

Business and management

First examinations 2009

Diploma Programme

Guide



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International Baccalaureate Organization

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Diploma Programme
Business and management—guide

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IBO mission statement

The International Baccalaureate Organization aims to develop inquiring, knowledgeable and caring young people who help to create a better and more peaceful world through intercultural understanding and respect.

To this end the IBO works with schools, governments and international organizations to develop challenging programmes of international education and rigorous assessment.

These programmes encourage students across the world to become active, compassionate and lifelong learners who understand that other people, with their differences, can also be right.

IB learner profile

The aim of all IB programmes is to develop internationally minded people who, recognizing their common humanity and shared guardianship of the planet, help to create a better and more peaceful world.

IB learners strive to be:

Inquirers	They develop their natural curiosity. They acquire the skills necessary to conduct inquiry and research and show independence in learning. They actively enjoy learning and this love of learning will be sustained throughout their lives.
Knowledgeable	They explore concepts, ideas and issues that have local and global significance. In so doing, they acquire in-depth knowledge and develop understanding across a broad and balanced range of disciplines.
Thinkers	They exercise initiative in applying thinking skills critically and creatively to recognize and approach complex problems, and make reasoned, ethical decisions.
Communicators	They understand and express ideas and information confidently and creatively in more than one language and in a variety of modes of communication. They work effectively and willingly in collaboration with others.
Principled	They act with integrity and honesty, with a strong sense of fairness, justice and respect for the dignity of the individual, groups and communities. They take responsibility for their own actions and the consequences that accompany them.
Open-minded	They understand and appreciate their own cultures and personal histories, and are open to the perspectives, values and traditions of other individuals and communities. They are accustomed to seeking and evaluating a range of points of view, and are willing to grow from the experience.
Caring	They show empathy, compassion and respect towards the needs and feelings of others. They have a personal commitment to service, and act to make a positive difference to the lives of others and to the environment.
Risk-takers	They approach unfamiliar situations and uncertainty with courage and forethought, and have the independence of spirit to explore new roles, ideas and strategies. They are brave and articulate in defending their beliefs.
Balanced	They understand the importance of intellectual, physical and emotional balance to achieve personal well-being for themselves and others.
Reflective	They give thoughtful consideration to their own learning and experience. They are able to assess and understand their strengths and limitations in order to support their learning and personal development.

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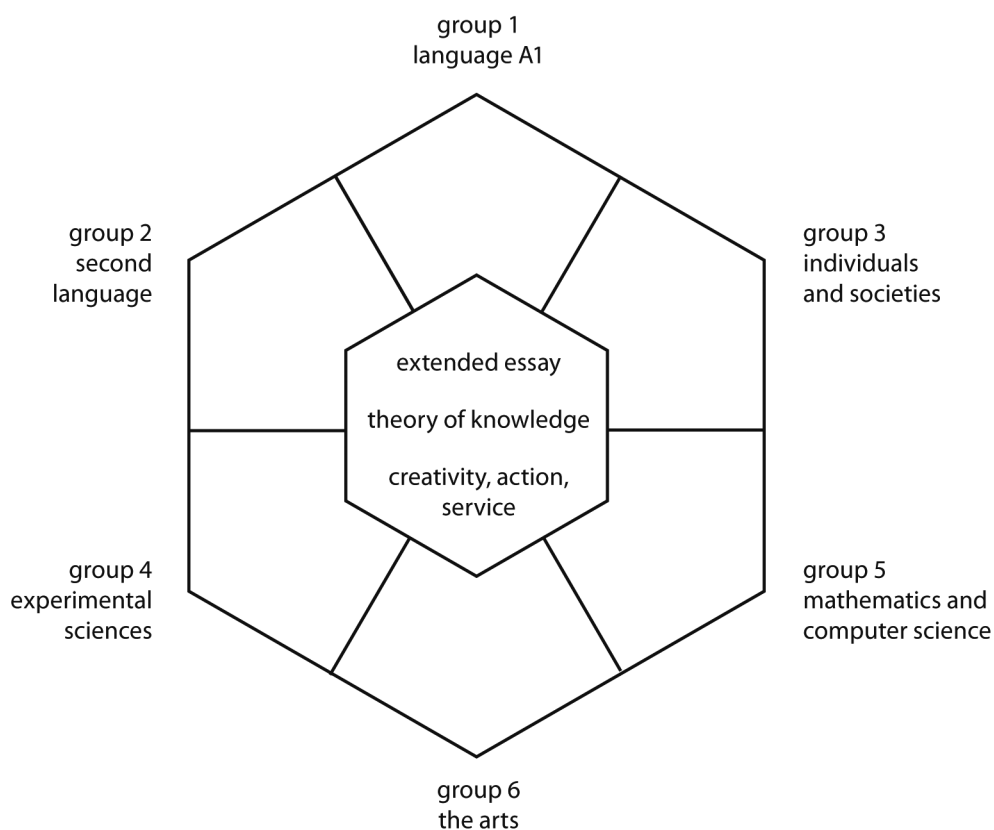
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The Diploma Programme

The Diploma Programme is a rigorous pre-university course of study designed for students in the 16 to 19 age range. It is a broad-based two-year course that aims to encourage students to be knowledgeable and inquiring, but also caring and compassionate. There is a strong emphasis on encouraging students to develop intercultural understanding, open-mindedness, and the attitudes necessary for them to respect and evaluate a range of points of view.

The Diploma Programme hexagon

The course is presented as six academic areas enclosing a central core. It encourages the concurrent study of a broad range of academic areas. Students study: two modern languages (or a modern language and a classical language); a humanities or social science subject; an experimental science; mathematics; one of the creative arts. It is this comprehensive range of subjects that makes the Diploma Programme a demanding course of study designed to prepare students effectively for university entrance. In each of the academic areas students have flexibility in making their choices, which means they can choose subjects that particularly interest them and that they may wish to study further at university.



Choosing the right combination

Students are required to choose one subject from each of the six academic areas, although they can choose a second subject from groups 1 to 5 instead of a group 6 subject. Normally, three subjects (and not more than four) are taken at higher level (HL), and the others are taken at standard level (SL). The IBO recommends 240 teaching hours for HL subjects and 150 hours for SL. Subjects at HL are studied in greater depth and breadth than at SL.

At both levels, many skills are developed, especially those of critical thinking and analysis. At the end of the course, students' abilities are measured by means of external assessment. Many subjects contain some element of coursework assessed by teachers. The course is available for examinations in English, French and Spanish.

The core of the hexagon

All Diploma Programme students participate in the three course requirements that make up the core of the hexagon. Reflection on all these activities is a principle that lies at the heart of the thinking behind the Diploma Programme.

The theory of knowledge (TOK) course encourages students to think about the nature of knowledge, to reflect on the process of learning in all the subjects they study as part of their Diploma Programme course, and to make connections across the academic areas. The extended essay, a substantial piece of writing of up to 4,000 words, enables students to investigate a topic of special interest that they have chosen themselves. It also encourages them to develop the skills of independent research that will be expected at university. Creativity, action, service (CAS) involves students in experiential learning through a range of artistic, sporting, physical and service activities.

The IBO mission statement and the IB learner profile

The Diploma Programme aims to develop in students the knowledge, skills and attitudes they will need to fulfill the aims of the IBO, as expressed in the organization's mission statement and the learner profile. Teaching and learning in the Diploma Programme represent the reality in daily practice of the organization's educational philosophy.

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Nature of the subject

Business and management is a rigorous and dynamic discipline that examines business decision-making processes and how these decisions impact on and are affected by internal and external environments. It is the study of both the way in which individuals and groups interact in an organization and of the transformation of resources. It is, therefore, perfectly placed within the group 3 subject area.

The Diploma Programme business and management course is designed to develop an understanding of business theory, as well as an ability to apply business principles, practices and skills. The application of tools and techniques of analysis facilitates an appreciation of complex business activities. The course considers the diverse range of business organizations and activities and the cultural and economic context in which business operates. Emphasis is placed on strategic decision-making and the day-to-day business functions of marketing, production, human resource management and finance. Links between the topics are central to the course, and this integration promotes a holistic overview of business activity.

The business and management course aims to help students understand the implications of business activity in a global market. It is designed to give students an international perspective of business and to promote their appreciation of cultural diversity through the study of topics like international marketing, human resource management, growth and business strategy.

The ideals of international cooperation and responsible citizenship are at the heart of Diploma Programme business and management. The course encourages the appreciation of ethical concerns and issues of social responsibility in the global business environment. Students should be able to make sense of the forces and circumstances that drive and restrain change in an interdependent and multicultural world. The business and management course will contribute to students' development as critical and effective participants in local and world affairs.

Difference between HL and SL

The HL course in business and management differs from the SL course in business and management in terms of the:

- hours devoted to teaching (240 hours for HL compared to 150 hours for SL)
- extra depth and breadth required (topic 6 for HL students and the HL extension units)
- nature of the learning outcomes (more higher-order skills for HL)
- nature of the internal assessment task
- nature of the examination questions.

Business and management and prior learning

No particular background in terms of specific subjects studied for national or international qualifications is expected or required and no prior knowledge of business and management is necessary for students to undertake a course of study based on this specification. However, a familiarity with business concepts would be an advantage, as would completing the humanities course in the IB Middle Years Programme (MYP).

Business and management and the MYP

The MYP humanities course develops technical skills, analytical skills, decision-making skills and investigative skills, all of which are required in business and management. In addition, an understanding of the key concepts of time, place and space, change, systems and global awareness prepares students for the demands of the business and management course.

Business and management and TOK

Students of group 3 subjects study individuals and societies. This means that they explore the interactions between humans and their environment in time and place. As a result, these subjects are often known collectively as the “human sciences” or “social sciences”.

As with other subject areas, there is a variety of ways of gaining knowledge in group 3 subjects. For example, archival evidence, data collection, experimentation, observation, inductive and deductive reasoning can all be used to help explain patterns of behaviour and lead to knowledge claims. Students in group 3 subjects are required to evaluate these knowledge claims by exploring knowledge issues such as validity, reliability, credibility, certainty, and individual as well as cultural perspectives.

