

# GCSE (9-1) Business



## Specification

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**Pearson Edexcel Level 1/Level 2 GCSE (9-1) in Business (1BS0)**

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*First teaching from September 2017*

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*First certification from 2019*

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Issue 1

# Qualification at a glance

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## Content and assessment overview

The Pearson Edexcel Level 1/Level 2 GCSE (9–1) in Business consists of two externally-examined papers.

Students must complete all assessment in May/June in any single year.

<b>Theme 1: Investigating small business (*Paper code: 1BS0/01)</b>
<p><b>Written examination: 1 hour and 30 minutes</b></p> <p><b>50% of the qualification</b></p> <p><b>90 marks</b></p>
<p><b>Content overview</b></p> <ul style="list-style-type: none"><li>• Topic 1.1 Enterprise and entrepreneurship</li><li>• Topic 1.2 Spotting a business opportunity</li><li>• Topic 1.3 Putting a business idea into practice</li><li>• Topic 1.4 Making the business effective</li><li>• Topic 1.5 Understanding external influences on business</li></ul>
<p><b>Assessment overview</b></p> <p>The paper is divided into three sections:</p> <p>Section A: 35 marks</p> <p>Section B: 30 marks</p> <p>Section C: 25 marks.</p> <p>The paper will consist of calculations, multiple-choice, short-answer and extended-writing questions.</p> <p>Questions in Sections B and C will be based on business contexts given in the paper.</p> <p>Calculators may be used in the examination. Information on the use of calculators during the examinations for this qualification can be found in <i>Appendix 4: Calculators</i>.</p>

\*See *Appendix 7: Codes* for a description of this code and all other codes relevant to this qualification.

**Theme 2: Building a business (Paper code: 1BS0/02)**

***Written examination: 1 hour and 30 minutes***

***50% of the qualification***

***90 marks***

**Content overview**

- Topic 2.1 Growing the business
- Topic 2.2 Making marketing decisions
- Topic 2.3 Making operational decisions
- Topic 2.4 Making financial decisions
- Topic 2.5 Making human resource decisions

**Assessment overview**

The paper is divided into three sections:

Section A: 35 marks

Section B: 30 marks

Section C: 25 marks.

The paper will consist of calculations, multiple-choice, short-answer and extended-writing questions.

Questions in Sections B and C will be based on business contexts given in the paper.

Calculators may be used in the examination. Information on the use of calculators during the examinations for this qualification can be found in *Appendix 4: Calculators*.

## Topic 1.1 Enterprise and entrepreneurship

Subject content	What students need to learn:
<p>1.1.1 The dynamic nature of business</p>	<p>Why new business ideas come about:</p> <ul style="list-style-type: none"><li>• changes in technology</li><li>• changes in what consumers want</li><li>• products and services becoming obsolete.</li></ul> <p>How new business ideas come about:</p> <ul style="list-style-type: none"><li>• original ideas</li><li>• adapting existing products/services/ideas.</li></ul>
<p>1.1.2 Risk and reward</p>	<p>The impact of risk and reward on business activity:</p> <ul style="list-style-type: none"><li>• risk: business failure, financial loss, lack of security</li><li>• reward: business success, profit, independence.</li></ul>
<p>1.1.3 The role of business enterprise</p>	<p>The role of business enterprise and the purpose of business activity:</p> <ul style="list-style-type: none"><li>• to produce goods or services</li><li>• to meet customer needs</li><li>• to add value: convenience, branding, quality, design, unique selling points.</li></ul> <p>The role of entrepreneurship:</p> <ul style="list-style-type: none"><li>• an entrepreneur: organises resources, makes business decisions, takes risks.</li></ul>

