

**GCSE (9–1)**

*Teachers' guide*

# ***BUSINESS***

**J204**

For first teaching in 2017

## **Teachers' guide to OCR GCSE (9–1) Business specification**

Version 1

# Contents

## **Business 1: business activity, marketing and people (J204/01)**

1. Business activity	4
2. Marketing	6
3. People	7

## **Business 2: operations, finance and influences on business (J204/02)**

4. Operations	9
5 Finance	12
6. Influences on business	14
7. The interdependent nature of business	16

---

### **DISCLAIMER**

This resource was designed using the most up to date information from the specification at the time it was published. Specifications are updated over time, which means there may be contradictions between the resource and the specification, therefore please use the information on the latest specification at all times. If you do notice a discrepancy please contact us on the following email address: [resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk)

# Introduction

This document provides guidance on the content in the GCSE (9–1) Business specification. Further support on specific topics can be found in the delivery guides and example schemes of work.

It is designed as a guide only and does not replace the specification which is the definitive document for OCR GCSE (9-1) in Business (J204).

## Overview of the specification

The GCSE (9-1) Business has been developed to reflect changes in businesses and how they operate. The move towards digital distribution and the increased importance of social media in marketing are two areas which illustrate the changes taking place. Teachers involved in the delivery of the specification should ensure that relevant and up to date examples are used to consider further changes to business practice in the life of the specification.

Section 2c of the specification (pages 9 to 19) puts the content into a table with 3 headings: 'topic', 'content' and 'points to include'. This third column is used to add clarity to the content by indicating the minimum range of points that teaching should cover. For example 1.1 The role of business enterprise and entrepreneurship; the 'points to include' are the characteristics that all students must know although there are many other similar characteristics.

The assessment of quantitative skills within the two written papers will be a requirement with a minimum of 10% of overall marks assessed in this way. Students should be able to calculate and interpret quantitative data in business contexts to support, inform and justify business decisions. Numerical and graphical data may be taken from a range of situations and specification areas. Details of the **quantitative skills requirement** are listed in appendix 5c of the GCSE (9–1) Business specification <http://www.ocr.org.uk/Images/304213-specification-accredited-gcse-business-j204.pdf>.

The following table summarises the changes made and what has stayed the same.

What stays the same?	What's changing?
<ul style="list-style-type: none"> <li>Assessment is at the end of the course.</li> <li>The three Assessment Objectives remain similar with 35%, 35%, 30% allocations.</li> <li>Content and structure are familiar although updated and streamlined.</li> <li>Key topic areas have stayed the same.</li> <li>Engaging introduction to business.</li> </ul>	<ul style="list-style-type: none"> <li>The assessment consists of two exams, 90 minutes each.</li> <li>There is no longer any controlled assessment or pre-release stimulus material.</li> <li>Explicit application and assessment of quantitative skills (minimum of 10% of overall marks) at the level of at least Key Stage 3 Maths.</li> <li>Both question papers have a section with multiple choice questions. These will be targeted across all grade ranges and account for just over 18% of total marks.</li> <li>Greater focus on business decision-making and problem-solving.</li> </ul>

# Business 1: business activity, marketing and people (J204/01)

## 1. Business activity

This section looks at how a business may start and then grow. Students need to understand the differing ways a business may start; how some businesses grow and some stay very much the same. Factors that influence growth such as business ownership, stakeholders, planning, risks involved and aims and objectives should be fully understood.

<b>1.1 The role of business enterprise and entrepreneurship</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>• The purpose of business activity and enterprise</li> <li>• Characteristics of the entrepreneur</li> <li>• The concept of risk and reward</li> </ul>	<p>Students should understand why businesses exist. The importance of satisfying the needs of customers should be fully understood, and applied to both goods and services.</p> <p>Students are often surprised at the extent of what is considered to be business activity; charities, not-for-profit organisations, public sector organisations etc. can all be examples of formats for business activity.</p> <p>Students should recognise the characteristics of an entrepreneur but consider that not all people are natural entrepreneurs.</p> <p>Students should understand that operating a business brings potential risks to the entrepreneur and the business itself such as financial loss, pressure and time. Potential rewards might include making a profit, being your own boss and the satisfaction of developing your own ideas for others to use.</p> <p>Risks and reward is considered again as part of section 7. The interdependent nature of business.</p>