The relationship between group 3 subjects and TOK is of crucial importance and fundamental to the Diploma Programme. Having followed a course of study in group 3, students should be able to reflect critically on the various ways of knowing and methods used in human sciences, and in doing so, become “inquiring, knowledgeable and caring young people” (*IBO mission statement*).

During the course in business and management a number of issues will arise that highlight the relationships between TOK and business and management. Some of the questions that could be considered during the course are identified below.

- Is the practice of developing ethical objectives solely as a marketing strategy, in fact, ethical?
- Can today’s CEOs (chief executive officers) in business learn from great military leaders of the past?
- What sort of knowledge is communicated through a set of business accounts?
- Is there room for both logic and emotion in business?
- Are globalization and the maintenance of cultures mutually exclusive?
- Does marketing respond to, or change, the perceptions of individuals and societies?
- How do we know that business information is reliable?
- What is the role of intuition and tacit knowledge in business decisions?
- Is business an art or a science? What is the role of creativity in business, and how is it manifested?

Aims

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 interpret complex data and source material
- promote the appreciation of the way in which learning 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** course at HL and SL 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 about individual and organizational behaviour
- enhance the student's ability to make informed business decisions
- enable the student to appreciate the nature and significance of change in a local, regional and global context
- promote awareness of social, cultural and ethical factors in the actions of organizations and individuals in those organizations
- appreciate the social and ethical responsibilities associated with businesses operating in international markets.

Assessment objectives

Having followed the **business and management** course at HL or SL, students will be expected to:

1. demonstrate knowledge and understanding of business terminology, concepts, principles and theories
2. make business decisions by identifying the issue(s), selecting and interpreting data, applying appropriate tools and techniques, and recommending suitable solutions
3. analyse and evaluate business decisions using a variety of sources
4. evaluate business strategies and/or practices showing evidence of critical thinking
5. apply skills and knowledge learned in the subject to hypothetical and real business situations
6. communicate business ideas and information effectively and accurately using appropriate formats and tools.

In addition to the above, students at HL will be expected to:

7. synthesize knowledge in order to develop a framework for business decision-making.

Mapping the course

Objective	Course component	Assessment tool
1. Demonstrate knowledge and understanding of business terminology, concepts, principles and theories	<ul style="list-style-type: none"> External assessment Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> Paper 1 (HL and SL): all sections Paper 2 (HL and SL): both sections <p>Internal assessment</p> <ul style="list-style-type: none"> HL—emphasized in criterion B SL—emphasized in criterion B
2. Make business decisions by identifying the issue(s), selecting and interpreting data, applying appropriate tools and techniques, and recommending suitable solutions	<ul style="list-style-type: none"> External assessment Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> Paper 1 (HL and SL): all sections—emphasized in section C (HL) Paper 2 (HL and SL): both sections—emphasized in section A <p>Internal assessment</p> <ul style="list-style-type: none"> HL—emphasized in criterion D SL—emphasized in criteria B and D
3. Analyse and evaluate business decisions using a variety of sources	<ul style="list-style-type: none"> External assessment Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> Paper 1 (HL and SL): all sections—emphasized in section B Paper 2 (HL and SL): both sections—emphasized in section B <p>Internal assessment</p> <ul style="list-style-type: none"> HL—emphasized in criterion C SL—emphasized in criterion C
4. Evaluate business strategies and/or practices showing evidence of critical thinking	<ul style="list-style-type: none"> External assessment Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> Paper 1 (HL and SL): all sections—emphasized in section C (HL) Paper 2 (HL and SL): both sections <p>Internal assessment</p> <ul style="list-style-type: none"> HL—emphasized in criterion C SL—emphasized in criterion E

Objective	Course component	Assessment tool
5. Apply skills and knowledge learned in the subject to hypothetical and real business situations	<ul style="list-style-type: none"> • External assessment • Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> • Paper 1 (HL and SL): all sections • Paper 2 (HL and SL): both sections <p>Internal assessment</p> <ul style="list-style-type: none"> • HL—emphasized in criteria A and B • SL—emphasized in criteria A and B
6. Communicate business ideas and information effectively and accurately using appropriate formats and tools	<ul style="list-style-type: none"> • External assessment • Internal assessment 	<p>External assessment</p> <p>Paper 1 (HL and SL): all sections</p> <p>Paper 2 (HL and SL): both sections</p> <p>Internal assessment</p> <ul style="list-style-type: none"> • HL—emphasized in criterion E • SL—emphasized in criterion F
<p>In addition, students at HL will be expected to:</p> <p>7. synthesize knowledge in order to develop a framework for business decision-making</p>	<ul style="list-style-type: none"> • External assessment • Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> • Paper 1 (HL): section C <p>Internal assessment</p> <ul style="list-style-type: none"> • HL—emphasized in criterion C

Syllabus overview

The curriculum model for Diploma Programme business and management is a core curriculum for higher level (HL) and standard level (SL) consisting of five topics with common content and learning outcomes. In addition to the core, HL students are expected to complete extension areas of study, in all five topics, adding both depth and breadth to the course. HL students also study one extension topic listed below as topic 6, business strategy.

HL and SL core

Topic 1: Business organization and environment

Topic 2: Human resources

Topic 3: Accounts and finance

Topic 4: Marketing

Topic 5: Operations management

HL only

Topic 6: Business strategy

The business strategy topic is intended to provide a framework and overview for the students to think in an integrated way about the future strategy of a business or businesses. These skills are particularly relevant when examining the case study and when researching for, and writing, the internal assessment components. The purpose of the business strategy topic is not to add extra content to the business and management course, but to collect together business ideas, concepts and techniques, which will develop the skills that allow an informed decision to be made about the future direction of an organization. The type of thinking encouraged by this approach will provide a bridge between the Diploma Programme business and management course and higher education or employment.

Syllabus outline

HL and SL core

Topic 1: Business organization and environment

- 1.1 Nature of business activity
- 1.2 Types of organization
- 1.3 Organizational objectives
- 1.4 Stakeholders
- 1.5 External environment
- 1.6 Organizational planning tools
- 1.7 Growth and evolution
- HL** 1.8 Change and the management of change
- 1.9 Globalization

Topic 2: Human resources

- 2.1 Human resource planning
- 2.2 Organizational structure
- 2.3 Communication
- 2.4 Leadership and management
- 2.5 Motivation
- HL** 2.6 Organizational and corporate cultures
- HL** 2.7 Employer and employee relations
- HL** 2.8 Crisis management and contingency planning

Topic 3: Accounts and finance

- 3.1 Sources of finance
- 3.2 Investment appraisal
- 3.3 Working capital

- HL** 3.4 Budgeting
- 3.5 Final accounts
- 3.6 Ratio analysis

Topic 4: Marketing

- 4.1 The role of marketing
- 4.2 Marketing planning
- 4.3 Product
- 4.4 Price
- 4.5 Promotion
- 4.6 Place (distribution)
- 4.7 International marketing
- 4.8 E-commerce

Topic 5: Operations management

- 5.1 Production methods
- 5.2 Costs and revenues
- 5.3 Break-even analysis
- 5.4 Quality assurance
- 5.5 Location
- HL** 5.6 Innovation
- 5.7 Production planning
- HL** 5.8 Project management

HL only

Topic 6: Business strategy

- Stage 1: Strategic analysis
- Stage 2: Strategic choice
- Stage 3: Strategic implementation

Syllabus details

HL and SL core

Topic 1: Business organization and environment

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
1.1 Nature of business activity			
What is a business?		Identify inputs, outputs and processes of a business.	
Business functions <ul style="list-style-type: none"> · Production/operations · Marketing · Finance · Human resources/personnel 		Describe how business activity combines human, physical and financial resources to create goods and services. Explain the role of the different business departments in overall business activity.	
Primary, secondary and tertiary sectors		Explain the nature of business activity in each sector.	Analyse the impact on business activity of changes in economic structure.
1.2 Types of organization			
Private sector and public sector		Distinguish between organizations in the private and public sectors.	Analyse the relationship between organizations in the private and public sectors.

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
<p>Starting a business</p> <ul style="list-style-type: none"> • Reasons for setting up a business • Identifying a market opportunity • Possible problems faced by start-ups 		<p>Explain the reasons for setting up a business.</p> <p>Explain the process a business will have to go through to start up.</p> <p>Analyse the problems that business start-ups may face.</p>	
<p>Profit-based organizations</p> <ul style="list-style-type: none"> • Sole traders • Partnerships • Companies/corporations 		<p>Distinguish between different types of business organization and identify their main features.</p> <p>Analyse the extent to which ownership and control differ in organizations.</p> <p>Evaluate the most appropriate form of ownership for a firm.</p> <p>Analyse the impact of the division between ownership and control on internal and external stakeholders.</p>	
<p>Non-profit and non-governmental organizations (NGOs), including charities and pressure groups</p>		<p>Compare and contrast the objectives of NGOs and non-profit organizations and other organizations.</p> <p>Analyse the impact of the actions of NGOs and other non-profit organizations.</p>	
	<p>Public–private enterprise</p>		<p>Explain the nature of public–private partnerships.</p> <p>Analyse the costs and benefits of cooperation between the public and private sector.</p>

