



A division of St. Francis Methodist School

### **Curriculum Description for London Examinations GCE 'A' Level**

#### **London Examinations Advanced Subsidiary/Advanced GCE in ECONOMICS & BUSINESS STUDIES (8128)**

##### **Aims**

This specification aims to encourage students to:

- develop an understanding of relevant economic and business concepts and theories and an ability to apply them to a range of real-world issues
- apply economic and business concepts and theories in a range of contemporary contexts and appreciate their value and limitations in explaining real-world phenomena
- acquire a range of skills including the ability to make decisions in the light of evaluation and, where appropriate, the quantification and management of economic and business information
- be aware that economic and business behaviour can be studied from the perspectives of a range of stakeholders including customers, managers, creditors, owners/shareholders, employees and society. Students should understand that these perspectives are interrelated
- analyse, explain and evaluate the strengths and weaknesses of the market economy and the role of citizens, businesses and governments within it.

It should be noted that not all of the above aims are necessarily subject to formal assessment.

##### **Knowledge, skills and understanding**

From an economics and business perspective, this specification:

- emphasises the nature and process of decision making within organisations
- allows students to explore a range of issues, drawing on data from local, national and international sources
- focuses on organisations in different sectors and environments
- is rooted in the current structure of business practice
- Focuses on identification of problems, planning investigations into such problems and making justifiable decisions consistent with the analysis.

## Summary of the scheme of assessment

The Advanced Subsidiary GCE has a weighting of 50% when carried forward towards the full Advanced GCE.

### AS – 50%

| Assessment | Method                            | Weight | Length                |
|------------|-----------------------------------|--------|-----------------------|
| Unit 1     | Written                           | 15%    | 1 hour 15 minutes     |
| Unit 2     | Written                           | 20%    | 1 hour 45 minutes     |
| Unit 3     | Coursework – two Portfolio pieces | 15%    | 1,250 words per piece |

AS total examining time: 3 hours

### A2 – 50%

| Assessment | Method                          | Weight | Length                |
|------------|---------------------------------|--------|-----------------------|
| Unit 4     | Written                         | 15%    | 1 hour 45 minutes     |
| Unit 5     | Synoptic written paper          | 20%    | 2 hours               |
| Unit 6     | Coursework – 2 Portfolio pieces | 15%    | 1,500 words per piece |

A2 total examining time: 3 hours 45 minutes

**Total Advanced GCE examining time 6 hours 45 minutes**

## Structure of the specification

There are six modules of content and six units of assessment. The relationship between the content and the assessment is as follows:

| Unit of assessment                | Specification content  |
|-----------------------------------|--|
| Unit 1 – Written paper            | Based on Module 1  |
| Unit 2 – Written paper            | Based on Modules 2 and 3   |
| Unit 3 – Two pieces of coursework | The first piece on Module 1, the second on either Module 2 or Module 3 |
| Unit 4 – Written paper            | Based on Module 4  |
| Unit 5 – Written paper            | Based on Modules 5 and 6 (the three options)                           |
| Unit 6 – Two pieces of coursework | Based on Modules 5 and 6 (the three options)                           |

The content of Modules 5 and 6 is formed by the three options of which students have to choose two and take assessment units 5 and 6 on the basis of their chosen options.

## Summary of the specification content

| Advanced Subsidiary GCE (AS) |                 |  |
|------------------------------|-----------------|--|
| <b>Module 1</b>              | Objectives      | 1 What do people want?<br>2 What does business do?   |
| <b>Module 2</b>              | Efficiency      | 1 What makes firms effective?<br>2 Do markets work?  |
| <b>Module 3</b>              | Change          | 1 What are the challenges?<br>2 Which way forward?   |
| Advanced GCE                 |                 |  |
| <b>Module 4</b>              | Competitiveness | 1 What shapes the contest?<br>2 How competitive?   |
| <b>Modules 5/6</b>           |                 | 1 What is the global future?<br>2 Can there be certainty?<br>3 Competition, conflict or consensus? |

## Assessment Objectives

| Assessment Objectives |  | AS weighting | Advanced GCE weighting |
|-----------------------|--|--------------|------------------------|
| <b>AO1</b>            | demonstrate knowledge and understanding of the specified content   | 27%          | 25%                    |
| <b>AO2</b>            | apply knowledge and critical understanding to problems and issues arising from both familiar and unfamiliar situations | 27%          | 25%                    |
| <b>AO3</b>            | analyse problems, issues and situations  | 23%          | 25%                    |
| <b>AO4</b>            | evaluate and assess information, distinguish between fact and opinion and make reasoned judgements                     | 23%          | 25%                    |

## Key skills

The specification has been designed to provide opportunities for developing and generating evidence for assessing the key skills of:

- communication
- application of number
- information technology
- improving own learning and performance
- working with others
- problem solving.

