The conclusions and recommendations are inconsistent with the evidence presented.  |
| <b>2</b> | Some of the conclusions and recommendations are occasionally consistent with the evidence presented, but not all directly address the research question. There are significant omissions, and unanswered questions have not been acknowledged.                             |
| <b>3</b> | The conclusions and recommendations are mostly consistent with the evidence presented and directly address the research question. There are minor omissions, but unanswered questions have been partially acknowledged.  |
| <b>4</b> | The conclusions and recommendations are entirely consistent with the evidence presented and directly address the research question. There are no omissions, and unanswered questions have been fully acknowledged.   |
| <b>5</b> | The conclusions and recommendations are entirely consistent with the evidence presented and directly address the research question. There are no omissions and, where appropriate, unanswered questions are fully acknowledged. Future action to resolve them is proposed. |

## E Value to Management (Written Report)

### Achievement Level

- 0** The report and executive summary are of no practical value to management.
- 1** The report and executive summary are of very limited practical value as a working document to management. The use, if any, of subject-specific terminology is confused and confusing. The bibliography and references, if provided, are inadequate. The appendices, if provided, are irrelevant.
- 2** The report and executive summary are generally of practical value as a working document to management. The use of subject-specific terminology is generally correct. The bibliography and references, if provided, are adequate. The appendices, if provided, are relevant.
- 3** The report and executive summary are of good, practical value as a working document to management. The use of subject-specific terminology is consistently correct. The bibliography and references are more than adequate. The appendices, if provided, are directly relevant.
- 4** The report and executive summary are of excellent, practical value as a working document to management. The use of subject-specific terminology is sophisticated and consistently correct. The bibliography and references are excellent. The appendices, if provided, are directly relevant. There is no superfluous material.



## Standard Level

The Standard Level Business and Management Written Assignment is assessed against five criteria which are related to the objectives for the Business and Management programme.

- Criterion A    Research**
- Criterion B    Choice and Application of Business Theory, Tools and Techniques**
- Criterion C    Analysis and Evaluation**
- Criterion D    Conclusions and Recommendations**
- Criterion E    Overall Impression**

### A            Research

#### **Achievement Level**

- 0**            There is no research question, or any background research undertaken is irrelevant to the subject, or the topic has not been selected from the prescribed list.
- 1**            The research question is irrelevant to the subject, or is vague or too broad in scope to be treated effectively within the word limit. The background research is of little relevance to the research question.
- 2**            The research question is relevant to the subject, is clear and susceptible to effective treatment within the word limit. The background research is relevant to the research question, but not always consistently. There are significant omissions.
- 3**            The research question is directly relevant to the subject, is clear and susceptible to effective treatment within the word limit. The background research is consistently relevant to the research question but there are minor omissions.
- 4**            The research question is directly relevant to the subject, is clear and susceptible to effective treatment within the word limit. The background research is consistently relevant to the research question and is thorough, rigorous and complete. There is no superfluous material.

## B Choice and Application of Business Theory, Tools and Techniques

### Achievement Level

- 0** There is no evidence of the choice and application of business theory, tools and techniques.
- 1** There is a very poor choice of business theory, tools and techniques and there is very little evidence of their application for the analysis and evaluation of information.
- 2** There is an adequate choice of business theory, tools and techniques and there is general evidence of their application for the analysis and evaluation of information.
- 3** There is a good choice of business theory, tools and techniques and there is consistent evidence of their effective application for the analysis and evaluation of information.
- 4** There is an excellent choice of business theory, tools and techniques and there is consistent evidence of their highly effective application for the analysis and evaluation of information.