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
1.3 Organizational objectives			
The importance of objectives		Explain the importance of objectives in managing an organization.	Evaluate the need for firms to change objectives in response to changes in the internal and external environment.
Statements <ul style="list-style-type: none"> • Mission statements • Vision statements 		Explain the purpose of mission and vision statements. Analyse the role of mission and vision statements in an organization.	
Aims and objectives <ul style="list-style-type: none"> • Aims • Strategic objectives • Tactical/operational objectives 		Distinguish between objectives, strategies and tactics, and discuss how these interrelate.	
Ethical objectives		Examine the reasons why organizations consider setting ethical objectives. Analyse the advantages and disadvantages of ethical objectives. Discuss the impact of implementing ethical objectives.	
Corporate social responsibility <ul style="list-style-type: none"> • Differing views of social responsibility • Policies to implement objectives of social responsibility (such as environmental auditing) 		Explain the different views that firms may take of their social responsibility in an international context. Analyse the value of social and environmental audits to different stakeholders.	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
	<p>Changes in corporate social responsibility over time</p> <p>Changes in society's expectations of the behaviour of firms</p>		<p>Discuss why a firm's view of its social responsibilities may change over time.</p> <p>Discuss why attitudes towards social responsibility may change over time.</p> <p>Analyse the impact that changes in societal norms have on the way that firms behave in a national and international context.</p> <p>Analyse the reasons why firms may choose different strategies towards their social responsibilities.</p>
1.4 Stakeholders			
<p>Internal stakeholders</p> <ul style="list-style-type: none"> · Employees · Shareholders · Managers 		<p>Explain the interests of internal stakeholders.</p>	
<p>External stakeholders</p> <ul style="list-style-type: none"> · Suppliers · Customers · Special interest groups · Competitors 		<p>Explain the interests of external stakeholders.</p>	
<p>Stakeholder conflict</p>		<p>Discuss possible areas of conflict between stakeholders.</p>	<p>Evaluate possible ways to overcome stakeholder conflict.</p>

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
1.5 External environment			
PEST (political, economic, sociological, technological) analysis (STEEPLE, PESTLE and other variations)		<p>Prepare a PEST analysis for a given situation and use it to analyse the impact of the external environment on a firm.</p> <p>(Students will not be tested on country-specific laws, regulations or economic policies. The focus is on the impact of the external environment on businesses.)</p> <p>Evaluate the impact on a firm's objectives and strategy of a change in any of the PEST/PESTLE factors.</p>	
<p>Opportunities and threats</p> <ul style="list-style-type: none"> · Social/cultural · Technological · Economic · Environmental · Political · Legal · Ethical 		<p>Analyse the impact that external opportunities and threats may have on business objectives and strategy.</p> <p>Explain how external opportunities and threats can impact on business decision-making and SWOT (strengths, weaknesses, opportunities, threats) analysis.</p>	
1.6 Organizational planning tools			
Business plans		Analyse the importance of the information in the business plan to different stakeholders.	Analyse and interpret business plans.
Decision-making framework		Apply a formal decision-making framework to a given situation.	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
	Decision-making <ul style="list-style-type: none"> · Fishbone · Scientific versus intuitive decision-making processes · Decision trees Internal/external constraints on decision-making		Apply decision-making processes and planning tools (for example, fishbone) to a given situation and evaluate their value. Compare and contrast scientific and intuitive decision-making processes. Construct and interpret decision trees. Critically evaluate the value of decision trees as a decision-making tool.
SWOT analysis		Prepare a SWOT analysis for a given situation. Analyse an organization's position using a SWOT analysis.	
1.7 Growth and evolution			
Economies and diseconomies of scale		Apply the concepts of economies and diseconomies of scale to business decisions.	
Small versus large organizations		Evaluate the relative merits of small versus large organizations. Recommend an appropriate scale of operation for a given situation.	
Internal/organic growth		Explain the difference between internal and external growth.	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
<p>External growth</p> <ul style="list-style-type: none"> · Joint ventures · Strategic alliances · Mergers and takeovers 		<p>Evaluate joint ventures, strategic alliances, mergers and takeovers as methods of achieving a firm's growth objectives.</p>	
	<p>Porter's generic strategies</p>		<p>Evaluate internal and external growth strategies as methods of business expansion.</p> <p>Examine how Porter's generic strategies may provide a framework for building competitive advantage.</p>
<p>Franchises</p>		<p>Analyse the advantages and disadvantages of a franchise for both franchisor and franchisee.</p> <p>Evaluate the use of franchising as a growth strategy.</p>	
<p>Ansoff matrix</p>		<p>Explain the value of the Ansoff matrix as a decision-making tool.</p> <p>Apply the Ansoff matrix growth strategies to a given situation.</p>	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
HL 1.8 Change and the management of change			
	Causes of change Resistance to change Modelling change Lewin's force field analysis Strategies to reduce the impact of change and resistance to change		Explain the causes of change and factors causing resistance to change. Examine the dynamic nature of organizations and the relative importance of driving and restraining forces. Evaluate different strategies for reducing the impact of change and resistance to change.
1.9 Globalization			
Multinational companies		Discuss reasons for the growth of multinational companies. Analyse the role played by multinationals in the global business environment. Evaluate the impact of multinational companies on the host country.	
Regional trading blocs		Explain the impact on business of a country that is a member of a regional economic group/bloc.	

Topic 2: Human resources

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
2.1 Human resource planning			
Supply of human resources Workforce planning		Identify the constraints and opportunities provided by demographic change. Discuss the significance of changes in labour mobility, both domestic and international. Compare present human resources with future requirements and evaluate strategies for developing future human resources.	
Recruitment Appraisal Training Dismissal and redundancies/ retrenchment/lay-off		Describe methods of recruitment, appraisal, training and dismissal. Discuss advantages and disadvantages of different methods of recruitment, appraisal and training.	Analyse the impact on the firm of legal employment rights. Examine how recruitment, appraisal, training, dismissal and redundancies enable the firm to achieve workforce planning targets.
Changing employment · Patterns and practices		Describe reasons for changes in work patterns and practices and the consequences of these changes for employers and employees, for example, working from home, teleworking and flexitime.	Analyse reasons for changes in work patterns and practices and the consequences of these changes for employers and employees, for example, working from home, teleworking and flexitime. Apply appropriate management theories such as Handy's shamrock organization.

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
2.2 Organizational structure			
<p>The formal organization</p> <ul style="list-style-type: none"> • Delegation and span of control • Levels of hierarchy • Flat and tall organizations • Chain of command 		<p>Construct different types of organization chart and describe the nature of their structure, for example, flat, tall.</p> <p>Analyse changes in organizational structures and their effects.</p>	
	<p>Delegation and accountability</p> <p>Bureaucracy</p> <p>Centralization and decentralization</p>		<p>Explain how organizational structures affect employee motivation, communication and performance.</p> <p>Discuss factors influencing the degree of centralization and decentralization.</p>
	<p>Matrix structure/project teams</p> <p>Flexible structures</p>		<p>Discuss the development of more flexible organizational structures.</p> <p>Apply the theories of writers such as Mintzberg and Peters.</p>
	<p>The informal organization</p>		<p>Evaluate the role and importance of the informal organization.</p>
<p>The organization of human resources</p>		<p>Identify why firms need to organize employees in particular ways, for example, by function and geography.</p> <p>Analyse methods of organizing human resources that are used by different organizations.</p>	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
	Outsourcing, offshoring and migration of human resource functions		Analyse the reasons behind, and the effects of, moving some human resource functions to external organizations located nationally or globally. Evaluate whether firms will benefit from outsourcing, offshoring and the migration of human resource functions.
2.3 Communication			
Communication classification · Oral · Written · Visual · Non-verbal · Formal and informal communication · Barriers to effective communication		Compare the ways in which communication takes place within organizations, analyse the causes of communication failure and evaluate the solutions to such failures. Prepare different forms of communication, for example, reports and research proposals.	
Information and communication technology (ICT)		Identify types of ICT, and discuss the effect of new technologies on the effectiveness of communication within and between organizations and their stakeholders.	
	Communication networks		Explain how types of communication networks influence the effectiveness of communication.

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
2.4 Leadership and management			
Nature of leadership Leadership styles · Autocratic · Democratic · Laissez-faire · Situation leadership		Evaluate the effectiveness of various styles of leadership and their implications for organizations.	
	Trait and situation theory Contingency theory The difference between leadership and management		Discuss whether successful leadership in identified situations is the result of natural skills and abilities, or is a consequence of the circumstances faced. Apply to given situations the theories of writers such as Likert, Fiedler, Blake and Mouton, and Tannenbaum and Schmidt.
	Key functions of management		Explain the key functions of management, applying the theories of writers such as Fayol, Handy and Drucker.
2.5 Motivation			
Motivation in theory · Content theories of Taylor, Maslow, McGregor and Herzberg		Analyse the intrinsic and extrinsic needs that have to be satisfied at work, and the rewards (financial and non-financial) that motivate individuals. Apply the content theories to given situations.	
	Content theories of Mayo and McClelland		Apply the content theories of Mayo and McClelland.

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
	<p>Process theories</p> <ul style="list-style-type: none"> · Expectancy theory · Equity theory 		<p>Analyse the effect of thought processes and expectations on individual motivation.</p> <p>Apply the theories of writers such as Vroom and Adams.</p>
<p>Motivation in practice</p> <ul style="list-style-type: none"> · Financial motivation <ul style="list-style-type: none"> - Methods of payment - Wages (time and piece rates) - Salary - Commission - Profit-related pay - Performance-related pay (PRP) - Employee share-ownership schemes - Fringe payments 		<p>Evaluate alternative financial reward packages.</p> <p>Evaluate the impact of financial reward packages on job satisfaction, motivation and productivity.</p>	
<ul style="list-style-type: none"> · Non-financial motivation <ul style="list-style-type: none"> - Job enrichment - Job enlargement - Empowerment - Teamwork 		<p>Explain how non-financial rewards can affect job satisfaction, motivation and productivity.</p>	<p>Evaluate alternative methods of non-financial rewards in different circumstances in the workplace.</p>

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
HL 2.6 Organizational and corporate cultures			
	Corporate/organizational culture		<p>Explain the influences on 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>
HL 2.7 Employer and employee relations			
	Negotiations/collective bargaining		Analyse the dynamic nature of relationships between employees, employers and their representatives.