<b>1.2 Business planning</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>• The purpose of planning business activity</li> <li>• The role, importance and usefulness of a business plan</li> </ul>	<p>The understanding of business planning and a business plan should be for both new businesses and existing businesses which are developing.</p> <p>The starting point in this topic should be to ask what the business needs to consider when making decisions over the short, medium and long term.</p> <p>In order to be able to assess the role and usefulness of a business plan students should be able to identify key elements of a plan. Students should also be aware that the business plan is not a standardised document and will be adapted to different business circumstances.</p>

### 1.3 Business ownership

<i>Specification content</i>	<i>Notes for guidance</i>
<ul style="list-style-type: none"> <li>The features of different types of business ownership</li> <li>The concept of limited liability</li> <li>The suitability of different types of ownership in different business contexts</li> </ul>	<p>Each type of ownership (sole trader, partnership, private and public limited companies) has advantages and disadvantages and will provide opportunities and constraints on the business and its activities. Students should understand these features. They should be able to apply their understanding to different situations and make recommendations as to which type of ownership is most suitable in different contexts.</p> <p>Note: while students are encouraged to look at business activity (topic 1.1) in many varied formats, such as charities and co-operatives, the features of formal ownership is only required for sole traders, partnerships, private and public companies.</p>

### 1.4 Business aims and objectives

<i>Specification content</i>	<i>Notes for guidance</i>
<ul style="list-style-type: none"> <li>The aims and objectives of a business</li> <li>How and why business objectives might change as businesses evolve</li> <li>Why different businesses have different objectives</li> </ul>	<p>Students should understand that as businesses develop aims and objectives might change, e.g. from survival to profitability to growth. Objectives may differ between businesses due to factors such as approach to profits (a plc needs to satisfy shareholders unlike a sole trader). Some businesses might wish to concentrate on providing a good service rather than maximise profits due to ethical reasons. Businesses may also focus on different objectives in the short term and the long term.</p> <p>Note: No distinction is made between aims and objectives.</p>

### 1.5 Stakeholders in business

<i>Specification content</i>	<i>Notes for guidance</i>
<ul style="list-style-type: none"> <li>The roles and objectives of internal and external stakeholder groups</li> <li>The effect business activity has on stakeholders</li> <li>The effect stakeholders have on business</li> </ul>	<p>Students should understand the difference between internal and external stakeholders.</p> <p>Business activity affects stakeholders in a number of ways. Stakeholders exist in every business and as such any context is appropriate. For example businesses may have a positive or negative impact on the environment which will affect the local community. Expansion or contraction of a business will affect employees, the local community and suppliers.</p> <p>The local community as stakeholders affect business activity for example by welcoming or protesting against business developments.</p> <p>Students should be aware that the government does intervene in business to meet its own objectives. The government as a stakeholder can affect business activity in many different ways; for example through taxation and laws such as the National Living Wage.</p> <p>Note - the impact of employment law and consumer law are covered in sections 3.7 and 4.4 of the specification.</p>

### 1.6 Business Growth

<i>Specification content</i>	<i>Notes for guidance</i>
<ul style="list-style-type: none"> <li>Organic growth</li> <li>External growth</li> </ul>	<p>Students should understand the difference between organic and external growth and be able to give examples of different methods of growth. The 'points to include' must all be understood and students will need to consider why a particular method may be most appropriate in a particular context. For example small firms that are successful are often the target of external growth from bigger firms.</p>

## 2. Marketing

This section explores the purpose of marketing within a business context. The content of the marketing mix reflects the increasing importance of social media and digital distribution. Students should be aware of changes in the marketing mix due to these influences.

The use of quantitative and qualitative market and marketing data should be understood by students, who should be able to analyse and evaluate such data.