## C Analysis and Evaluation

### Achievement Level

- 0** There is no analysis or evaluation.
- 1** The analysis and evaluation of the findings are very limited and the discussion is superficial. Ideas and references to issues are dispersed throughout the assignment, which lacks order and coherence.
- 2** The analysis and evaluation of the findings are limited and the discussion tends to be superficial. There is limited evidence of an attempt to put the ideas and references to issues in sequence in a coherent order.
- 3** The analysis and evaluation of the findings are generally appropriate and adequate. The discussion is generally probing but at times unnecessarily descriptive. There is some integration of ideas and issues in a coherent order, and adequate evidence of critical thinking, but they are not sustained throughout the assignment.
- 4** The analysis and evaluation of the findings are excellent. The discussion is probing, in-depth and informative. There is an excellent integration of ideas and issues in a logically coherent order and consistent evidence of critical, reflective thinking throughout the assignment.

## D Conclusions and Recommendations

### Achievement Level

- 0** There are no conclusions or recommendations.
- 1** The conclusions and recommendations are inconsistent with the evidence presented.
- 2** Some of the conclusions and recommendations are occasionally consistent with the evidence presented, but not all directly address the research question. There are significant omissions and unanswered questions have not been acknowledged.
- 3** The conclusions and recommendations are mostly consistent with the evidence presented and directly address the research question. There are minor omissions, but unanswered questions have been partially acknowledged.
- 4** The conclusions and recommendations are entirely consistent with the evidence presented and directly address the research question. There are no omissions and, where appropriate, unanswered questions are fully acknowledged. Future action to resolve them is proposed.

## E Overall Impression

*This criterion concerns a holistic assessment of the Written Assignment including the standard of presentation and the degree to which the candidate has shown personal engagement in, and commitment to, the task.*

### Achievement Level

- 0** The Written Assignment is not in the format required by the IBO, or there is no evidence of personal engagement and commitment.
- 1** The Written Assignment is in the format required by the IBO. Appendices (if applicable) are not used appropriately and referencing is inaccurate or omitted. The presentation is very poor and there is little evidence of personal engagement and commitment.
- 2** The Written Assignment is in the format required by the IBO. Appendices (if applicable) are not always used appropriately and referencing is at times inaccurate. The presentation is adequate and there is some evidence of personal engagement and commitment.
- 3** The Written Assignment is in the format required by the IBO. Appendices (if applicable) are generally used appropriately, and referencing is generally accurate. The presentation is good and there is evidence of personal engagement and commitment.
- 4** The Written Assignment is in the format required by the IBO. Appendices (if applicable) are used appropriately, and referencing is consistently accurate. The presentation is excellent and there is evidence of personal engagement, commitment, depth of understanding and flair.

# APPENDIX 1

## Glossary of Business and Management Terms

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Owing to the dynamic and international nature of business and management the intention of this glossary is to provide clear, working definitions relevant to the IBO Business and Management programme. The glossary is not exhaustive, nor are the terms necessarily universal, but the glossary aims to reduce ambiguity in the teaching and assessment of the Business and Management programme.

absorption costing	See <i>costing, absorption</i> .
AC (average-cost)	A method of stock valuation which involves recalculating the average cost of stock every time a new delivery arrives. Each unit is assumed to have been purchased at the average price of all components.
activity-based costing	See <i>costing, activity-based</i> .
ARR (accounting rate of return)	The average return from an investment project expressed as a percentage of the cost of the project.
break-even analysis	A calculation of costs compared to revenue. The point at which the total revenue is equal to costs is known as the break-even point.
business ethics	See <i>ethical/ethics</i> .
charity	Not-for-profit organization. Registration as a charity may give tax and legal advantages. (Traditionally, charities were established to promote good causes.)
company/ corporation	An organization established for a specific purpose and registered according to the provisions of domestic legislation. Once registered, a company is a separate legal entity.
conglomerate	An organization which results from a merger and/or takeover of firms which are involved in a diverse range of activities.
contingency theory	A theory which is based on the notion that the best way of structuring or leading an organization depends on a variety of interrelated factors.
cooperative	A business organization run and owned jointly by the members, who have equal voting rights.