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
	<p>Methods employed to achieve individual and group objectives</p> <ul style="list-style-type: none"> · Employees <ul style="list-style-type: none"> - Negotiations - Go-slows - Work-to-rule - Overtime bans - Strike action 		<p>Examine the methods used by employees and their representatives in pursuit of their objectives.</p>
	<ul style="list-style-type: none"> · Employers <ul style="list-style-type: none"> - Negotiations - Public relations - Threats of redundancies - Changes of contract - Closure - Lock-outs 		<p>Examine the methods used by employers to put pressure on employees.</p> <p>Evaluate the effect of such actions on the individual employee, employee representatives and the employers.</p>
	<p>Conflict</p> <ul style="list-style-type: none"> · Causes · Resolution <ul style="list-style-type: none"> - Conciliation and arbitration - Employee participation and industrial democracy - No-strike agreement - Single-union agreement 		<p>Identify the sources of conflict in the workplace and evaluate alternative approaches to conflict resolution.</p>

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
HL 2.8 Crisis management and contingency planning			
	Crisis management and contingency planning		<p>Explain the difference between crisis management and contingency planning.</p> <p>Evaluate the costs and benefits of contingency planning.</p> <p>Discuss how far it is possible to plan for a crisis.</p>

Topic 3: Accounts and finance

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
3.1 Sources of finance			
<p>Internal and external finance</p> <p>Finance in the long, medium and short term</p>		<p>Evaluate the advantages and disadvantages of each form of finance.</p> <p>Evaluate the appropriateness of a source of finance for a given situation.</p>	
3.2 Investment appraisal			
<p>Payback period</p> <p>Average rate of return (ARR)</p>		<p>Calculate the payback period and ARR for an investment.</p> <p>Analyse the results of the calculations.</p>	
	<p>Discounted cash flow (DCF)</p> <p>Net present value (NPV)</p>		<p>Calculate the NPV for an investment.</p> <p>Analyse the results of the calculations.</p>

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
3.3 Working capital			
Working capital cycle Cash-flow forecasts Management of working capital		Define working capital and explain the working capital cycle. Prepare a cash-flow forecast from given information. Evaluate strategies for dealing with liquidity problems.	
HL 3.4 Budgeting			
	The purpose of budgets Variance analysis (Knowledge of specific budgets and variances is not required, for example, sales variance.)		Explain the importance of budgeting for organizations. Calculate and interpret variances. Analyse the role of budgets and variances in strategic planning.
3.5 Final accounts			
Accounts for limited companies (income statements) · Trading account · Profit and loss account · Appropriation account Balance sheets		Explain the purpose of accounts. Construct and amend accounts from information given. Evaluate the importance of final accounts to each stakeholder group. (Students will not be tested on the manufacturing account or double entry.)	
	Depreciation · Straight line · Reducing balance		Calculate depreciation using straight line and reducing balance methods. Evaluate the strengths and weaknesses of each method.

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
	Intangible assets <ul style="list-style-type: none"> · Goodwill · Patents and copyrights · Brands 		Explain the meaning and value to the firm of different types of intangible assets. Understand the difficulties associated with valuing intangible assets.
	Stock valuation <ul style="list-style-type: none"> · Last-in-first-out (LIFO) · First-in-first-out (FIFO) 		Make calculations of closing stock using LIFO and FIFO. Calculate the effect of different stock valuations on profit.
3.6 Ratio analysis			
Profitability ratios <ul style="list-style-type: none"> · Gross profit margin · Net profit margin 		Calculate ratios. Use the ratios to interpret and analyse financial statements from the perspective of various stakeholders. (Ratio formulae are given in the appendices and a copy of the formulae will be provided for students in examinations.)	Evaluate possible financial and other strategies to improve the values of ratios.
Liquidity ratios <ul style="list-style-type: none"> · Current ratio · Acid test ratio 			
Efficiency ratios <ul style="list-style-type: none"> · Stock turnover · Return on capital employed (ROCE) 	Debtor days Creditor days		
	Shareholder ratios <ul style="list-style-type: none"> · Earnings per share · Dividend yield 		
Gearing ratio			

Topic 4: Marketing

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
4.1 The role of marketing			
The market <ul style="list-style-type: none"> Market size Market growth Market share 		Examine the characteristics of the market in which the firm is immersed. Calculate market share from given information.	
Definition and nature of marketing <ul style="list-style-type: none"> Market and product orientation Marketing of goods/services 		Define marketing and describe its relationship with other business activities. Describe the difference between market and product orientation. Explain the difference between the marketing of goods and services.	
	Additional marketing orientations <ul style="list-style-type: none"> Social marketing Asset-led marketing 		Analyse the influence of marketing orientation on the success or failure of firms.
Marketing in non-profit organizations		Analyse the marketing techniques of non-profit organizations.	
A marketing plan		Describe the elements of a marketing plan.	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
4.2 Marketing planning			
Marketing mix <ul style="list-style-type: none"> • Product • Place • Price • Promotion • People • Process • Physical evidence • Packaging 		Apply the elements of the marketing mix to given situations. Discuss the effectiveness of a selected marketing mix in achieving marketing objectives. Construct an appropriate marketing mix for a particular product or firm.	Discuss the effectiveness of a selected marketing mix in achieving strategic objectives.
Ethics of marketing		Discuss the ethical issues of what is marketed and how it is marketed: nationally, internationally and across cultures.	
Marketing audit		Explain the value of a marketing audit as a business tool.	
	Porter's five forces		Apply Porter's five forces model to classify and analyse competitive pressures in the marketplace.
Marketing objectives		Examine how appropriate the marketing objectives are in achieving the goals of an organization.	
Market research <ul style="list-style-type: none"> • Role of market research • Primary and secondary research 		Analyse the role of market research. Evaluate different methods of market research.	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
	<p>Sampling</p> <p>Methods of sampling</p> <p>Limitations of sampling</p> <p>Sampling errors</p>		Evaluate different methods of sampling, for example, quota, random, stratified, cluster and snowballing.
Market segmentation and consumer profile		Analyse the usefulness of market segmentation and consumer profiles.	
Targeting		<p>Identify possible target markets.</p> <p>Apply an appropriate marketing mix to the target market(s).</p>	
<p>Positioning</p> <ul style="list-style-type: none"> · Corporate image · Position/perception maps · Unique selling point/proposition (USP) 		<p>Construct a position map from given information.</p> <p>Discuss how organizations can differentiate themselves and their products from competitors.</p>	Develop and evaluate strategies designed to change customer perceptions.
Development of marketing strategies and tactics		Design or evaluate marketing strategies for given situations. Apply an appropriate marketing mix to the strategy.	
	<p>Sales forecasting and trends</p> <ul style="list-style-type: none"> · Seasonal, cyclical and random variation 		Analyse sales trends and forecasts from given data, and evaluate the significance for marketing and resource planning.

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
4.3 Product			
Classification of products		Classify products by line range and mix.	
New product design and development		Describe the importance of innovation in an era of rapid technological change and discuss the problems of financing research and development.	
Product life cycle <ul style="list-style-type: none"> · Extension strategies · Relationship with investment, profit and cash flow 		Analyse the relationship between the product life cycle and the marketing mix, and determine appropriate extension strategies. Analyse the relationship between the product life cycle, investment, profit and cash flow.	
Product portfolio analysis <ul style="list-style-type: none"> · Boston consulting group (BCG) matrix 		Apply the BCG matrix to a given situation.	Use the BCG matrix to help in developing future strategic direction.
Branding <ul style="list-style-type: none"> · Brand awareness · Brand development · Brand loyalty 		Discuss the importance and role of branding.	
	Types of branding <ul style="list-style-type: none"> · Family branding · Product branding · Company branding · Own label branding · Manufacturer's brand 		Distinguish between different types of branding. Analyse the role of branding in a global market.

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
4.4 Price			
Pricing strategies <ul style="list-style-type: none"> • Cost-based <ul style="list-style-type: none"> – Cost-plus 	<ul style="list-style-type: none"> – Marginal cost pricing – Contribution pricing – Absorption cost and full-cost pricing 	Analyse the appropriateness of each pricing strategy.	Analyse the appropriateness of each pricing policy.
<ul style="list-style-type: none"> • Competition-based <ul style="list-style-type: none"> – Price leadership 	<ul style="list-style-type: none"> – Predatory – Going rate 		
<ul style="list-style-type: none"> • Market-based <ul style="list-style-type: none"> – Penetration – Skimming 	<ul style="list-style-type: none"> – Price discrimination – Loss leader – Psychological – Promotional pricing 		
	Supply and demand <ul style="list-style-type: none"> • Price determination 		Evaluate the impact of changes in the conditions of supply and demand. (Diagrams are not required.)
	Elasticity <ul style="list-style-type: none"> • Price elasticity • Income elasticity • Cross-elasticity • Advertising elasticity • Relationship of elasticity with product life cycle 		Calculate and interpret price, income, cross- and advertising elasticity. Explain the relationship between elasticities and the product life cycle. Analyse the relationship between price elasticity and sales revenue.
4.5 Promotion			
Types of promotion <ul style="list-style-type: none"> • Above the line • Below the line 		Distinguish between the different types of promotion. Analyse the various promotional tools and discuss their effectiveness.	
Promotional mix		Prepare an appropriate promotional mix.	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
4.6 Place (distribution)			
Channels of distribution Distribution strategy		Discuss the effectiveness of different types of distribution channels.	Evaluate the effectiveness of different types of distribution channels including producers, wholesalers, agents and retailers.
	Supply chain management/logistics		Examine how organizations can increase the efficiency of the supply chain.
4.7 International marketing			
Entry into international markets		Evaluate the opportunities and threats posed by entry into international markets. Analyse given situations considering the cultural, legal, political, social and economic issues of entering international markets.	
4.8 E-commerce			
Business-to-business (B2B) Business-to-customers (B2C)		Analyse the effect of e-commerce on the marketing mix. Discuss the costs and benefits of e-commerce to firms and consumers.	