2.1 The role of marketing	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The purpose of marketing within a business</li> </ul>	<p>Students should be able to examine the role and importance of marketing within different business contexts. Students need to appreciate the importance of identifying and understanding customer needs, the differing ways that marketing informs customers (see 2.4), how it persuades customers to buy goods and services and so increases sales.</p>
2.2 Market research	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The purpose of market research</li> <li>Primary research methods</li> <li>Secondary research sources</li> <li>How appropriate different methods and sources of market research are for different business purposes</li> <li>The use and interpretation of qualitative and quantitative data in market research.</li> </ul>	<p>Students should understand the specified content and their use in differing contexts. For example the use of websites (competitor, government, media etc.) in informing businesses regarding marketing decisions.</p> <p>Marketing data including market research data is an explicit <b>quantitative skills requirement</b>. The topic provides an opportunity for students to embed quantitative skills through collecting, presenting and analysing data. Students should be able to analyse and evaluate the merits of different methods of research and sources of data and make recommendations in different contexts. This may include considerations such as costs, accuracy and how the data addresses the needs of the research.</p>
2.3 Market segmentation	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The use of segmentation to target customers</li> </ul>	<p>Students should be able to segment a variety of markets using all of the 'points to include' in the specification.</p>
2.4 The marketing mix	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The four Ps of the marketing mix and their importance               <ul style="list-style-type: none"> <li>– Product</li> <li>– Product- stages of the product life cycle</li> <li>– Pricing methods</li> <li>– Promotion – point of sale</li> <li>– Promotion – advertising</li> <li>– Place – distribution of products and services</li> </ul> </li> <li>How the four Ps of the marketing mix work together</li> <li>The use of the marketing mix to inform and implement business decisions</li> <li>Interpretation of market data</li> </ul>	<p>Students should understand the different elements of the marketing mix and how they work together to form an overall marketing strategy.</p> <p>Noteworthy updates from previous specifications include:</p> <ul style="list-style-type: none"> <li>The introduction of design, invention and innovation into product. Students should be clear regarding the difference between innovation and invention.</li> <li>The product life cycle model to be used includes the four main stages – introduction, growth, maturity and decline.</li> <li>The five pricing methods in the 'points to include' are to be studied. Students should consider which method or combination of methods would be most appropriate for a particular product in a given context.</li> <li>Social media has greater emphasis than previous specifications. Students should ensure that they are aware of changes in the use of this element of marketing over the life of the specification.</li> <li>Distribution is considered as in terms of physical products, digital products and services.</li> <li>The interpretation of market data is an explicit quantitative skills requirement.</li> </ul>

### 3. People

This section deals with the role of the human resources function. There are a number of points that are designed to support careers education in schools including references to skill gaps as a reason to recruit, skill shortages as a reason to train and vocational and academic qualifications and apprenticeships as ways to develop staff.

Technology has changed the way many people work and communicate in business. Students should consider the importance to business of different types of communication including digital communication such as email and social media. They should also consider how businesses change in response to developments in digital communication, including how it influences business activity.

<b>3.1 The role of human resources</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>The purpose of human resources in business</li> </ul>	<p>Students should understand how different businesses might identify and meet their human resource needs.</p> <p>There is no requirement to learn about needs analysis documents however completing a needs analysis may help students to understand how different businesses might identify and meet their human resource needs.</p>
<b>3.2 Organisational structures and different ways of working</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>Different organisational structures</li> <li>The terminology of organisation charts</li> <li>Why businesses have different organisational structures</li> <li>Ways of working</li> </ul>	<p>Students should understand the specified terminology associated with organisational structures and how these structures vary in different business situations.</p> <p>There are many reasons why a firm has chosen the organisation structure that it uses, for example the size of the business and nature of its products. Students need to be able to analyse and evaluate the choice of structure in terms of:</p> <ul style="list-style-type: none"> <li>how effective the communication is within and between levels</li> <li>the different job roles and responsibilities in the structure</li> <li>the different ways of working shown through different structures</li> </ul> <p>There are many different ways of working such as full time, temporary and self-employed. Students will need to understand each of these ways and appreciate that employers and employees have different needs and preferences depending on the business and personal circumstances. Changes in technology may also play a significant part in the practicality of ways such as working while mobile.</p>
<b>3.3 Communication in business</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>Ways of communicating in a business context</li> <li>The importance of business communications</li> <li>The influence of digital communication in business activity</li> </ul>	<p>Students must understand the specified methods of communication and be able to analyse and evaluate these methods, recognising the relative importance of each one in different contexts.</p> <p>Students' need an appreciation that businesses make use of many forms of commonly used digital communication such as mobile phones and laptops to communicate via email, text messages and social media etc. Students should understand how digital communication influences business activity, e.g. placing less reliance on location, impacting on the number of workers required and ways of working in a business and the ability to communicate to a wider market more easily. Digital communication also has clear connections with other specification areas such as section 2. Marketing.</p>

