

# 3 Subject Content

## 3.1 Unit 1 – Setting up a Business

This unit introduces candidates to issues concerning the setting up and operation of a business. It explores the activities of business and the reasons for success or failure. It encourages candidates to appreciate that businesses must operate within society and that this involves businesses engaging with a wide range of stakeholders who will hold differing perspectives.

### 1. Starting a Business

This section introduces candidates to the issues involved with starting a business.

SPECIFICATION	AMPLIFICATION
<p>1.1 Starting a Business Enterprise</p> <ul style="list-style-type: none"> <li>• sources of business ideas</li> <li>• looking for a gap in the market</li> <li>• identification of a product or market niche</li> <li>• reasons for starting a business</li> <li>• franchises.</li> </ul>	<p>Candidates should understand what a business is and the reasons why businesses are set up eg to produce goods, supply services, distribute products etc. Businesses should include social enterprises.</p> <p>Candidates should understand the advantages and disadvantages of operating as a franchisee, rather than setting up an independent business.</p>
<p>1.2 Setting Business Aims and Objectives</p> <ul style="list-style-type: none"> <li>• types of business aims and objectives</li> <li>• purpose of setting objectives</li> <li>• using business objectives to measure success</li> <li>• influence of stakeholders on business objectives.</li> </ul>	<p>Candidates should be aware of the main types of business aims, including: survival, profit, growth, market share, customer satisfaction, ethical and sustainable.</p> <p>Candidates should be familiar with the role of objectives in running a business and how they can be used to measure the success of a business.</p> <p>Candidates should have an understanding of the importance of stakeholders in influencing the objectives of a small business.</p>
<p>1.3 Business Planning</p> <ul style="list-style-type: none"> <li>• the purpose of business planning</li> <li>• the main sections within a business start-up plan</li> <li>• uncertainty and risk for start-up businesses.</li> </ul>	<p>Candidates need to understand how business planning assists in the setting up of a business and the raising of finance.</p> <p>Candidates should know the main sections of a business plan.</p> <p>Candidates will not be expected to write a business plan.</p> <p>Candidates need to be aware of the risks faced by businesses and what can be done to minimise risk.</p>
<p>1.4 Choosing the Appropriate Legal Structure for the Business</p> <ul style="list-style-type: none"> <li>• sole trader</li> <li>• partnership</li> <li>• private limited company (Ltd).</li> </ul>	<p>Candidates should know the benefits and drawbacks of the different legal structures, including the appropriateness of gaining limited liability status, and the consequences of increasing the number and range of stakeholders.</p>
<p>1.5 Choosing the Location of the Business</p> <ul style="list-style-type: none"> <li>• factors influencing start-up location decisions.</li> </ul>	<p>Candidates should understand the factors influencing where a business is located, including: the availability of raw materials, transport, labour, competition/other businesses, technology, proximity to the market and costs.</p>

## 2. Marketing

This section provides candidates with an introduction to marketing within the context of a business with a limited budget. Consideration is given to the role of information technology in marketing.

SPECIFICATION	AMPLIFICATION
2.1 Conducting Market Research with Limited Budgets <ul style="list-style-type: none"> <li>• reasons for conducting market research</li> <li>• market research methods.</li> </ul>	Candidates should understand the methods of market research likely to be used by a business with a limited budget including: telephone and other surveys, questionnaires, customer/supplier feedback, focus groups and internet research.
2.2 Using the Marketing Mix <ul style="list-style-type: none"> <li>• elements of the marketing mix</li> <li>• selecting an appropriate marketing mix for a small business.</li> <li>• the use of ICT in assisting international marketing.</li> </ul>	<p>Candidates need to be familiar with the four elements of the marketing mix – Product, Price, Promotion and Place. Detailed knowledge of each, however, is not required.</p> <p>Using a given scenario, candidates should be able to recommend appropriate marketing activities for a business with a limited budget.</p> <p>Candidates should consider the products that a small business is likely to offer and how it could alter the products to meet customer needs.</p> <p>Candidates need to have an understanding of the basic relationship between price and demand. eg a price rise would probably affect the profits of a small business in a competitive market.</p> <p>Candidates should understand the promotion methods suitable for a small business, given a limited budget e.g. advertising in local newspapers, the Internet, use of personal recommendation and business cards.</p> <p>When considering place, candidates should recognise the growing importance of e-commerce and how it can extend the reach of businesses to include international markets.</p>

## 3. Finance

This section introduces candidates to the importance of finance to a business. It investigates sources of finance and financial advice when setting up a small business. Candidates will be introduced to basic financial terms and simple cash flow statements.