Topic 5: Operations management

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
5.1 Production methods			
Job, batch, line and flow, and mass production		Describe and compare the features and applications of each method.	
	Cell production, teamwork and productivity implications		<p>Analyse the implications for marketing, human resource management and finance that arise from changing the production system.</p> <p>Analyse the most appropriate method of production for a given situation.</p> <p>Understand the need for organizations to use more than one method of production.</p>
5.2 Costs and revenues			
Types of costs <ul style="list-style-type: none"> · Fixed · Variable · Semi-variable · Direct · Indirect/overheads 		Define, explain and give examples of each different type of cost.	
Revenue		Explain the meaning of revenue and comment on possible sources of revenue for different firms.	
Contribution to fixed costs		Explain and calculate the contribution to fixed costs.	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
	Cost and profit centres Contribution analysis for multi-product firms		Explain the nature of cost and profit centres. Analyse the value of cost and profit centres to a firm. Analyse the role of contribution analysis in determining the viability of each product for a multi-product firm.
5.3 Break-even analysis			
Break-even quantity Profit or loss Margin of safety		Use graphical and quantitative methods to calculate the break-even quantity, profit and margin of safety.	
	Changes in break-even Limitations of break-even analysis Target profit and revenue		Use graphical and quantitative methods to analyse the effects of changes in price or cost on the break-even quantity, profit and margin of safety. Analyse the assumptions and limitations of break-even analysis. Calculate required output level for a given target profit or level of revenue.
5.4 Quality assurance			
Quality control and quality assurance Total quality culture		Analyse the move from traditional quality control methods to total quality management (TQM).	

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
	<p>Continuous improvement</p> <p>Benchmarking</p> <p>National and international quality standards</p>		<p>Explain the role of Kaizen in quality improvement.</p> <p>Evaluate different approaches to quality improvement.</p> <p>Explain the role of local and national standards in assuring quality for consumers.</p>
5.5 Location			
<p>Location of production</p> <ul style="list-style-type: none"> · National · International 		<p>Explain the causes and consequences of location and relocation, both domestically and internationally.</p>	
	<p>Impact of globalization on location</p>		<p>Consider the effects of globalization on location.</p> <p>Analyse the impact of location on different areas of business activity (such as marketing, production, finance and human resources).</p>
HL 5.6 Innovation			
	<p>Research and development (R&D)</p> <p>Patents, copyrights and trademarks (intellectual property rights)</p> <p>Factors affecting innovation</p>		<p>Explain the importance of R&D for a business.</p> <p>Explain the role and importance of intellectual property rights for a business.</p> <p>Analyse the factors affecting innovation.</p>

Content		Learning outcomes	
HL/SL core	HL extension	HL/SL core	HL additional
5.7 Production planning			
Stock control · Just-in-case · Just-in-time	Traditional stock control (usage patterns, lead times, buffer stocks and re-order levels) Optimum stock levels Capacity utilization	Explain the difference between just-in-case and just-in-time.	Recognize the need for optimum stock levels; prepare and analyse appropriate graphs. Explain different stock control methods and analyse the appropriateness of each method in a given situation.
	Outsourcing and subcontracting		Explain outsourcing and subcontracting. Discuss the arguments for and against outsourcing and subcontracting, compared with provision by the firm itself.
	Make-or-buy decisions		Make appropriate calculations to support a decision to make or buy.
HL 5.8 Project management			
	Critical path analysis		Construct and interpret a network, identify the critical path, and calculate the free and total float. Evaluate the value of a network in the management of projects.

HL only

Topic 6: Business strategy

This topic does not add new content to the Diploma Programme business and management course, but gathers together and synthesizes business ideas, concepts and techniques from the topics in the HL course. The use of these ideas, concepts and techniques will allow informed decisions to be made about the future direction of an organization. This will be assessed through a question in section C of paper 1 requiring a strategic response.

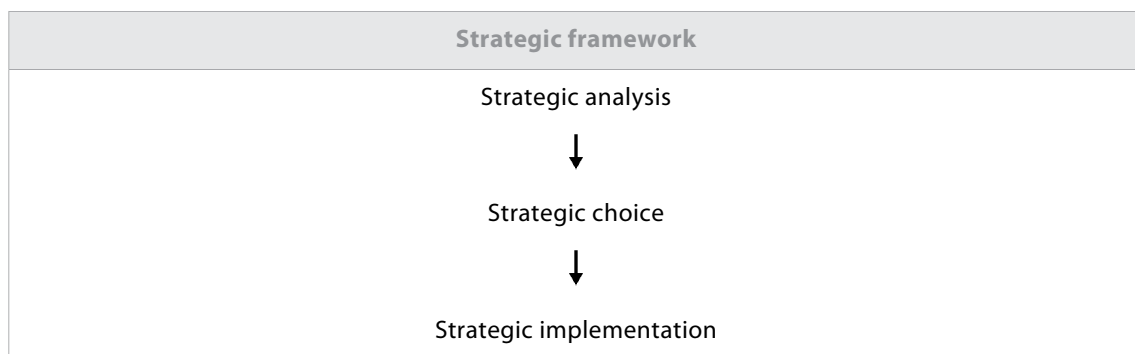
Cross-referencing to other topics is shown throughout the three stages of the strategic framework (figure 1). It provides a framework for students to think in an integrated and holistic fashion about the future strategy of an organization, given a range of information about the present and the past. The skills developed in this topic are particularly relevant when taking a case-study approach to learning and assessment, and in preparation for the internal assessment. The strategic framework is useful as a tool for synoptic assessment and revision. However, it is expected that this approach will be little more than a formalization of existing good practice.

Materials used to present the topic should allow the student to apply business theories learned in the classroom to real-life situations. Source materials might include business case studies, biographies, the Internet, and newspaper/magazine articles about management action and reaction to issues or challenges facing individual firms and industries.

Strategy is about asking questions: what, why, when, how, where and who?

Strategic management is the management of the long-term activities of the business, which includes the integration of strategic analysis, strategic choice and strategic implementation.

Figure 1



Stage 1: Strategic analysis—where is the business now?

Deciding where the business is now involves an analysis of its internal and external situation. This analysis will dictate the nature of future strategy. The opportunities and threats faced will vary according to the nature of the business. An analysis of the present market and the firm's competitive situation will influence the aims, objectives and core principles. The starting point for this analysis will probably be through the use of a SWOT and PEST analysis (topics 1.5, 1.6).

Questions to be considered **may** include the following.

- Is the business new or established? (Topic 1.2)
- Who are the stakeholders? (Topic 1.4)

- Is the business in the profit or not-for-profit sector?
 - Types of organization (Topic 1.2)
- What are the objectives of the organization? (Topic 1.3)
- How does the vision/mission statement reflect what the organization is doing now and where it is heading? (Topic 1.3)
- What are the attitudes of the business to risk? (Topics 1.3, 2.4, 2.6)
- What is the firm's present financial situation, and is it conducive to change? (Topics 1.8, 3.5)
 - Financial analysis and ratio analysis (Topics 3.5, 3.6)
- Is the present product portfolio adequate and appropriate?
 - Boston matrix (Topic 4.3)
- What are the resources available to the business? (Topic 1.1)
- What are the competitive forces facing the business in the market?
 - Porter's five forces market analysis (Topic 4.2)
- Should the organization enter international markets? (Topic 4.7)

Stage 2: Strategic choice—where is the business aiming to be?

Once the business has identified its position in the market, it needs to consider its objectives in the short, medium and long term. To achieve this, the business must examine market opportunities and threats, and then plan for the future.

Questions to be considered **may** include the following.

- Why are business plans important? (Topic 1.6)
- How are markets developing?
 - Sales forecasting (Topic 4.2)
- Which new market opportunities are available?
 - Market research (Topic 4.2)
- What are the future directions available to the firm? (Topic 1.7)
- When is expansion desirable and achievable?
 - Small versus large organizations (Topic 1.7)
 - Cash-flow forecasts (Topic 3.3)
 - Gearing (Topic 3.6)
 - Sources of finance (Topic 3.1)
 - Human resource planning (Topic 2.1)

- How can the core competencies of the business be developed?
 - Potential growth strategies—such as Ansoff’s matrix (Topic 1.7)
 - Investment appraisal (Topic 3.2)
- What are competitors doing, and how can their offer be matched or improved upon?
 - Benchmarking (Topic 5.4)
- How do the processes of decision-making help to direct the business?
 - Scientific and formal decision-making (Topic 1.6)
 - Decision trees (Topic 1.6)
 - Force field analysis (Topic 1.8)
- What are the measures of success?
 - Return on capital employed (Topic 3.6)
 - Market share (Topic 4.1)
 - Motivation and productivity (Topic 2.5)

Stage 3: Strategic implementation—how is the business going to achieve its objectives?

Having decided on the future direction of the business, its mission, aims and objectives, how will the business put its strategies into operation?

Questions to be considered **may** include the following.