See the section headed **key skills with Economics and Business Studies (Nuffield)** for further details on development and internal assessment opportunities for the above key skills through delivery of this specification.

## Relationship between AS and Advanced GCE

The AS Economics and Business Studies (Nuffield) consists of 50% of the total assessment for the specification and the A2 consists of the other 50%. Certification for AS will be available separately for those who choose not to go on to take the full Advanced GCE.

## Synoptic assessment

The requirement for 20% synoptic assessment will be met through Unit 5. All three of the Options draw on material from other parts of the course and therefore offer the opportunity to be assessed synoptically.

Synoptic assessment in this specification will draw on all four assessment objectives and will test students' ability to:

- understand the interrelatedness of many economic and business issues, problems and institutions
- understand how certain business and economic concepts, theories and techniques may be relevant to a range of different contexts
- apply such concepts, theories and techniques in analysing Economic and Business issues and problems and in evaluating arguments and evidence.

## Environmental and health education

The specification includes several references to the importance of the environment and health in economic and business matters – see, for example:

|                                    |  |
|------------------------------------|--|
| Modules 5/6 Option 3 Enquiry 2     | Objectives of employment legislation                   |
| Modules 5/6 Option 3 Enquiries 4/5 | What's being counted? <b>and</b> Whose responsibility? |

## The European dimension

The specification requires students to consider a wide range of economic and business matters in the context of the European Union and the global economy – see, for example:

|                                |   |
|--------------------------------|---|
| Module 3 Change 2              | What makes an economy grow? <b>and</b> What should governments spend? |
| Module 4 Competitiveness 2     | An enterprising environment? <b>and</b> Is power controlled?          |
| Modules 5/6 Option 1 Enquiry 5 | Deregulation or control?  |
| Modules 5/6 Option 2 Enquiry 5 | Will there be certainty?  |

## **Ethical, social, moral, cultural and spiritual issues**

The specification gives students the opportunity to examine issues from a broader standpoint than that of a single discipline. The course encourages students to consider the different perspectives of a range of stakeholders and the consequences for those stakeholders of the implementation of a range of decisions affecting their everyday lives. It allows students to gain an understanding of ethical, social, moral, cultural and spiritual issues in relation to the whole area of economics and business – see, for example:

|                            |                               |
|----------------------------|-------------------------------|
| Module 1 Objectives 1      | Who cares?                    |
| Module 4 Competitiveness 2 | Whose advantage?              |
| Option 1 Enquiry 3         | What is the impact on people? |
| Option 2 Enquiry 5         | Will there be certainty?      |
| Option 3 Enquiry 2         | Who delivers?                 |

## **Quality of written communication**

Students will be assessed on the quality of their written communication through all four assessment objectives. Students will be required to:

- select and use a form and style of writing appropriate to purpose and complex subject matter
- organise relevant information clearly and coherently, using specialist vocabulary when appropriate
- ensure that text is legible, and spelling, grammar and punctuation are accurate, so that meaning is clear.

Quality of written communication will be rewarded in the mark schemes for units where discursive writing is required.

## Scheme of assessment

The Advanced Subsidiary GCE has a weighting of 50% when carried forward towards the full Advanced GCE.