3.4 Recruitment and selection	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>Why businesses recruit</li> <li>The use of different recruitment methods to meet different business needs</li> <li>Methods of selection</li> </ul>	<p>Students should understand the difference between internal and external recruitment and be able to analyse and evaluate the different methods appropriate for a given context. The knowledge and use of job descriptions and person specifications is required.</p> <p>The analysis and evaluation of the specified content relating to methods of selection (as well as recruitment) is required and their application to differing business contexts.</p> <p>Students should be clear regarding the difference between recruitment methods and selection methods. For example advertising in a local newspaper is an external recruitment method; while completed application forms are often used by businesses to aid selection.</p>

3.5 Motivation and retention	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>Financial methods of motivation</li> <li>Non-financial methods of motivation</li> <li>The importance of employee motivation</li> <li>The importance of employee retention</li> </ul>	<p>Students should be able to analyse and evaluate the specified methods of motivation, understanding the difference between financial and non-financial methods and making justified recommendations in different contexts.</p> <p>Students should understand and be able to explain the importance of staff motivation and retention, using examples from the specification content.</p> <p>The importance of staff motivation and employee retention can be seen in the context of the benefits they bring to the business.</p> <p>Note: students are <b>not</b> required to know about specific motivational theorists such as Maslow.</p>

3.6 Training and development	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>Different training methods</li> <li>Why businesses train their workers</li> <li>Staff development</li> <li>The benefits to employees and businesses of staff development</li> </ul>	<p>Students should be able to analyse and evaluate the different training methods and the benefits they bring to a business.</p> <p>Staff development should include relevant examples of vocational and academic qualifications and an understanding of the benefits of apprenticeships. The benefits to employees and businesses of staff development might include planning staffing needs for the future, maintaining quality, productivity and competitiveness, motivation for staff and increased skill levels for staff.</p>

3.7 Employment law	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The impact of current legislation on recruitment and employment</li> </ul>	<p>Employment law regulates the relationship between employers and employees.</p> <p>Students should have an understanding of the main <b>principles</b> of legislation that affects recruitment and employment such as the Equality Act (2010); for example discrimination due to age, race, disability etc.</p> <p>Students should understand that a contract is an agreement. In the case of employment this agreement is between the employer and employee and begins as soon as the employee accepts the job offer. An employee has the right to a written contract or similar document that outlines the terms of the agreement.</p> <p>Employees are entitled to paid holidays and there are also limits regarding hours of work e.g. maximum weekly working hours and special regulations for young workers.</p> <p>Legislation should be considered in terms of its impact(s) on how a business recruits and employs people.</p> <p>Note: the role of trade unions in this area of study is no longer required.</p>



## Business 2: operations, finance and influences on business (J204/02)

### 4. Operations

This section includes how the operations functional area aids the production process both in the manufacture of goods and the provision of services. Job, batch and flow production processes should be understood including the impact they have on businesses.

Quality in an operations context should be understood for services as well as manufacturing.

The sales process is a new topic area in operations, though it includes e-commerce which was in previous GCSE Business specifications. Developments within e-commerce are changing and students need to be up to date with such changes. The importance of customer service is reflected within this section with the inclusion of product knowledge and customer engagement.

Detailed knowledge of the current UK legislation such as the Consumer Rights Act 2015 is not required however students should be aware that goods are required to be of satisfactory quality, fit for purpose and as described. In particular students need to consider possible impacts on businesses where goods are faulty or poor service is provided.

Procurement is a new area of study. Students need to be aware of the different roles within this section of business operations.