SPECIFICATION	AMPLIFICATION
3.1 Finance and Support for a Small Business <ul style="list-style-type: none"> <li>• sources of finance</li> <li>• sources and types of advice available to small businesses.</li> </ul>	<p>Candidates need to be aware of the difficulties that many new businesses face when attempting to raise funds.</p> <p>Candidates should be familiar with the main sources of finance available to a small business, including: overdraft, bank loans and mortgages, loans from friends and family, and grants.</p> <p>Candidates should be aware of organisations that can support small businesses.</p>

<p>3.2 Financial Terms and Simple Calculations</p> <ul style="list-style-type: none"> <li>• basic financial terms</li> <li>• calculating profit and loss.</li> </ul>	<p>Candidates need to understand the terms: price, sales, revenue, costs and profit and the relationship between these.</p> <p>Candidates should be able to perform simple calculations based on these figures to determine profit/loss.</p>
<p>3.3 Using Cash Flow</p> <ul style="list-style-type: none"> <li>• interpreting simple cash flow statements</li> <li>• the importance of cash flow statements</li> <li>• identifying solutions to cash flow problems.</li> </ul>	<p>Candidates should be able to interpret simple cash flow statements.</p> <p>Candidates need to understand the consequences of cash flow problems and that these could lead to the business going into receivership and closing down.</p> <p>Candidates should be able to recommend possible solutions to cash flow problems, such as re-scheduling payments and receipts of income.</p> <p>Candidates will not be expected to complete a cash flow statement.</p>

#### 4. People in Businesses

This section considers suitable ways by which businesses might recruit, motivate and retain staff.

SPECIFICATION	AMPLIFICATION
<p>4.1 Recruiting</p> <ul style="list-style-type: none"> <li>• the need for recruitment</li> <li>• recruitment methods</li> <li>• remuneration</li> <li>• monetary and non-monetary benefits.</li> </ul>	<p>Candidates should understand the benefits of full and part-time employment to the business.</p> <p>Candidates need to understand the appropriate internal and external methods by which a business might recruit staff, such as: personal recommendation, advertising and interviewing.</p> <p>Candidates should have an understanding of the factors that determine the level of wages/salaries paid to employees, including levels of skill and experience.</p> <p>Candidates should have an understanding of the use of other monetary benefits, including pension payments and bonuses.</p> <p>Candidates need to understand the use of non-monetary rewards to employees, such as fringe benefits.</p>
<p>4.2 Motivating Staff</p> <ul style="list-style-type: none"> <li>• benefits to the business of motivated staff</li> <li>• methods of motivation used by small businesses.</li> </ul>	<p>Candidates should understand the benefits to the business of having well-motivated staff. Candidates should be able to suggest relevant ways by which small businesses might motivate their employees. These could include: training, greater responsibility and financial rewards.</p>
<p>4.3 Protecting Staff through Understanding Legislation</p> <ul style="list-style-type: none"> <li>• equal pay and minimum wage laws</li> <li>• discrimination</li> <li>• employment rights</li> <li>• health and safety.</li> </ul>	<p>Candidates need to have an understanding of the legal responsibilities of employers and their staff. Whilst it is not necessary to be able to name and quote from an Act of Parliament, candidates require a broad understanding of how such laws can affect small businesses.</p>

## 5. Operations Management

This section considers the importance of operational decisions in managing a business. It explores how operations management can help a business to be more effective, and the role technology can play in this process.

SPECIFICATION	AMPLIFICATION
<p>5.1 Production Methods for Manufacturing and Providing a Service</p> <ul style="list-style-type: none"> <li>• methods of production</li> <li>• efficiency and technology</li> <li>• quality issues.</li> </ul>	<p>Candidates should be familiar with job and batch production methods and understand when each is appropriate.</p> <p>Candidates should understand the importance to businesses of operating efficiently and the ways in which costs might be lowered, especially with changes in technology.</p> <p>Candidates should have an understanding of customer expectations of quality.</p>
<p>5.2 Customer Service</p> <ul style="list-style-type: none"> <li>• importance of customer service</li> <li>• consumer protection</li> <li>• impact of ICT.</li> </ul>	<p>Candidates should be aware of the importance to small businesses of providing good service to customers, including: reliability, product information and good after sales service.</p> <p>Candidates need to understand that customers are protected by law, which influences businesses, such as the fitness for purpose of the product sold. A detailed knowledge of consumer protection legislation is not required.</p> <p>Candidates should be familiar with the ways in which advances in ICT have allowed customer services to develop, such as the use of websites, e-commerce and global and international markets.</p>

## Assessment

### Full course

When taken as part of a full course, this unit will be assessed by an external written assessment of 60 marks and 1 hour in length.

### Short course

When taken as a short course, this unit will be assessed by both Unit 13, an external written assessment of 40 marks and 1 hour in length and Unit 14, a controlled assessment.