## Topic 1.2 Spotting a business opportunity

Subject content	What students need to learn:
<p>1.2.1 Customer needs</p>	<p>Identifying and understanding customer needs:</p> <ul style="list-style-type: none"> <li>• what customer needs are: price, quality, choice, convenience</li> <li>• the importance of identifying and understanding customers: generating sales, business survival.</li> </ul>
<p>1.2.2 Market research</p>	<p>The purpose of market research:</p> <ul style="list-style-type: none"> <li>• to identify and understand customer needs</li> <li>• to identify gaps in the market</li> <li>• to reduce risk</li> <li>• to inform business decisions.</li> </ul> <p>Methods of market research:</p> <ul style="list-style-type: none"> <li>• primary research: survey, questionnaire, focus group, observation</li> <li>• secondary research: internet, market reports, government reports.</li> </ul> <p>The use of data in market research:</p> <ul style="list-style-type: none"> <li>• qualitative and quantitative data</li> <li>• the role of social media in collecting market research data</li> <li>• the importance of the reliability of market research data.</li> </ul>
<p>1.2.3 Market segmentation</p>	<p>How businesses use market segmentation to target customers:</p> <ul style="list-style-type: none"> <li>• identifying market segments: location, demographics, lifestyle, income, age</li> <li>• market mapping to identify a gap in the market and the competition.</li> </ul>
<p>1.2.4 The competitive environment</p>	<p>Understanding the competitive environment:</p> <ul style="list-style-type: none"> <li>• strengths and weaknesses of competitors based on: price, quality, location, product range and customer service</li> <li>• the impact of competition on business decision making.</li> </ul>

### Topic 1.3 Putting a business idea into practice

Subject content	What students need to learn:
<p>1.3.1 Business aims and objectives</p>	<p>What business aims and business objectives are.</p> <p>Business aims and objectives when starting up:</p> <ul style="list-style-type: none"> <li>• financial aims and objectives: survival, profit, sales, market share, financial security</li> <li>• non-financial aims and objectives: social objectives, personal satisfaction, challenge, independence and control.</li> </ul> <p>Why aims and objectives differ between businesses.</p>
<p>1.3.2 Business revenues, costs and profits</p>	<p>The concept and calculation of:</p> <ul style="list-style-type: none"> <li>• revenue</li> <li>• fixed and variable costs</li> <li>• total costs</li> <li>• profit and loss</li> <li>• interest</li> <li>• break even level of output</li> <li>• margin of safety.</li> </ul> <p>Interpretation of break even diagrams:</p> <ul style="list-style-type: none"> <li>• the impact of changes in revenue and costs</li> <li>• break even level of output</li> <li>• margin of safety</li> <li>• profit and loss.</li> </ul>
<p>1.3.3 Cash and cash-flow</p>	<p>The importance of cash to a business:</p> <ul style="list-style-type: none"> <li>• to pay suppliers, overheads and employees</li> <li>• to prevent business failure (insolvency)</li> <li>• the difference between cash and profit.</li> </ul> <p>Calculation and interpretation of cash-flow forecasts:</p> <ul style="list-style-type: none"> <li>• cash inflows</li> <li>• cash outflows</li> <li>• net cash flow</li> <li>• opening and closing balances.</li> </ul>
<p>1.3.4 Sources of business finance</p>	<p>Sources of finance for a start-up or established small business:</p> <ul style="list-style-type: none"> <li>• short-term sources: overdraft and trade credit</li> <li>• long-term sources: personal savings, venture capital, share capital, loans, retained profit and crowd funding.</li> </ul>