4.1 Production processes	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>Different production processes and their impact on businesses</li> <li>The influence of technology on production and the impact on businesses</li> </ul>	<p>The specification calls for understanding of three processes; job, batch and flow production. A business will choose the production process it wishes to use. Students should be able to analyse and evaluate how the choice of production process might impact the business. For example the impact might be in terms of costs, staffing requirements, skill level of staff, level of output, productivity, competitiveness of the business and market, the need for training.</p> <p>The influence of technology can be linked to the production processes above.</p>

4.2 Quality of goods and services	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The concept of quality</li> <li>The methods of ensuring quality</li> <li>The importance of quality in both the production of goods and the provision of services</li> </ul>	<p>Students should understand that quality in business means making goods and providing services to a desired, consistent standard.</p> <p>Ensuring quality should include the methods of:</p> <ul style="list-style-type: none"> <li>quality control - for example inspection of samples at end of production or the use of a mystery shopper for retail services.</li> <li>quality assurance - for example how mistakes can be prevented throughout the production process.</li> </ul> <p>Examples of different quality assurance methods used by businesses can be considered in the classroom to illustrate quality assurance however specific knowledge of TQM is not required in the specification.</p> <p>Students must be able to analyse and evaluate the importance of quality when a business is supplying goods and services in a number of contexts. This will differ depending on the business. For example a clothes shop that sells a T-Shirt that is not fit for purpose may suffer a bad reputation and have to make a refund. Whereas a sandwich shop that sells an inedible piece of food may face much more serious consequences.</p>

<b>4.3 The sales process and customer service</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>• Methods of selling</li> <li>• The influence of e-commerce on business activity</li> <li>• The importance to a business of good customer service including after-sales service</li> <li>• The contribution of product knowledge and customer engagement to good customer service.</li> </ul>	<p>The influences e-commerce have on business activity might include the need to set up specific departments to handle e-commerce sales such as dedicated website and technical staff, click and collect areas in store, training requirements. For some businesses it could have implications on location.</p> <p>Good customer service has connections with training (see 3.6). Students should understand that in a competitive environment a business must at least retain its customer base and possibly aim to gain customers from competitors. Providing good service, both before and after a sale may be vital for that process. The increased importance of guarantees, help lines, ability to return goods and customer service areas in shops or 'chats' for online businesses illustrate the importance to businesses of meeting consumer needs.</p> <p>Customers will often expect customer service employees to have knowledge of the products and be able to engage the customer during the process of making a sale. Students should be able to analyse and evaluate how much these aspects contribute to the sales processes of different businesses. For example, most customers would expect an estate agent to have a high level of product knowledge and customer engagement when selling a house. This is likely to be less important when buying a chocolate bar in a supermarket.</p>

<b>4.4 Consumer law</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>• The impact of consumer law on business</li> </ul>	<p>Students need to know what consumer law covers; satisfactory quality, fit for purpose and as described. They should understand that this is different for every business and be able to analyse and evaluate the impact on a business in terms of:</p> <ul style="list-style-type: none"> <li>• Impact on the reputation of the business</li> <li>• Impact on the safety of the consumer</li> <li>• The impact of complying with the law and the possible consequences of breaking the law (i.e. unsatisfactory goods)</li> </ul>

<b>4.5 Business location</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>• Factors influencing business location</li> </ul>	<p>Students need to be able to analyse and evaluate how the factors in the 'points to include' may influence location decisions in different business contexts. For example a shop might decide that proximity is more important than high rents when looking at a high street location. This may be the other way round for a manufacturing business.</p> <p>A variety of different businesses (for example services, manufacturing, online businesses) should be studied, to illustrate the differing needs of businesses in choosing their location.</p>

<b>4.6 Working with suppliers</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>• The role of procurement</li> <li>• The impact of logistical and supply decisions on businesses</li> </ul>	<p>Students need to understand the different elements of procurement in a business and be able to apply their understanding to different contexts.</p> <p>Logistical and supply decisions have a number of implications on a business. A business wanting an immediate delivery of goods to sell to customers should not be taking advantage of an 'offer' if there is a 6 month delay. In the same way, a long and complex supply chain will mean that planning the ordering of goods needs careful consideration. If a business which is given an order is unreliable then there will be a potential impact on the business if the order is not received on time and is not of the correct quality. Costs of goods and services bought by businesses must be carefully managed to remain competitive, otherwise market share will be lost.</p> <p>Students should remember that businesses themselves are customers, and they will look to the customer service of other businesses that they buy goods and services from. Businesses may want to return goods, or obtain a refund – how good are other businesses in providing that service? Poor service will affect the business which is buying the goods as it, in turn, will not be able to meet the needs of its own customers.</p>

## 5. Finance

This section deals with the role of the finance function and how it influences business activity. Students should understand the links between finance and other functional areas within a business. New content in the specification include the introduction of profitability ratios and average rate of return. Students will need practice in the calculation of these along with an understanding of the meaning of any results they calculate.