- How can the firm develop competitive advantage?
 - Porter’s generic strategies (Topic 1.7)
- Which new products and/or services should be developed? (Topic 4.3)
- Which new technologies could be applied? (Topics 1.6, 2.3, 4.3)
- How can differentiation be achieved? (Topic 4)
- How should the business plan for changes in the size and nature of business operations?
 - Workforce planning (Topic 2.1)
 - Recruitment and training (Topic 2.1)
 - Developing flexible working patterns (Topic 2.1)
 - Homeworking (Topic 2.1)
 - Investment appraisal (Topic 3.2)
- What is the appropriate scale of operation?
 - Economies and diseconomies of scale (Topic 1.7)

- Which growth methods can and should be selected?
 - Internal/organic growth (Topic 1.7)
 - External growth: mergers and acquisitions (Topic 1.7)
 - Globalization of sales, manufacturing and operations (Topic 1.9)
- Which marketing strategies can be implemented?
 - Market leadership and market penetration pricing (Topic 4.4)
 - Segmentation, targeting and positioning (Topic 4.2)
 - Distribution chain management (Topic 4.6)
 - E-commerce (Topic 4.8)
- What is the appropriate organizational structure?
 - Flattening hierarchies (Topic 2.2)
 - Decentralization (Topic 2.2)
 - Flexible organization structures such as Handy's shamrock (Topic 2.1)
- What is the appropriate management and leadership style? (Topic 2.4)
- How should the firm incorporate social responsibility and ethical approaches? (Topic 1.3)
- How can change be managed effectively?
 - Developing a change culture (Topic 1.8)
 - Contingency planning and crisis management (Topic 2.8)

Assessment outline

Higher level (HL)

First examinations 2009

	External assessment		Internal assessment
	Paper 1	Paper 2	
Syllabus content	All six topics	All six topics	Any topic from the full HL syllabus
Assessment objectives	1–7	1–6	1–7
Method	<p>Based on a case study issued in advance.</p> <p>Section A (HL/SL) Students answer two of three structured questions. (30 marks)</p> <p>Section B (HL/SL) Students answer one compulsory structured question including evaluative skills. (20 marks)</p> <p>Section A and section B are common to both HL and SL students. HL students also have a section C.</p> <p>HL Section C Students answer one compulsory question focusing on strategic decision-making through the use of extension material. (30 marks)</p>	<p>HL Section A Students answer one of two structured questions based on stimulus material with a quantitative element. (25 marks)</p> <p>HL Section B Students answer two of three structured questions based on stimulus material. (50 marks)</p>	<p>Research project Research proposal and action plan—a working document not part of the actual report, but part of planning. Report that addresses an issue facing an organization or analyses a decision to be made by an organization. (Maximum 2,000 words) (25 marks)</p>
Total marks	80 marks	75 marks	25 marks
Component time	2¼ hours	2¼ hours	30 hours
Weighting	40%	35%	25%

Standard level (SL)

First examinations 2009

	External assessment		Internal assessment
	Paper 1	Paper 2	
Syllabus content	All five topics	All five topics	Any topic from the HL/SL core syllabus
Assessment objectives	1–6	1–6	1–6
Method	<p>Based on a case study issued in advance.</p> <p>Section A (HL/SL) Students answer two of three structured questions. (30 marks)</p> <p>Section B (HL/SL) Students answer one compulsory structured question including evaluative skills. (20 marks)</p> <p>Section A and section B are common to both HL and SL students. SL students do not have a section C.</p>	<p>SL Section A Students answer one of two structured questions based on stimulus material with a quantitative element. (20 marks)</p> <p>SL Section B Students answer two of three structured questions based on stimulus material. (40 marks)</p>	<p>Written commentary Written commentary based on three to five supporting documents about a real issue or problem facing a particular organization. (Maximum 1,500 words) (25 marks)</p>
Total marks	50 marks	60 marks	25 marks
Component time	1¼ hours	1¾ hours	15 hours
Weighting	35%	40%	25%

Assessment details

External assessment

General

Papers 1 and 2

The two written examination papers, paper 1 and paper 2, which are externally set and externally marked, test the assessment objectives identified in the introduction.

Case study (paper 1)

- The case study is provided by the IBO well before the examination session. Teachers are advised to spend no more than four weeks on the case study.
- The case study on which paper 1 is based will be the same for HL and SL students, 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 topics, the student's ability to apply business knowledge to a given situation.

Calculators

- Students may be expected to carry out simple arithmetic calculations, therefore each student 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*.

HL written papers

Paper 1

Duration: 2 hours 15 minutes

Weighting: 40%

This paper is divided into three sections, each based on the IBO-prescribed case study issued to students well before the examination. Sections A and B are common to both HL and SL students. Only HL students complete section C. The maximum number of marks available is given below. The marks available for each question, and each part of a question, will be indicated on the examination paper.

Section A

Students should answer questions by referring primarily to information derived from the case study, as well as referring to their own knowledge.

Students must answer **two** of the three structured questions in this section. The maximum number of marks available for this section is 30.

Section B

Students must answer the **one** compulsory structured question in this section. Part of the question will test evaluative skills. The maximum number of marks available for this section is 20.

Section C

Students must answer the **one** compulsory structured question in this section. The question will focus on strategic decision-making. The maximum number of marks available for this section is 30.

Paper 2

Duration: 2 hours 15 minutes

Weighting: 35%

This paper is divided into two sections. The maximum number of marks available is given below. The marks available for each question, and each part of a question, will be indicated on the examination paper.

Section A

Students must answer **one** of the two structured questions in this section. The questions are based on stimulus material and contain a quantitative element. The maximum number of marks available for this section is 25.

Section B

Students must answer **two** of the three structured questions in this section. The questions are based on stimulus material. The maximum number of marks available for this section is 50.

SL written papers**Paper 1**

Duration: 1 hour 15 minutes

Weighting: 35%

This paper is divided into two sections, both based on the IBO-prescribed case study issued to students well before the examination. Sections A and B are common to both HL and SL students. The maximum number of marks available is given below. The marks available for each question, and each part of a question, will be indicated on the examination paper.

Section A

Students should answer questions by referring primarily to information derived from the case study, as well as referring to their own knowledge.

Students must answer **two** of the three structured questions in this section. The maximum number of marks available for this section is 30.

Section B

Students must answer the **one** compulsory structured question in this section. Part of the question will test evaluative skills. The maximum number of marks available for this section is 20.

Paper 2

Duration: 1 hour 45 minutes

Weighting: 40%

This paper is divided into two sections. It is a different examination from HL paper 2. The maximum number of marks available is given below, and the marks available for each question, and each part of a question, will be indicated on the examination paper.

Section A

Students must answer **one** of the two structured questions in this section. The questions are based on stimulus material and contain a quantitative element. The maximum number of marks available for this section is 20.

Section B

Students must answer **two** of the three structured questions in this section. The questions are based on stimulus material. The maximum number of marks available for this section is 40.

Internal assessment

General

Introduction

Internal assessment is an integral part of the Diploma Programme business and management course and is compulsory for both HL and SL students. It enables students to demonstrate the application of their skills and knowledge in business and management without the time limitations and stress associated with written examinations.

Guidance and authenticity

The teacher should play an important role in helping students to plan and to work on the research project (HL) or written commentary (SL). It is also helpful if teachers encourage students to be responsible for their own work and so take pride in the finished product.

It is the responsibility of the teacher to ensure that students are familiar with:

- the requirements of the type of work internally assessed
- the means by which the work is assessed
- the assessment criteria.

Teachers and students need to discuss the investigation. Students should be encouraged to initiate discussions with the teacher to obtain advice and information, and should not be penalized for seeking guidance. However, if a student could not have completed the work without substantial support from the teacher, this must be recorded on the appropriate form in the *Vade Mecum*.

Teachers must ensure that the work presented is entirely the student's own work. Teachers are required to sign the internal assessment (IA) coversheet to confirm that the work of each student is his or her own unaided work.

When authenticity is in doubt, the teacher should first discuss this with the student. In addition, one or more of the following actions may be helpful.

- Compare the style of writing with work known to be that of the student.
- Check the references cited by the student and the original sources.
- Interview the student in the presence of a third party.
- Use one of the many web sites set up to detect plagiarism.

As part of the learning process, teachers can give advice to students on a first draft of the written report (HL) or the written commentary (SL). Advice on improving the work can be given, but this first draft must not be heavily annotated or edited by the teacher. Constant drafting and redrafting is not allowed, and the next version handed to the teacher after the first draft must be the final one.

HL research project

Weighting: 25%

Introduction

The research project enables HL students to demonstrate the application of their skills and knowledge to real organizational issues or decision-making. Students must select a real organization, not a fictional one, and the issue or decision under investigation must also be real. The expectation is that a student should gather **primary research** from the organization. The style and format of the report should be in the form of a useful working document for management.

Requirements

HL students are required to:

- design and undertake research that **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 that should be used as the primary planning document and be presented in terms of an action plan
- provide a title for the research project that, to give focus and direction, must be framed as a question
- produce a written report that does not exceed 2,000 words.

More than one student is allowed to choose the same organization for their research, provided that the written report reflects the student's own individual work, interpretation and analysis.

Choice of research topic

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

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

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. Students must therefore make sure before starting their investigations that they will be able to obtain the necessary data from the chosen organization.

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

Research proposal and action plan

The internal assessment must start with the research proposal and action plan. These will become the primary planning documents, giving direction to the research project.

The research proposal and action plan 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
- anticipated difficulties
- the order of activities and timescale of the project.

Required format for research proposal and action plan

- Research question
- Theoretical framework
- Methodology
- Anticipated difficulties
- Action plan

Students should use the research proposal and action plan as their primary planning documents, reviewing them regularly with the teacher and modifying or rewriting them as necessary should circumstances change.

The maximum achievement level for criterion A, research proposal and action plan, is four (see “HL internal assessment criteria”). Students who fail to produce a research proposal or action plan will be awarded zero for this criterion.

Students should consider the possible difficulties they may face when carrying out their research, for example, limited or biased sources.

Research question

The research question should be forward-looking rather than descriptive **and** should require the student to make recommendations for further action.

Written report

The written report, which follows the research proposal, is the second part of the internally assessed research project.

The report must follow acceptable practice in report presentation, reflected in the required format for the written report shown below.

Required format for written report

- Title page
- Acknowledgments
- Contents page
- Executive summary (abstract)
- Introduction
- Research question
- Procedure or method
- Main results and findings
- Analysis and discussion
- Conclusions and recommendations
- Bibliography and references
- Appendices

The 2,000 words does not include supplementary information such as the title page, executive summary, diagrams, figures, tables of data, references and appendices.

The executive summary should be a concise, clear and explicit summary (maximum 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.

To be of practical value to management, the report should be forward-looking and support the decision-making process.

The appendices should contain only information/data that is required in support of the text, and should be clearly referred to at relevant points.

Time allocation

The fact that internal assessment is an integral component of the HL course, contributing 25% to the final assessment, should be reflected in the total time allocated to the research project.