## Topic 1.4 Making the business effective

Subject content	What students need to learn:
<p>1.4.1 The options for start-up and small businesses</p>	<p>The concept of limited liability:</p> <ul style="list-style-type: none"> <li>• limited and unlimited liability</li> <li>• the implications for the business owner(s) of limited and unlimited liability.</li> </ul> <p>The types of business ownership for start-ups:</p> <ul style="list-style-type: none"> <li>• sole trader, partnership, private limited company</li> <li>• the advantages and disadvantages of each type of business ownership.</li> </ul> <p>The option of starting up and running a franchise operation:</p> <ul style="list-style-type: none"> <li>• the advantages and disadvantages of franchising.</li> </ul>
<p>1.4.2 Business location</p>	<p>Factors influencing business location:</p> <ul style="list-style-type: none"> <li>• proximity to: market, labour, materials and competitors</li> <li>• nature of the business activity</li> <li>• the impact of the internet on location decisions: e-commerce and/or fixed premises.</li> </ul>
<p>1.4.3 The marketing mix</p>	<p>What the marketing mix is and the importance of each element:</p> <ul style="list-style-type: none"> <li>• price, product, promotion, place.</li> </ul> <p>How the elements of the marketing mix work together:</p> <ul style="list-style-type: none"> <li>• balancing the marketing mix based on the competitive environment</li> <li>• the impact of changing consumer needs on the marketing mix</li> <li>• the impact of technology on the marketing mix: e-commerce, digital communication.</li> </ul>
<p>1.4.4 Business plans</p>	<p>The role and importance of a business plan:</p> <ul style="list-style-type: none"> <li>• to identify: the business idea; business aims and objectives; target market (market research); forecast revenue, cost and profit; cash-flow forecast; sources of finance; location; marketing mix.</li> </ul> <p>The purpose of planning business activity:</p> <ul style="list-style-type: none"> <li>• the role and importance of a business plan in minimising risk and obtaining finance.</li> </ul>

## Topic 1.5 Understanding external influences on business

Subject content	What students need to learn:
<p>1.5.1 Business stakeholders</p>	<p>Who business stakeholders are and their different objectives:</p> <ul style="list-style-type: none"> <li>• shareholders (owners), employees, customers, managers, suppliers, local community, pressure groups, the government.</li> </ul> <p>Stakeholders and businesses:</p> <ul style="list-style-type: none"> <li>• how stakeholders are affected by business activity</li> <li>• how stakeholders impact business activity</li> <li>• possible conflicts between stakeholder groups.</li> </ul>
<p>1.5.2 Technology and business</p>	<p>Different types of technology used by business:</p> <ul style="list-style-type: none"> <li>• e-commerce</li> <li>• social media</li> <li>• digital communication</li> <li>• payment systems.</li> </ul> <p>How technology influences business activity in terms of:</p> <ul style="list-style-type: none"> <li>• sales</li> <li>• costs</li> <li>• marketing mix.</li> </ul>
<p>1.5.3 Legislation and business</p>	<p>The purpose of legislation:</p> <ul style="list-style-type: none"> <li>• principles of consumer law: quality and consumer rights</li> <li>• principles of employment law: recruitment, pay, discrimination and health and safety.</li> </ul> <p>The impact of legislation on businesses:</p> <ul style="list-style-type: none"> <li>• cost</li> <li>• consequences of meeting and not meeting these obligations.</li> </ul>
<p>1.5.4 The economy and business</p>	<p>The impact of the economic climate on businesses:</p> <ul style="list-style-type: none"> <li>• unemployment, changing levels of consumer income, inflation, changes in interest rates, government taxation, changes in exchange rates.</li> </ul>
<p>1.5.5 External influences</p>	<p>The importance of external influences on business:</p> <ul style="list-style-type: none"> <li>• possible responses by the business to changes in: technology, legislation, the economic climate.</li> </ul>