### AS – 50%

| Unit          | Method  | Weight | Length                | Objectives assessed                      |
|---------------|---|--------|-----------------------|--|
| <b>Unit 1</b> | Written paper on Module 1 – one question from two evidence questions and one question from two questions involving extended writing                             | 15%    | 1 hour 15 m           | 1 (28%)<br>2 (28%)<br>3 (22%)<br>4 (22%) |
| <b>Unit 2</b> | Written paper on Modules 2 and 3 – four evidence questions plus one question from two extended writing questions and one question from two structured questions | 20%    | 1 hour 45 m           | 1 (28%)<br>2 (28%)<br>3 (22%)<br>4 (22%) |
| <b>Unit 3</b> | Two Portfolio pieces – one on Module 1 and one on Modules 2 or 3  | 15%    | 1,250 words per piece | 1 (25%)<br>2 (25%)<br>3 (25%)<br>4 (25%) |

Total examining time: 3 hours

### A2 – 50%

| Unit          | Method  | Weight | Length                | Objectives assessed                      |
|---------------|---|--------|-----------------------|--|
| <b>Unit 4</b> | Written paper with a Portfolio-style question based on *pre-issued evidence on Module 4 with some additional evidence in the examination room | 15%    | 1 hour 45 m           | 1 (22%)<br>2 (22%)<br>3 (28%)<br>4 (28%) |
| <b>Unit 5</b> | Synoptic written paper based on the two chosen options  | 20%    | 2 hours               | 1 (22%)<br>2 (22%)<br>3 (28%)<br>4 (28%) |
| <b>Unit 6</b> | Two Portfolio pieces – one on each of the chosen options  | 15%    | 1,500 words per piece | 1 (25%)<br>2 (25%)<br>3 (25%)<br>4 (25%) |

Total examining time: 3 hours 45 minutes

Total Advanced GCE examining time 6 hours 45 minutes

\*The pre-issued material will be issued to centres in August each year.

## Specification content – Advanced Subsidiary GCE

| <b>Module 1 – Objectives 1: What do people want?</b>  |  |  |
|---|--|--|
| <b>Content</b>  | <b>Key areas</b>   | <b>Guidance on key areas</b>   |
| <p><b>Why be in business?</b></p> <ul style="list-style-type: none"> <li>profit and non-profit motives</li> <li>competitive advantage</li> <li>business organisation</li> </ul>   | <p>Significance of profit, other objectives, eg independence, employment, growth, lifestyle.</p> <p>Sources of competitive advantage eg cost, innovation, relationships, reputation.</p> <p>Contrast between sole proprietor and company: limited liability, equity, directors.</p>      | <p>The varied motives of entrepreneurs.</p> <p>The importance of identifying and developing sources of competitive advantage to achieve objectives in the market.</p> <p>The role of different forms of organisation.</p>              |
| <p><b>Are customers demanding?</b></p> <ul style="list-style-type: none"> <li>scarcity</li> <li>demand</li> <li>trade-offs and opportunity cost</li> </ul>                        | <p>Choice and exchange.</p> <p>Effective demand for goods and services; willingness and ability to pay; relationship between price and quantity, NOT marginal utility.</p> <p>The importance of trade-offs in decision making and the underlying concept of opportunity costs.</p>       | <p>The effect on consumer decisions. Consumers have a variety of wants and the demand curve shows how some of their choices can be analysed.</p> <p>The use of these ideas to evaluate perspectives.</p>                               |
| <p><b>Why do people work?</b></p> <ul style="list-style-type: none"> <li>motivation</li> <li>specialisation</li> <li>employment and unemployment</li> <li>trade unions</li> </ul> | <p>Motives for work: wages, Maslow's hierarchy.</p> <p>The effects of division of labour on society and individuals. NOT comparative advantage.</p> <p>Working population; broad trends in employment and unemployment; formal/informal activity.</p> <p>Activities and perceptions.</p> | <p>The roles and interests of the individual employee in the world of work and within organisations.</p> <p>The relationship between output and motivation.</p> <p>Recent trends in the labour market.</p> <p>Their changing role.</p> |
| <p><b>What does government want?</b></p> <ul style="list-style-type: none"> <li>spending and taxation: national and EU objectives</li> </ul>                                      | <p>Their relationship. An introduction to the objectives on inflation, employment and the standard of living; real and money values.</p>   | <p>The implications of government decisions.</p> <p>How trade-offs force governments to prioritise objectives.</p>   |
| <p><b>Who cares?</b></p> <ul style="list-style-type: none"> <li>social and ethical responsibility</li> </ul>  | <p>The rights and responsibilities of individuals, organisations and governments.</p>  | <p>The impact of decisions across stakeholder groups and over time.</p>  |