It is recommended that approximately 30 hours should be allocated to the research project. This should include:

- time for the teacher to explain to students the requirements of the project, including codes of ethical behaviour and confidentiality

- class time for students to work on their projects
- time spent by the student making arrangements with the selected organization and visiting to collect data
- additional time spent outside normal class time for students to work on their own
- time for consultation between the teacher and each student
- time to review and monitor progress, and to check authenticity.

SL written commentary

Weighting: 25%

Introduction

The SL internal assessment is a written commentary. Students need to demonstrate the application of business and management tools, techniques and theories to a real business issue or problem.

Students must select a real issue or problem, not a fictional one, and must produce a commentary with a title presented as a question. The commentary must refer directly to a single business organization, but may consider industry-wide issues that impact on that organization.

The commentary must be based on primary and/or secondary data, selected for its suitability, depth and breadth.

The commentary

The issue or problem selected for the commentary must relate to the SL syllabus and refer directly to a single business organization.

The title of the commentary must be phrased in the form of a question.

The commentary requires the application of business tools, techniques and theory to a contemporary business issue or problem.

The commentary must not exceed 1,500 words. A word count must be included as part of the commentary.

The commentary requires analysis and evaluation of the business issue or problem. Judgments are likely to be made throughout the commentary, but are essential within a conclusion.

The student must attach to the commentary three to five supporting documents from which the majority of the information for the commentary has been obtained. Any additional sources, such as textbooks, class notes and DVDs/videos, must be referenced, but will not be accepted as supporting documents.

Students must highlight the parts of each supporting document that relate directly to their commentary.

All supporting documents and additional sources must be fully referenced and included in a bibliography.

Selection of supporting documents

The supporting documents must be of a contemporary nature and written a maximum of two years before the submission of the written commentary.

Students must select their own supporting documents, which must not be provided to the student by the teacher.

Students must work independently, and it is recommended that they do not use the same supporting documents as other students within the school.

Any highlighted parts of supporting documents that are not in the language for which the student is registered, must be translated.

Guidance

With the teacher's support, students should choose an issue or problem for investigation, and develop a title in the form of a question.

The teacher should approve the student's question before work is started, to ensure that it is suitable for investigation and allows access to all levels of the assessment criteria. It is highly advisable that every student is supplied with a copy of the assessment criteria.

The commentary can be based on secondary sources and/or primary data.

Examples of secondary sources might include:

- market research surveys
- articles from the local, national or international press
- financial reports
- business accounts
- business plans
- mission statements
- web-based surveys
- extracts from company web sites
- government and other statistics
- academic publications.

Examples of primary data might include:

- responses to questionnaires (students should include a blank copy of the questionnaire and a tally/summary of results)
- transcripts of interviews and discussions with focus groups
- results of surveys.

The selection of the documents is very important. To achieve the highest levels of each assessment criterion, it is strongly recommended that the supporting documents present a range of ideas and views. For example, the selection of three to five documents published by a single company, or three to five surveys of similar populations, would not provide balance or objectivity.

An example of an appropriate question might be, "Can company X, an independent food retailer, survive?" The commentary could then examine business concepts such as economies of scale, mergers and acquisitions, distribution chains, the marketing mix, and the impact of changes in the external environment represented as economic, social and demographic trends.

The student is likely to make judgments throughout the commentary about the significance and nature of change, but would also be expected to answer the overall question regarding survival of the independent food retailer in the commentary's conclusion.

The commentary may include tables and/or graphs. The supporting documents and supplementary information such as diagrams, figures, tables of data and references, are not included in the 1,500 words.

Time allocation

The fact that the internal assessment is an integral component of the SL course, contributing 25% to the final assessment, should be reflected in the total time allocated to the written commentary.

It is recommended that approximately 15 hours should be allocated to the written commentary. This should include:

- time for the teacher to explain to students the requirements of the task, including codes of ethical behaviour and confidentiality
- class time for students to work on their tasks
- additional time spent outside normal class time for students to work on their own
- time for consultation between the teacher and each student
- time to review and monitor progress, and to check authenticity.

Assessment criteria

General information

There are two different methods of assessment in Diploma Programme business and management. For the external assessment there are detailed markschemes specific to each examination paper. The assessment criteria published in this guide are used to assess the internal assessment, that is, the research project (HL) and the written commentary (SL).

The method of assessment used by the IBO is criterion-related rather than norm-referenced; that is to say, the method of assessing the business and management HL research project and SL written commentary judges each student in relation to identified assessment criteria, and not in relation to the work of other students.

Using the internal assessment criteria

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

- Different assessment criteria are provided for HL and SL. There are five assessment criteria (A–E) for HL and six assessment criteria (A–F) for SL internal assessment.
- The aim is to find, for each criterion, the descriptor that conveys most adequately the achievement level attained by the student.
- 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 student. Teachers should not hesitate to use the extremes if they are appropriate descriptions of the work being assessed.
- A student 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 students will produce any particular distribution of scores.

The assessment criteria should be available to students at all times.

HL internal assessment criteria

The HL business and management research project is assessed against five criteria that are related to the objectives for the business and management course. Criterion A refers to the research proposal and action plan, while criteria B–E are used to assess the written report.

When the work to be assessed has been read, the descriptors for each criterion should be studied 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 that more appropriately describes the student's work chosen.

- Criterion A** Research proposal and action plan
- Criterion B** Use of theoretical concepts, sources and data (written report)
- Criterion C** Analysis and evaluation (written report)
- Criterion D** Conclusions and recommendations (written report)
- Criterion E** Value to management (written report)

A Research proposal and action plan

Criterion A should be used to assess the research proposal and action plan only.

Achievement level	Descriptor
0	There is no research proposal or action plan.
1	There is a research proposal and action plan. However, elements of the research proposal or action plan are inappropriate.
2	The research proposal and action plan are generally appropriate, but they are not clear and focused.
3	The research proposal and action plan are appropriate, clear and focused. There is some identification of the theoretical framework and methodology to be employed.
4	The research proposal and action plan are appropriate, clear and focused. There is clear identification and explanation of the theoretical framework and methodology to be employed.

B Use of theoretical concepts, sources and data (written report)

Achievement level	Descriptor
0	There is no use of theoretical concepts, sources or data.
1	There is a very limited understanding of relevant theoretical concepts, and these concepts have been misused. The sources and data are irrelevant or insufficient.
2	There is a limited understanding of relevant theoretical concepts, but these have not been applied effectively. The sources and data are generally relevant, but insufficient.
3	There is an understanding of relevant theoretical concepts and evidence of some of them being applied effectively. The sources and data are relevant and sufficient.
4	There is an understanding of relevant theoretical concepts and evidence of them being applied effectively. The sources and data are relevant and sufficient. There is some evidence of the sources and data being used effectively and related to the theoretical framework.
5	There is an in-depth understanding of relevant theoretical concepts and consistent evidence of them being applied effectively. The sources and data are relevant and sufficient. There is consistent evidence of the sources and data being used effectively and integrated with the theoretical framework.

C Analysis and evaluation (written report)

Achievement level	Descriptor
0	There is no discussion, analysis or evaluation.
1	Findings are very limited and the discussion is superficial. The report lacks order and coherence.
2	Findings are limited and the discussion tends to be superficial. There is an attempt to sequence ideas and references.
3	There is some analysis of the findings but the discussion may be unnecessarily descriptive. There is some integration of ideas and issues in a logical order.
4	The analysis of the findings is appropriate. There is some integration of ideas and issues in a coherent order.
5	The analysis of the findings is appropriate and there is an attempt at evaluation. There is sound integration of ideas and issues in a coherent order.
6	The analysis and evaluation of the findings are appropriate. There is sound integration of ideas and issues in a coherent order, and some evidence of critical thinking.
7	The analysis and evaluation of the findings are appropriate. There is sound integration of ideas and issues in a coherent order, and consistent evidence of critical, reflective thinking.

D Conclusions and recommendations (written report)

Achievement level	Descriptor
0	There are no conclusions or recommendations.
1	There are conclusions or recommendations, but they are inconsistent with the evidence presented.
2	There are conclusions or recommendations. Some are consistent with the research question, but may not be supported by evidence presented in the main body of the report.
3	There are conclusions and recommendations. These are consistent with the evidence presented in the main body of the report and with the research question, but are not fully developed.
4	There are conclusions and recommendations. These are consistent with the evidence presented in the main body of the report and with the research question, and are well developed.
5	There are conclusions and recommendations. These are consistent with the evidence presented in the main body of the report and with the research question, and are well developed. Future action to address limitations of the research is proposed.

E Value to management (written report)

Achievement level	Descriptor
0	The report is of no practical value to management.
1	The report exceeds 2,000 words, or is of limited practical value to management.
2	The report has some practical value to management. There are significant omissions in the presentation of the report. Bibliography and referencing are inappropriate.
3	The report is of practical value to management. There are minor omissions in the presentation of the report. Bibliography and referencing are appropriate.
4	The report is of practical value to management. The report is well presented, forward-looking and follows the required written report format*. Bibliography and referencing are appropriate.

* See "Required format for written report" in the section "HL research project".

SL internal assessment criteria

The SL business and management written commentary is assessed against six criteria that are related to the objectives for the business and management course.

When the work to be assessed has been read, the descriptors for each criterion should be studied 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 that more appropriately describes the student's work chosen.

Criterion A Supporting documents

Criterion B Choice and application of business tools, techniques and theory

Criterion C Use, analysis and synthesis of data

Criterion D Conclusions

Criterion E Evaluation and critical thinking

Criterion F Presentation

A Supporting documents

If fewer than three supporting documents are presented, a maximum of three marks can be awarded.

Achievement level	Descriptor
0	There are no documents presented in support of the commentary.
1	The supporting documents are irrelevant.
2	The supporting documents are generally relevant but some lack depth.
3	The supporting documents are relevant and sufficient in depth.
4	The supporting documents are relevant, sufficient in depth and provide a range of ideas and views.