The **drawing** of break-even graphs is not a requirement of section 5.4 of the specification however it is important to note that the **quantitative skills requirement** which runs through the whole specification includes **the interpretation and use of information from graphs and charts**. Students should therefore be able to read a given break-even graph and interpret and use information from it such as the break-even quantity and profit/loss. Centres may wish to introduce students to the drawing of a break-even graph to enhance understanding of the subject, though assessment will not be based on this skill.

Clear understanding and appropriate use of terms is particularly important in this section. Students commonly mix up words such as costs, prices, revenue, profit, cash and money. Another common misunderstanding occurs when the term 'finance' is used. Students should be clear regarding the difference between the finance functional area as a whole and sources of finance.

5.1 The role of the finance function	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The purpose of the finance function</li> <li>The influence of the finance function on business activity</li> </ul>	<p>Students should understand that the finance function (or finance department) plays an important role in supplying financial information and supporting planning and decision-making. The finance function works with other functional areas such as marketing, human resources, and procurement in providing the information on which they can make decisions.</p> <p>The finance function has a clear impact on business activity, e.g. the monitoring of cash flow (see 5.5) which can influence the activity of other functional areas. Procurement, for example may have to buy less stock if goods are not sold and there is a resulting cash flow problem identified by the finance function/department.</p>
5.2 Sources of finance	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The reasons businesses need finance</li> <li>Ways of raising finance</li> <li>How and why different sources of finance are suitable for new and established businesses</li> </ul>	<p>Students should appreciate the differing needs of new and established businesses in relation to the raising of finance.</p> <p>Students need to understand the advantages and disadvantages of each of the different ways of raising finance. For example interest is a feature of loans and overdrafts and the cost of loans may vary as interest rates change.</p> <p>Students should be able to analyse and evaluate the different ways of raising finance, making justified recommendations for choosing a particular method, or methods in a variety of business contexts.</p>

5.3 Revenue, cost, profit and loss	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The concept of revenue, costs and profit and loss in business and their importance in business decision-making</li> <li>The different costs in operating a business</li> <li>Calculation of profit and loss</li> <li>Calculation and interpretation of profitability ratios</li> <li>Calculation and interpretation of average rate of return</li> </ul>	<p>Students need to understand the importance of the specified content in business decision-making. For example if a business is to expand and take on more staff, there should be sufficient revenues and profit to underpin such a decision. Alternatively if a business is making a loss with falling revenues and rising costs any decision to expand might be postponed or reconsidered.</p> <p>Students should understand the different costs in the specification and be able to make calculations relating to these costs. Calculations should include all those stated in the <b>quantitative skills requirement</b>. This means that as well as revenue, costs and profit students should be prepared to calculate percentages, percentage changes and averages in a range of business contexts.</p> <p>Students should be able to describe costs as either fixed or variable. There is no requirement for students to know the distinction between direct and indirect costs.</p> <p>Students need to be able to calculate gross and net profit. Gross profit is revenue minus the cost of sales. Net profit is gross profit minus the costs of running the business (expenses).</p> <p>Profitability ratios and average rate of return are new to the specification and students must be able to both calculate and interpret them.</p> <p>Students need to be able to calculate the net and gross profit margins and average rate of return from data provided.</p> <p>Students also need to be able to interpret the results of any calculation they may make, or figures provided in an assessment. For example whether or not an increase in sales is really the good news it appears to be.</p>

5.4 Break-even	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The concept of break even</li> <li>Simple calculations of break-even quantity</li> <li>The usefulness of break-even in business decision-making</li> </ul>	<p>Students need to be able to calculate break-even quantity from data provided. They need to understand how break-even can help with decision-making for example setting production levels or deciding on a pricing strategy.</p> <p>As explained in section 5 above there is no requirement to draw break-even graphs, however students should be able to interpret information given in graphs and charts including break-even graphs as part of the quantitative skills requirement.</p>