**Module 1 – Objectives 2: What does business do?**

| Content   | Key areas   | Guidance on key areas   |
|---|---|---|
| <p><b>What makes a market?</b></p> <ul style="list-style-type: none"> <li>• competition, markets, supply and price</li> </ul>   | <p>Markets, competition and the role of specialisation; price as an incentive to supply; equilibrium price; shifts in demand and supply.</p>  | <p>The effect of specialisation on market behaviour.<br/>The relationship between price and supply.<br/>The interaction of demand and supply.</p>   |
| <p><b>What adds value?</b></p> <ul style="list-style-type: none"> <li>• adding value</li> <li>• inputs and outputs</li> </ul>   | <p>How inputs are given added value. Adding value for competitive advantage.</p>  | <p>Changing the relationship between the product and the price that people are prepared to pay in order to increase competitive advantage.</p>  |
| <p><b>What makes a product?</b></p> <ul style="list-style-type: none"> <li>• market orientation</li> <li>• market research and sampling</li> <li>• market segmentation and niches</li> <li>• product and price</li> </ul> | <p>The role of the market in determining the nature and design of the product.<br/>Desk and field research and a qualitative understanding of sampling.<br/>Techniques for identifying opportunities.</p> <p>As the focus for marketing strategy.</p>                               | <p>The difference of outcome in market- and product-led organisations.<br/><br/>The techniques.<br/>The ways firms use the information generated to achieve competitiveness.<br/>Their role in creating a product.</p> <p>Ways in which these two factors determine the approach to the market.</p> |
| <p><b>How is a profit made?</b></p> <ul style="list-style-type: none"> <li>• elementary costs and break-even</li> </ul>   | <p>Variable and fixed costs. Simple calculation of break-even point and potential profit (as revenue minus costs); contribution. Matching resources to demand; productive efficiency and profit.</p>  | <p>The use of costs and revenues to distinguish a potentially profitable situation.<br/><br/>Profitability depends on maximising added value and minimising costs to meet the requirements of the target market.</p>  |
| <p><b>How is profit measured?</b></p> <ul style="list-style-type: none"> <li>• profit margin</li> <li>• profit and loss account</li> <li>• profit and cash flow</li> </ul>  | <p>Calculation and use of gross and operating profit margins.<br/>Sales revenue less successive deductions to identify gross profit, operating profit, profit before and after tax and retained profit.<br/>Meaning and significance of cash flow (without formal calculation).</p> | <p>The implications of profit margins.<br/><br/>Basic profit and loss accounts.<br/><br/>The effect of the relationship between profit, sales and cash flow.</p>  |

**Having completed ‘What does business do?’, students should be able to use these strategies and techniques and to evaluate how they contribute to business decision making. This should enable them to recognise how firms identify opportunities and decide to develop them.**

**Module 2 – Efficiency 1: What makes firms effective?**

| Content  | Key areas  | Guidance on key areas   |
|--|--|---|
| <p><b>What is culture?</b></p> <ul style="list-style-type: none"> <li>• organisation and change</li> <li>• hierarchies and flexibility</li> </ul> <p><b>How are people managed?</b></p> <ul style="list-style-type: none"> <li>• motivation</li> <li>• leadership</li> <li>• communication</li> </ul> <p><b>Can costs be cut?</b></p> <ul style="list-style-type: none"> <li>• lean production and quality</li> <li>• investment and new technology</li> <li>• economies of scale</li> </ul> <p><b>What is efficiency?</b></p> <ul style="list-style-type: none"> <li>• technical and productive efficiency</li> <li>• competition and entry and exit</li> </ul> <p><b>How is effectiveness analysed?</b></p> <ul style="list-style-type: none"> <li>• Return on Capital Employed (ROCE)</li> <li>• balance sheet</li> </ul> | <p>An introduction to variations in organisational design and culture.</p> <p>The scientific approach versus human relations. Spectrum from autocratic to laissez-faire. Formal and informal networks.</p> <p>JIT, stock control, cell production, team working, quality assurance, quality circles.</p> <p>Role of investment and the use of new technology in increasing flexibility and productivity. Labour and capital intensity.</p> <p>Link to competitive advantage. Achieving minimum unit costs.</p> <p>Effect of labour or capital intensity on costs and resource allocation.</p> <p>Profit and loss as a signal for entry/exit of firms and changes in resource use.</p> <p>Meaning and simple calculation of ROCE; use in comparing profitability; link to basic accounts.</p> <p>Interpretation linked to profit and loss account; liquidity and working capital.</p> | <p>The contribution of management to efficiency in organisations. Their contribution to the effective organisation of a business – at an introductory level.</p> <p>People contribute more effectively when their environment, leadership and communication framework is carefully considered.</p> <p>The importance of production methods as a means of increasing productivity.</p> <p>The importance of appropriate technology in maintaining competitive production.</p> <p>Increasing productivity by adjusting the input of different types of resources.</p> <p>The conditions of technical efficiency and its effects on firms' objectives.</p> <p>The effect of competition and profitability on the number of firms in an industry.</p> <p>The use of ROCE to assess the relative profitability of organisations.</p> <p>The implications of the information provided by the balance sheet. Importance of an adequate level of liquidity.</p> |