corporation	See <i>company/corporation</i> .
cost centre	A part of an organization which can be held responsible for the generation of costs.
costing	The process of giving a money value to all the activities involved in making and supplying a good or service to the customer. The method of costing is selected according to the business activity involved.
costing, absorption	A method of costing to recover all costs, direct and indirect. Indirect costs or overheads are apportioned in a predetermined manner.
costing, activity-based	The total cost to an organization of a particular output. The cost is assessed by considering all the resources used to produce the output and assigning all resource costs to the output.
costing, full	A method of costing to recover all costs, direct and indirect. Indirect costs are apportioned by a single arbitrary ratio.
costing, marginal	A method of costing which assigns variable costs of producing a unit, but does not allocate fixed costs.
costing, standard	A method of costing giving the estimated cost of a product. It is prepared in advance of production given reasonably efficient working.
cultural export	The export of ideas and values from one country to another.
DCF (discounted cash flow)	The discounting of expected future cash flows to take into account the time value of money.
dismissal	The termination of employment because of unsatisfactory work performance or breach of contract.
e-commerce	Business conducted on the Internet.
employee share ownership scheme	A scheme which gives shares to employees, the aim being to motivate them to contribute to the success of the company.
ethical/ ethics (business ethics)	A code of behaviour which is acceptable for a person or organization to follow in a given society.
FIFO (first-in-first-out)	A method of stock valuation which involves issuing stock in the order in which it is delivered so that remaining stock is valued closer to its replacement cost.
franchise	An agreement where a business (franchiser) sells rights to other businesses (franchisees) allowing them to sell products and/or use the company name in return for a fixed fee and/or percentage of the turnover.
full costing	See <i>costing, full</i> .

Gantt chart	A method of scheduling which uses a horizontal bar or line chart showing the activities needed to complete a project in the right order and at the right time.
holding company	A joint stock company which controls another company or companies.
IRR (internal rate of return)	The discount rate which equates the cost of an investment with the present value of expected inflows.
JIC (just-in-case)	An approach to stock management which recognizes the need for a minimum reserve stock just in case there are supply or demand fluctuations.
JIT (just-in-time)	A method of stock management which ensures that stock is delivered to the next stage or customer at the exact time it is needed.
joint venture/ strategic alliance	Two or more organizations which set up one or more business projects that will be operated jointly, so avoiding the need for a complete merger but allowing the organizations to benefit from joining forces.
lay-off	See <i>redundancy/lay-off</i> .
lead time	The time between the order and delivery of goods and/or services.
LIFO (last-in-first-out)	A method of stock valuation which involves issuing more recent deliveries first so that closing stock is valued at the older and possibly lower purchase price.
make-or-buy	A situation where an organization may decide between manufacturing a product or buying in from an outside supplier.
marginal costing	See <i>costing, marginal</i> .
mission statement	A philosophy, vision or set of principles which steers the direction and behaviour of an organization.
net current assets	See <i>working capital/net current assets</i> .
NGO (non-governmental organization)	A private sector, not-for-profit organization, formed with the objective of achieving public benefit.
NPV (net present value)	The sum of the discounted cash flow minus the cash flow.
non-profit organization (not-for-profit)	An organization whose primary objectives do not include profit. Examples include government organizations and charities.
operational objective	A specific goal set to guide day-to-day operations. It should be compatible with a strategic objective and the mission statement of the organization.