## Topic 2.1 Growing the business

Subject content	What students need to learn:
<p>2.1.1 Business growth</p>	<p>Methods of business growth and their impact:</p> <ul style="list-style-type: none"> <li>● internal (organic) growth: new products (innovation, research and development), new markets (through changing the marketing mix or taking advantage of technology and/or expanding overseas)</li> <li>● external (inorganic) growth: merger, takeover.</li> </ul> <p>The types of business ownership for growing businesses:</p> <ul style="list-style-type: none"> <li>● public limited company (plc)</li> </ul> <p>Sources of finance for growing and established businesses:</p> <ul style="list-style-type: none"> <li>● internal sources: retained profit, selling assets</li> <li>● external sources: loan capital, share capital, including stock market flotation (public limited companies).</li> </ul>
<p>2.1.2 Changes in business aims and objectives</p>	<p>Why business aims and objectives change as businesses evolve:</p> <ul style="list-style-type: none"> <li>● in response to: market conditions, technology, performance, legislation, internal reasons.</li> </ul> <p>How business aims and objectives change as businesses evolve:</p> <ul style="list-style-type: none"> <li>● focus on survival or growth</li> <li>● entering or exiting markets</li> <li>● growing or reducing the workforce</li> <li>● increasing or decreasing product range.</li> </ul>
<p>2.1.3 Business and globalisation</p>	<p>The impact of globalisation on businesses:</p> <ul style="list-style-type: none"> <li>● imports: competition from overseas, buying from overseas</li> <li>● exports: selling to overseas markets</li> <li>● changing business locations</li> <li>● multinationals.</li> </ul> <p>Barriers to international trade:</p> <ul style="list-style-type: none"> <li>● tariffs</li> <li>● trade blocs.</li> </ul> <p>How businesses compete internationally:</p> <ul style="list-style-type: none"> <li>● the use of the internet and e-commerce</li> <li>● changing the marketing mix to compete internationally.</li> </ul>

Subject content	What students need to learn:
2.1.4 Ethics, the environment and business	The impact of ethical and environmental considerations on businesses: <ul style="list-style-type: none"> <li>• how ethical considerations influence business activity: possible trade-offs between ethics and profit</li> <li>• how environmental considerations influence business activity: possible trade-offs between the environment, sustainability and profit</li> <li>• the potential impact of pressure group activity on the marketing mix.</li> </ul>

## Topic 2.2 Making marketing decisions

Subject content	What students need to learn:
2.2.1 Product	<p>The design mix:</p> <ul style="list-style-type: none"> <li>• function, aesthetics, cost.</li> </ul> <p>The product life cycle:</p> <ul style="list-style-type: none"> <li>• the phases of the product life cycle</li> <li>• extension strategies.</li> </ul> <p>The importance to a business of differentiating a product/ service.</p>
2.2.2 Price	<p>Price</p> <ul style="list-style-type: none"> <li>• pricing strategies</li> <li>• influences on pricing strategies: technology, competition, market segments, product life cycle.</li> </ul>
2.2.3 Promotion	<p>Promotion:</p> <ul style="list-style-type: none"> <li>• appropriate promotion strategies for different market segments: advertising, sponsorship, product trials, special offers, branding</li> <li>• the use of technology in promotion: targeted advertising online, viral advertising via social media, e-newsletters.</li> </ul>
2.2.4 Place	<p>Place:</p> <ul style="list-style-type: none"> <li>• methods of distribution: retailers and e-tailers (e-commerce).</li> </ul>
2.2.5 Using the marketing mix to make business decisions	<p>How each element of the marketing mix can influence other elements.</p> <p>Using the marketing mix to build competitive advantage.</p> <p>How an integrated marketing mix can influence competitive advantage.</p>