B Choice and application of business tools, techniques and theory

Achievement level	Descriptor
0	There is no use of business tools, techniques or theory.
1	There is a limited selection of business tools, techniques and theory.
2	There is a limited selection of business tools, techniques and theory, and these are superficially applied.
3	There is appropriate selection of business tools, techniques and theory, but these are superficially applied.
4	There is appropriate selection of business tools, techniques and theory, and these are suitably applied.
5	There is appropriate selection of business tools, techniques and theory, and these are competently applied.
6	There is a broad and appropriate selection of business tools, techniques and theory, and these are skillfully applied.

C Use, analysis and synthesis of data

Achievement level	Descriptor
0	There is no use of data from the supporting documents.
1	There is inappropriate selection of data from the supporting documents.
2	There is appropriate selection of data from the supporting documents.
3	There is appropriate selection of data from the supporting documents with superficial analysis.
4	There is appropriate selection of data from the supporting documents with appropriate analysis.
5	There is appropriate selection of data from the supporting documents with appropriate analysis. There is some integration of ideas.
6	There is appropriate selection of data from the supporting documents with appropriate and detailed analysis. There is coherent integration of ideas.

D Conclusions

Achievement level	Descriptor
0	There are no conclusions.
1	Conclusions are inconsistent with the evidence presented.
2	Some of the conclusions are consistent with the evidence presented.
3	The conclusions are consistent with the evidence presented and answer the commentary question.

E Evaluation and critical thinking

Achievement level	Descriptor
0	There is no evidence of evaluation.
1	There is limited evidence of evaluation.
2	There is evidence of evaluation, but not all judgments are substantiated.
3	There is evidence of evaluation, and judgments are substantiated. Critical and reflective thinking occurs in the commentary.

F Presentation

Achievement level	Descriptor
0	The commentary exceeds 1,500 words.
1	The commentary is disorganized and lacks structure. Sources are not appropriately referenced.
2	The commentary is sufficiently organized and structured with some use of appropriate business terminology. Sources are appropriately referenced.
3	The commentary is well organized and structured, with consistent use of appropriate business terminology. Sources are appropriately referenced and an appropriate bibliography is provided.

Formulae

The following formulae will be used in business and management external assessment. A copy of the formulae will be provided for students in the examination.

Formulae for ratio analysis

Profitability ratios

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Sales revenue}} \times 100$$

$$\text{Net profit margin} = \frac{\text{Net profit before interest and tax}}{\text{Sales revenue}} \times 100$$

Liquidity ratios

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

$$\text{Acid test (quick) ratio} = \frac{\text{Current assets} - \text{stock}}{\text{Current liabilities}}$$

HL Shareholder (stockholder) ratios

$$\text{Earnings per share} = \frac{\text{Net profit after interest and tax}}{\text{Number of ordinary shares}}$$

$$\text{Dividend yield} = \frac{\text{Dividends per share}}{\text{Market price}} \times 100$$

Efficiency ratios

$$\text{Return on capital employed (ROCE)} = \frac{\text{Net profit before interest and tax}}{\text{Total capital employed}^*} \times 100$$

*Capital employed = shareholders' funds + reserves + long-term liabilities

$$\text{Stock turnover} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

or

$$\text{Stock turnover (number of days)} = \frac{\text{Average stock}}{\text{Cost of goods sold}} \times 365$$

$$\text{HL} \quad \text{Debtor days ratio (number of days)} = \frac{\text{Debtors}}{\text{Total sales revenue}} \times 365$$

$$\text{HL} \quad \text{Creditor days ratio (number of days)} = \frac{\text{Creditors}}{\text{Total credit purchases}} \times 365$$

Gearing ratio

$$\text{Gearing ratio} = \frac{\text{Loan capital}}{\text{Total capital employed}} \times 100$$

Other formulae

Investment appraisal

$$\text{Average rate of return} = \frac{\text{Net return (profit) per annum}}{\text{Capital outlay (cost)}} \times 100$$

$$\text{HL} \quad \text{Net present value} = \text{Present value of return} - \text{original cost}$$

Elasticity—HL only

$$\text{Price elasticity of demand} = \frac{\% \text{ Change in quantity demanded}}{\% \text{ Change in price}}$$

$$\text{Cross-elasticity of demand} = \frac{\% \text{ Change in quantity demanded of good A}}{\% \text{ Change in price of good B}}$$

$$\text{Income elasticity of demand} = \frac{\% \text{ Change in quantity demanded}}{\% \text{ Change in income}}$$

$$\text{Advertising elasticity of demand} = \frac{\% \text{ Change in quantity demanded}}{\% \text{ Change in advertising expenditure}}$$

Discount tables—HL only

A discount table will be provided for students in the examination.

Years	Discount rate				
	4%	6%	8%	10%	20%
1	0.9615	0.9434	0.9259	0.9091	0.8333
2	0.9246	0.8900	0.8573	0.8264	0.6944
3	0.8890	0.8396	0.7938	0.7513	0.5787
4	0.8548	0.7921	0.7350	0.6830	0.4823
5	0.8219	0.7473	0.6806	0.6209	0.4019
6	0.7903	0.7050	0.6302	0.5645	0.3349
7	0.7599	0.6651	0.5835	0.5132	0.2791
8	0.7307	0.6271	0.5403	0.4665	0.2326
9	0.7026	0.5919	0.5002	0.4241	0.1938
10	0.6756	0.5584	0.4632	0.3855	0.1615

Presentation of balance sheets and profit and loss accounts

Where balance sheets and profit and loss accounts are given in case studies or examination questions, they will be presented in the format shown below.

ABC Ltd

Balance sheet as at 31 May 20**

	\$000	\$000
Fixed assets		****
Current assets		
Stock	****	
Debtors	****	
Cash	****	
Total		****
Current liabilities		
Creditors	****	
Short-term borrowing	****	

Total		****
Net assets		****

Share capital		****
Loan capital		****
Retained profit		****
Capital employed		****

Profit and loss account for ABC Ltd for the year ended 31 May 20**

	\$000
Sales revenue	****
Cost of goods sold	****

Gross profit	****
Expenses	****

Net profit before interest and tax	****
Interest	****
Tax	****

Net profit after interest and tax	****
Dividends	****
Retained profit	****

Glossary of command terms

Group 3 command terms

Students should be familiar with the following key terms and phrases used in examinations in group 3 subjects. An explanation is given for each term and an example, specific to business and management, is provided.

Command term	Definition	Business and management example
Analyse	Break down in order to bring out the essential elements, structure, any underlying assumptions and any interrelationships involved.	Analyse the impact of external opportunities and threats on the business strategy of company A.
Compare	Describe two (or more) situations and present the similarities between them.	Compare the benefits of adopting LIFO with those of FIFO.
Contrast	Describe two (or more) situations and present the differences between them.	With reference to the impact on profit, contrast the FIFO method of stock valuation with the LIFO method of stock valuation.
Define	Give a clear and precise meaning of a given word, term or concept.	Define the term “stakeholder”.
Describe	Present the characteristics of a particular topic.	Describe company X’s corporate culture.
Discuss	Offer a considered and balanced review of a particular topic. Opinions or conclusions should be presented clearly and supported by empirical evidence and sound argument.	Discuss how the introduction of an employee share-ownership scheme could affect motivation for employees of company X.
Distinguish	Make clear the differences between two or more concepts/terms.	Distinguish between variable costs and fixed costs.
Evaluate	Make an appraisal by weighing up the strengths and limitations of different evidence and arguments.	Evaluate the option of accelerating company X’s overseas development through the use of franchising or joint ventures.
Examine	Consider an argument or concept in a way that uncovers the assumptions and interrelationships of the issue.	Examine company X’s present marketing approach in the light of changes in the external environment.

Explain	Describe, giving reasons.	Explain why company X has changed its pricing strategy.
Identify	Recognize and state briefly a distinguishing fact or feature.	Identify two reasons why the owner has chosen a particular method of investment appraisal.
Justify	Provide evidence to support or defend a choice, decision, strategy or course of action.	Justify your reasons for introducing an extension strategy for product X.
To what extent	Evaluate the success or otherwise of an argument or concept. Opinions and conclusions should be presented clearly and supported with empirical evidence and sound argument.	To what extent was the marketing strategy of company X successful?

Subject-specific command terms

Although the group 3 command terms are used frequently in business and management examination questions, other terms may be used to direct students to present an answer in a specific way for business and management. Students should be familiar with the following command terms used in HL and SL business and management examination questions.

Command term	Definition	Business and management example
Advise	Offer suggestions/recommendations for a potential course of action.	Advise the human resources manager on the use of both monetary and non-monetary rewards to improve staff motivation at XYZ Ltd.
Apply	Use an idea, principle or theory in relation to a problem or issue.	Applying Maslow's motivation theory, suggest a new rewards package for employees of company X.
Calculate	Give a precise numerical answer.	Calculate the acid test ratio for company X in 2008.
Classify	Arrange or order by class or categories.	Classify the range of products sold by line range and mix.
Comment	Write an explanation of, or commentary on, the information given in relation to a problem or issue.	Comment on the profitability, liquidity and efficiency of the firm.
Complete	Add missing information/data.	Complete the critical path diagram by calculating the earliest starting time and latest finishing time for each activity.

Construct	Present a variety of information in a diagrammatic or tabular form.	Based on the information given, construct a break-even chart for company X.
Formulate	Express precisely, clearly and in a systematic manner the relevant concept(s) or argument(s).	Formulate an appropriate promotional mix for company X.
Interpret	Use knowledge and understanding to explain and, where appropriate, draw inferences from a given situation, problem or issue.	(Calculate and) interpret the value of the sales variance for XYZ Ltd.
Outline	Give a brief explanation and/or summary of the issues, principles, or arguments stated in the question.	Outline two advantages and disadvantages of working from home.
Prepare	Put given data or information into a suitable business format.	Prepare a cash-flow forecast for company X for January, February and March 2010.
Recommend	Present an advisable course of action with appropriate supporting evidence/reasons, in relation to a given situation, problem or issue.	Recommend a suitable growth strategy for company X.