5.5 Cash and cash flow	
Specification content	Notes for guidance
<ul style="list-style-type: none"> <li>The importance of cash to a business</li> <li>The difference between cash and profit</li> <li>The usefulness of cash flow forecasting to a business</li> <li>Completion of cash flow forecast</li> </ul>	<p>Cash is the most liquid asset for a business and represents the money available to pay for things. Profit; however is the difference between revenue and total costs. Students should learn about the difference especially that a business can be profitable without being in a cash position to pay bills and debts and vice versa.</p> <p>Students should be able to complete a cash flow forecast from incomplete data, developing their quantitative skills.</p> <p>The quantitative skill requirement includes the need to calculate cash flow forecasts including total costs, total revenue and net cash flow. Students must also be able to interpret cash flow forecasts and use cash flow forecasts to support, inform and justify business decisions (such as planning an overdraft, timing of payments, decreasing costs).</p>

## 6. Influences on business

This section of the specification looks at the external influences on businesses and how businesses respond to these influences.

There is a requirement in the GCSE (9–1)s for a clear separation of content between subjects including GCSEs in Business and Economics. Hence 6.2 focuses on the impact of the economic climate on businesses rather than detailed economic theory and government policy. Knowledge of terms that are commonly used in economics such as economies of scale, social costs and benefits and monopolies are not required in this specification.

Within '6.3 Globalisation' an understanding of exchange rates will support students understanding of how businesses compete internationally.

The influences of legislation and technology are not in section 6. They have been placed in other sections of the specification that they closely relate to. For example:

- employment legislation - topic 3.7
- consumer legislation - topic 4.4
- e-commerce - topic 4.3
- digital communication - topic 3.3

6.1 Ethical and environmental considerations	
<i>Specification content</i>	<i>Notes for guidance</i>
<ul style="list-style-type: none"> <li>• Ethical considerations and their impact on businesses</li> <li>• Environmental considerations and their impact on businesses</li> </ul>	<p>Students should be able to display knowledge and understanding of ethical and environmental considerations and understand the difference between the two terms.</p> <p>The impact of these considerations should be seen both from the point of view of a business that is/isn't behaving in an ethical and environmentally responsible way. Impacts might include costs (e.g. costs of materials, wages) which might be saved if not adopting ethical policies etc. and costs to the business if behaving ethically and in an environmentally friendly way. The impact of the loss, or enhancement of reputation caused by ethical and environmental considerations should also be investigated.</p>

6.2 The economic climate	
<i>Specification content</i>	<i>Notes for guidance</i>
<ul style="list-style-type: none"> <li>• The economic climate and its impact on businesses</li> </ul>	<p>Students should be able to understand how the changing levels of consumer income and unemployment have an impact on different businesses in different contexts. For example impacts might include an increase or decrease in disposable income and how this impacts on sales. Businesses might also need to examine the range of goods they sell, their marketing strategies, staffing levels and the ability to recruit.</p> <p>Note: changes in consumer income and unemployment are the only 'points to include' in this topic.</p>

<b>6.3 Globalisation</b>	
<b>Specification content</b>	<b>Notes for guidance</b>
<ul style="list-style-type: none"> <li>• The concept of globalisation</li> <li>• The impact of globalisation on businesses</li> </ul>	<p>Students need to understand the concept of globalisation and consider the impact of globalisation in different business contexts. Impacts might include cost implications (labour, location and materials) and the ability to use international branding to sell in different countries.</p> <p>Students will need to understand the impact of businesses becoming more global (globalisation). This includes the growth of businesses that operate in more than one country (multinationals) and the benefits and costs of doing this. How businesses have a global choice of where to locate and the advantages and disadvantages of this. How brands have become more global and the impact this has on the business such as the costs and benefits. Lastly the ways in which a global marketplace has changed the way in which businesses compete with one another and the level of competition they face – this includes how exchange rates may affect competition in a global market.</p> <p>The growth of multinational companies can be linked to the growth of firms (1.6).</p> <p>Note: A range of contexts should be considered. These can be both in Europe and further afield however there is no requirement to have specific understanding of the European Union.</p>

## 7. The interdependent nature of business

### Content:

- the interdependent nature of business operations, finance, marketing and human resources within a business context
- how these interdependencies underpin business decision-making
- the impact of risk and reward on business activity
- the use of financial information in measuring and understanding business performance and decision-making.