**Having completed 'What makes firms effective?', students should be able to identify, apply and evaluate ways in which firms might increase efficiency and effectiveness through management decisions. Using this information, they should be able to explain why firms enter and leave the markets for particular products.**

**Module 2 – Efficiency 2: Do markets work?**

| Content  | Key areas  | Guidance on key areas  |
|--|--|--|
| <p><b>How do markets work?</b></p> <ul style="list-style-type: none"> <li>• price mechanism</li> <li>• elasticity of demand</li> <li>• allocative efficiency</li> <li>• wage determination</li> </ul> <p><b>Where does the power lie?</b></p> <ul style="list-style-type: none"> <li>• market share</li> <li>• the spectrum of competition</li> <li>• advertising</li> </ul> <p><b>Profit or pollution?</b></p> <ul style="list-style-type: none"> <li>• externalities</li> <li>• regulation and control</li> </ul> <p><b>Are markets equitable?</b></p> <ul style="list-style-type: none"> <li>• public and merit goods</li> <li>• equity</li> <li>• government provision</li> </ul> <p><b>Is the government always right?</b></p> <ul style="list-style-type: none"> <li>• government failure</li> <li>• public/private initiatives</li> </ul> | <p>The allocative effect of demand, supply and price determination. Simple income and price elasticity of demand. Meeting consumer demand effectively. The allocative effect of the market.</p> <p>The relationship between market share and the power of the firm; market leadership; impact on resource allocation.</p> <p>The range from perfect competition to monopoly. Influence of supernormal profit and barriers to entry.</p> <p>Purpose and role of advertising; impact on the demand curve.</p> <p>Private, external and social costs and benefits. Taxation, legislation and market solutions, eg tradable permits.</p> <p>The failure of market provision.</p> <p>The relationship between equity and equality. How governments intervene to pursue economic, social and distribution objectives, eg subsidies, benefits, state provision.</p> <p>Possibility that government activity can create/increase inefficiencies, eg in agriculture, housing. Their role in allocation.</p> | <p>The efficient allocation of resources through the price mechanism. The effect of changes in price and income on sales, revenue and profit. The role of the consumer in influencing the market. The effect of the market on wages.</p> <p>The identification and evaluation of the activities of organisations that may lead to inefficient resource allocation for the community. The power generated by different degrees of competition.</p> <p>The objectives and effects of advertising.</p> <p>The identification and evaluation of the actions of governments to control activities leading to market failure. Detailed knowledge of legislation not required.</p> <p>Market forces may lead to under -or over-production of some goods and services. The links between market outcomes and equity. The benefits and effectiveness of such intervention.</p> <p>The identification and evaluation of the activities of government which may lead to an inefficient allocation of resources.</p> |

**Having completed ‘Do markets work?’, students should appreciate the dynamic nature of markets and be able to explain their limitations. They should recognise that organisations and governments may use strategies which lead to outcomes which are inefficient for the community. They should also be able to devise and evaluate solutions to problems created by the market.**