partnership	A business owned and controlled by two or more people who subscribe capital and share decision-making.
payback period	A method of measuring the cash flow associated with a project to assess how long it will take for a project to generate sufficient cash to recover in full its original investment.
PEST/ STEP	Political, economic, social and technological analysis.
physical evidence	The tangible aspects of a service, for example, the clean tables in a restaurant.
position map	A diagram which illustrates the position of products in relation to each other and against variables such as price, quality and target market.
profit centre	A section of an organization for which both costs and revenues can be, and are, calculated for profit contribution. The profit centre is responsible for a percentage of the overall profitability of the organization.
proprietor	See <i>sole trader/proprietor</i> .
redundancy/ lay-off	The termination of employment where an employee is asked to leave through no fault of his/her own.
regional economic group/ bloc	An organization of countries who have formed economic alliances for mutual benefit.
salary	A payment made to an employee for his/her labour. Salary is usually expressed as an annual sum and paid to the employee each month.
snowballing	A method which involves starting the process with one individual or group and then using these contacts to develop more contacts to increase the sample.
sole trader/ proprietor	A business which is owned by one person who provides all capital, other than loan capital, has complete control over decisions and unlimited liability.
stakeholder	A person, group or organization with a vested interest in the performance, behaviour or conduct of an organization.
standard costing	See <i>costing, standard</i> .
STEP/ PEST	Social, technological, economic and political analysis.
strategic alliance	See <i>joint venture/strategic alliance</i> .
strategic objective	A goal which determines the policy of an organization and sets the performance standard against which the success of the whole organization is measured.

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stock valuation, average-cost (AC)	See <i>AC (average-cost)</i> .
stock valuation, first-in-first-out (FIFO)	See <i>FIFO (first-in-first-out)</i> .
stock valuation, last-in-first-out (LIFO)	See <i>LIFO (last-in-first-out)</i> .
SWOT	Strengths, weaknesses, opportunities and threats. A framework for identifying the internal strengths (S) and weaknesses (W) of a firm, and the external opportunities (O) open to it, and the threats (T) it faces, which can be used to formulated the firm's business strategy.
wage	The money paid to a worker for his/her labour, usually on a weekly basis. The wage rate may be time (hourly) or piece rate.
working capital/ net current assets	An accounting term meaning the current assets of an organization minus current liabilities. The monies or liquid assets used to fund day-to-day operations.



# APPENDIX 2

## Formulae

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### Formulae for Ratio Analysis

- Return on capital employed (ROCE) =  $\frac{\text{Net profit before interest and tax}}{\text{Total capital employed}} \times 100$
- Gross profit margin (GPR) =  $\frac{\text{Gross profit}}{\text{Total sales revenue}} \times 100$
- Net profit margin (NPR) =  $\frac{\text{Net profit}}{\text{Total sales revenue}} \times 100$

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### Liquidity Ratios

- Current assets ratio =  $\frac{\text{Current assets}}{\text{Current liabilities}} \times 100$
- Acid test (quick) =  $\frac{\text{Current assets} - \text{Stock/inventory}}{\text{Current liabilities}}$

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### Shareholder (Stockholder) Ratios

- Return on equity (ROE) =  $\frac{\text{Profit after tax, interest and preferred dividends}}{\text{Ordinary share capital services}} \times 100$
- Earnings per share =  $\frac{\text{Net profit after tax} + \text{Preferred dividend}}{\text{Number of shares}}$
- Dividend yield =  $\frac{\text{Dividends per share}}{\text{Market price}} \times 100$

### Formulae for Ratio Analysis (continued)

#### Efficiency Ratios

- Stock turnover =  $\frac{\text{Sales}}{\text{Average stock}}$

**or**

- Stock turnover =  $\frac{\text{Cost of goods sold}}{\text{Average stock (at selling price)}}$

- Trade debtor (accounts receivable) collection period =  $\frac{\text{Trade debtors}}{\text{Sales revenue}} \times 365$

- Trade creditors (accounts payable) payment period =  $\frac{\text{Trade creditors}}{\text{Total purchases}} \times 365$

- Gearing ratio =  $\frac{\text{Loan capital} + \text{Preference capital}}{\text{Total capital (loan + preference + equity capital)}} \times 100$

#### Other Formulae

- Net present value = Present value of return – Original cost

- Break-even point =  $\frac{\text{Fixed costs}}{\text{Selling price} - \text{Variable costs per unit (contribution per unit)}}$

- Margin of safety = Current output/Sales – Break-even output/Sales