### Notes for guidance:

Significant new content is not introduced in section 7; instead it aims to encourage students to consider how one area of a business may affect others and how decisions made within a business can have far reaching effects across many parts of the organisation.

This section of the specification draws upon the inherent nature of business in that decisions taken have an impact on a number of areas within a business organisation. Studying these areas in isolation is useful, but the way that they interact with each other gives students a greater appreciation of the impact of business decision-making.

Students should be able to explain how the actions of one area will impact on another, for example if marketing wished to start a lengthy television advertising campaign, the cost would have to be met through finance. If business operations wished to expand, there is likely to be implications for human resources. This in turn is linked to the concept of risk and reward (see 1.1) as for example the possible expansion of a business carries both risks and possible rewards.

Underpinning all of the above is the use of financial information that will help measure current performance and give guidance as to whether a proposal is viable.

This is an area of study where there may be no clear right or wrong answers. For example a proposal may have questions about its viability, though if it carries a possibility of great financial reward, then it could go ahead if for example the operations and marketing managers are optimistic. Students should be prepared to argue that there *might* be a particular impact from a decision, whilst at the same time recognising that there are other variables which could affect the final outcome.

### Quantitative skills requirements

Please see Appendix 5c of the GCSE Business specification (<http://www.ocr.org.uk/Images/304213-specification-accredited-gcse-business-j204.pdf>) for details of the range and extent of quantitative skills required.

Students will be required to demonstrate competence in the quantitative skills within the context of other areas of the GCSE (9–1) in Business and not in isolation. At least 10% of the total marks for the qualification will reward the use of quantitative skills as detailed in Appendix 5c.

The minimum level of demand of the quantitative skills is that which is expected of learners at Key Stage 3 as outlined in the Department for Education's document Mathematics programmes of study: Key Stage 3.





We'd like to know your view on the resources we produce. By clicking on the 'Like' or 'Dislike' button you can help us to ensure that our resources work for you. When the email template pops up please add additional comments if you wish and then just click 'Send'. Thank you.

Whether you already offer OCR qualifications, are new to OCR, or are considering switching from your current provider/awarding organisation, you can request more information by completing the Expression of Interest form which can be found here:

[www.ocr.org.uk/expression-of-interest](http://www.ocr.org.uk/expression-of-interest)

#### **OCR Resources:** *the small print*

OCR's resources are provided to support the delivery of OCR qualifications, but in no way constitute an endorsed teaching method that is required by OCR. Whilst every effort is made to ensure the accuracy of the content, OCR cannot be held responsible for any errors or omissions within these resources. We update our resources on a regular basis, so please check the OCR website to ensure you have the most up to date version.

This resource may be freely copied and distributed, as long as the OCR logo and this small print remain intact and OCR is acknowledged as the originator of this work.

OCR acknowledges the use of the following content:  
Square down and Square up: alexwhite/Shutterstock.com

Please get in touch if you want to discuss the accessibility of resources we offer to support delivery of our qualifications:  
[resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk)

#### **Looking for a resource?**

There is now a quick and easy search tool to help find **free** resources for your qualification:

[www.ocr.org.uk/i-want-to-find-resources/](http://www.ocr.org.uk/i-want-to-find-resources/)

[www.ocr.org.uk](http://www.ocr.org.uk)

OCR Customer Contact Centre

#### **General qualifications**

Telephone 01223 553998

Facsimile 01223 552627

Email [general.qualifications@ocr.org.uk](mailto:general.qualifications@ocr.org.uk)

OCR is part of Cambridge Assessment, a department of the University of Cambridge. *For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored.*

© **OCR 2017** Oxford Cambridge and RSA Examinations is a Company Limited by Guarantee. Registered in England. Registered office 1 Hills Road, Cambridge CB1 2EU. Registered company number 3484466. OCR is an exempt charity.



Cambridge  
Assessment



001