## Topic 2.3 Making operational decisions

Subject content	What students need to learn:
<p>2.3.1 Business operations</p>	<p>The purpose of business operations:</p> <ul style="list-style-type: none"> <li>● to produce goods</li> <li>● to provide services.</li> </ul> <p>Production processes:</p> <ul style="list-style-type: none"> <li>● different types: job, batch, flow</li> <li>● the impact of different types of production process: keeping productivity up and costs down and allowing for competitive prices.</li> </ul> <p>Impacts of technology on production:</p> <ul style="list-style-type: none"> <li>● balancing cost, productivity, quality and flexibility.</li> </ul>
<p>2.3.2 Working with suppliers</p>	<p>Managing stock:</p> <ul style="list-style-type: none"> <li>● interpretation of bar gate stock graphs</li> <li>● the use of just in time (JIT) stock control.</li> </ul> <p>The role of procurement:</p> <ul style="list-style-type: none"> <li>● relationships with suppliers: quality, delivery (cost, speed, reliability), availability, cost, trust</li> <li>● the impact of logistics and supply decisions on: costs, reputation, customer satisfaction.</li> </ul>
<p>2.3.3 Managing quality</p>	<p>The concept of quality and its importance in:</p> <ul style="list-style-type: none"> <li>● the production of goods and the provision of services: quality control and quality assurance</li> <li>● allowing a business to control costs and gain a competitive advantage.</li> </ul>
<p>2.3.4 The sales process</p>	<p>The sales process:</p> <ul style="list-style-type: none"> <li>● product knowledge, speed and efficiency of service, customer engagement, responses to customer feedback, post-sales service.</li> </ul> <p>The importance to businesses of providing good customer service.</p>

## Topic 2.4 Making financial decisions

Subject content	What students need to learn:
2.4.1 Business calculations	<p>The concept and calculation of:</p> <ul style="list-style-type: none"><li>• gross profit</li><li>• net profit</li></ul> <p>Calculation and interpretation of:</p> <ul style="list-style-type: none"><li>• gross profit margin</li><li>• net profit margin</li><li>• average rate of return.</li></ul>
2.4.2 Understanding business performance	<p>The use and interpretation of quantitative business data to support, inform and justify business decisions:</p> <ul style="list-style-type: none"><li>• information from graphs and charts</li><li>• financial data</li><li>• marketing data</li><li>• market data.</li></ul> <p>The use and limitations of financial information in:</p> <ul style="list-style-type: none"><li>• understanding business performance</li><li>• making business decisions.</li></ul>

## Topic 2.5 Making human resource decisions

Subject content	What students need to learn:
<p>2.5.1 Organisational structures</p>	<p>Different organisational structures and when each are appropriate:</p> <ul style="list-style-type: none"> <li>• hierarchical and flat</li> <li>• centralised and decentralised.</li> </ul> <p>The importance of effective communication:</p> <ul style="list-style-type: none"> <li>• the impact of insufficient or excessive communication on efficiency and motivation</li> <li>• barriers to effective communication.</li> </ul> <p>Different ways of working:</p> <ul style="list-style-type: none"> <li>• part-time, full-time and flexible hours</li> <li>• permanent, temporary, and freelance contracts</li> <li>• the impact of technology on ways of working: efficiency, remote working.</li> </ul>
<p>2.5.2 Effective recruitment</p>	<p>Different job roles and responsibilities:</p> <ul style="list-style-type: none"> <li>• key job roles and their responsibilities: directors, senior managers, supervisors/team leaders, operational and support staff.</li> </ul> <p>How businesses recruit people:</p> <ul style="list-style-type: none"> <li>• documents: person specification and job description, application form, CV</li> <li>• recruitment methods used to meet different business needs (internal and external recruitment).</li> </ul>
<p>2.5.3 Effective training and development</p>	<p>How businesses train and develop employees:</p> <ul style="list-style-type: none"> <li>• different ways of training and developing employees: formal and informal training, self-learning, ongoing training for all employees, use of target setting and performance reviews.</li> </ul> <p>Why businesses train and develop employees:</p> <ul style="list-style-type: none"> <li>• the link between training, motivation and retention</li> <li>• retraining to use new technology.</li> </ul>
<p>2.5.4 Motivation</p>	<p>The importance of motivation in the workplace:</p> <ul style="list-style-type: none"> <li>• attracting employees, retaining employees, productivity.</li> </ul> <p>How businesses motivate employees:</p> <ul style="list-style-type: none"> <li>• financial methods: remuneration, bonus, commission, promotion, fringe benefits</li> <li>• non-financial methods: job rotation, job enrichment, autonomy.</li> </ul>

## Assessment Objectives

Students must:		% in GCSE
<b>AO1</b>	Demonstrate knowledge and understanding of business concepts and issues	35
<b>AO2</b>	Apply knowledge and understanding of business concepts and issues to a variety of contexts	35
<b>AO3</b>	Analyse and evaluate business information and issues to demonstrate understanding of business activity, make judgements and draw conclusions	30
<b>Total</b>		<b>100%</b>

## Breakdown of Assessment Objectives

Paper	Assessment Objectives			Total for all Assessment Objectives
	AO1 %	AO2 %	AO3 %	
Paper 1	17.2	17.8	15	50%
Paper 2	17.8	17.2	15	50%
<b>Total for GCSE</b>	<b>35%</b>	<b>35%</b>	<b>30%</b>	<b>100%</b>

NB: totals have been rounded either up or down to one decimal point.

# Appendix 1: Command word taxonomy and definitions of business terms

## Command word taxonomy

The table below lists the command words that may be used in question papers for GCSE Business and an outline of what each type of question requires students to do.

Command word	This type of question will require students to:
<i>Multiple choice question</i>	select one or more correct answer from a choice of answers. These questions test recall of knowledge from the specification content
Define	define a term from the specification content
Give	give an answer testing recall of knowledge from the specification content
State	give an answer, no longer than a sentence, referring to a piece of contextual information from which students must select the answer
Identify	select the correct answer from reading a graph or table of data
Calculate	use mathematical skills to reach the answer, based on given data. Calculators may be used and workings should be given
Complete the table	work out the values missing from the presented table of data
Outline	give two linked points about a business concept or issue, placed in context in the question
Explain	give a statement of fact, with two further expansion points. These may expand on each other, or both from the same fact. There is no context in these questions
Discuss	write an extended answer, requiring expansion and exploration of a business concept or issue. These questions will not have context but students may bring one in for illustration purposes
Analyse	write an extended answer, requiring expansion and exploration of a business concept or issue. The answer will be placed in context by the question
Justify	write an extended answer, using information provided in order to recommend one of two options to a business owner
Evaluate	write an extended answer, using knowledge of specification content to reach a supported conclusion about a business situation.

Examples of how these command words are used in Paper 1 and Paper 2 can be found in the *Pearson Edexcel Level 1/Level 2 GCSE (9–1) in Business Sample Assessment Materials* for this qualification.



## Appendix 3: Formulae

The list below gives formulae for use in this qualification. Formulae will not be provided in the examinations for Paper 1 or Paper 2.

### Total costs

TC (total cost) = TFC (total fixed costs) + TVC (total variable costs)

### Revenue

Revenue = price × quantity

### Break even

Break even point in units =  $\frac{\text{fixed cost}}{(\text{sales price} - \text{variable cost})}$

Break even point in costs / revenue = break even point in units × sales price

### Margin of safety

Margin of safety = actual or budgeted sales – break even sales

### Interest (on loans)

Interest (on loans) in % =  $\frac{\text{total repayment} - \text{borrowed amount}}{\text{borrowed amount}} \times 100$

### Net cash-flow

Net cash-flow = cash inflows – cash outflows in a given period

### Opening and closing balances

Opening balance = closing balance of the previous period

Closing balance = opening balance + net cash-flow

### Gross profit

Gross profit = sales revenue – cost of sales

### Gross profit margin

Gross profit margin (%) =  $\frac{\text{gross profit}}{\text{sales revenue}} \times 100$

### Net profit

Net profit = gross profit – other operating expenses and interest

### Net profit margin

Net profit margin (%) =  $\frac{\text{net profit}}{\text{sales revenue}} \times 100$

### Average rate of return

Average rate of return (%) =  $\frac{\text{average annual profit (total profit / no. of years)}}{\text{cost of investment}} \times 100$