**Module 3 – Change 1: What are the challenges?**

| <b>Content</b>   | <b>Key areas</b>  | <b>Guidance on key areas</b>  |
|--|---|---|
| <p><b>How do markets change?</b></p> <ul style="list-style-type: none"> <li>• purchasing patterns</li> <li>• structural change</li> <li>• public/private sectors</li> </ul> <p><b>Rivalry or collaboration?</b></p> <ul style="list-style-type: none"> <li>• rivalrous marketing</li> <li>• take-overs</li> </ul> <p><b>Will total output change?</b></p> <ul style="list-style-type: none"> <li>• aggregate demand and supply</li> </ul> <p><b>Unemployment or inflation?</b></p> <ul style="list-style-type: none"> <li>• unemployment causes and effects</li> <li>• inflation causes and effects</li> </ul> <p><b>Why trade?</b></p> <ul style="list-style-type: none"> <li>• exchange rates</li> </ul> | <p>Changes in population size, age and income distribution, social and cultural factors.</p> <p>Regional and local impact on patterns of demand.</p> <p>Effect of shift from public to private sector.</p> <p>Price and non-price strategies, predatory pricing and price wars.</p> <p>Rationale for and results of mergers and take-overs.</p> <p>The effect of the business cycle on business and individuals. Constituent and basic determinants of aggregate demand; factors influencing aggregate supply; an elementary treatment of the circular flow.</p> <p>Measurement and impact of inflation, unemployment; trade-offs shown by the Phillips Curve. Use of AD/AS analysis. Simple use of data for national and international comparisons.</p> <p>Exports and imports; reasons for trade; changing pattern of trade; impact of exchange rate variations and European Monetary Union. NOT comparative advantage.</p> | <p>The effect of these underlying causes of change on the pattern of demand.</p> <p>The effect of structural change on income distribution.</p> <p>The effects of these changes on equity and efficiency.</p> <p>The effects of such strategies on the activities of business.</p> <p>The likely outcomes of mergers and take-overs.</p> <p>The use of aggregate demand and supply analysis to explain the stages of the business cycle.</p> <p>The implications for business and the economy.</p> <p>The inter-relationship between inflation and unemployment.</p> <p>The difference between long term trends and short term fluctuations.</p> <p>Trade is a source of competition and unstable exchange rates affect demand and pricing decisions.</p> |

**Having completed 'What are the challenges?', students will be able to recognise why businesses may seek to minimise uncertainty. To do this, they will be able to identify the causes and outcomes of change in the economy and the effects on business as well as the challenge provided by the activities of competitors.**

**Module 3 – Change 2: Which way forward?**

| Content  | Key areas  | Guidance on key areas   |
|--|--|---|
| <p><b>Why are business plans important?</b></p> <ul style="list-style-type: none"> <li>• business planning</li> </ul>                                    | <p>Elements and objectives of business plans including sources of finance, budgets, cash flow, working capital.</p>  | <p>The key features of a business plan.</p>   |
| <p><b>What makes markets grow?</b></p> <ul style="list-style-type: none"> <li>• innovation</li> <li>• product life cycle</li> <li>• marketing</li> </ul> | <p>The process, attractions and uncertainties of innovation; new product development. Stages and extension of the product life cycle, relevant marketing strategies. Choices in the marketing plan; price and product, targeting segments, branding.</p> | <p>The importance of innovation as a source of success.</p> <p>Its use to analyse the development of a product's market.</p> <p>The objectives of marketing strategies and evaluation of techniques used.</p> |
| <p><b>What makes an economy grow?</b></p> <ul style="list-style-type: none"> <li>• growth</li> <li>• the role of trade</li> </ul>                        | <p>Growth as increase in productive potential.</p> <p>The role of trading groups, eg EU, in promoting and restricting growth.</p>  | <p>The link between growing businesses and the economy. The components of the growth process. The effect of trading groups on growth.</p>   |
| <p><b>Can we control the economy?</b></p> <ul style="list-style-type: none"> <li>• monetary and fiscal policy</li> </ul>                                 | <p>Nature of fiscal, monetary, exchange rate and supply-side policies; their impact on growth and on variations in activity.</p>   | <p>The use of monetary and other policies to encourage growth and adjust the pattern of cyclical change.</p>  |
| <p><b>What should governments spend?</b></p> <ul style="list-style-type: none"> <li>• public expenditure</li> <li>• taxation</li> </ul>                  | <p>Public spending for services and redistribution. Budget trade-offs in national and EU contexts.</p> <p>Direct and indirect; progressive, proportional and regressive; impact of taxation.</p>   | <p>The trade-offs involved in fiscal policy.</p> <p>The relative merits of different tax strategies in different contexts.</p>  |

**Having completed 'Which way forward?', a student should be able to recognise, apply and evaluate strategies which help both firms and economies to become successful. This should be explored in the context of the search for competitive advantage and the development of a dynamic corporate culture.**

## Specification content – Advanced GCE

| Module 4 – Competitiveness 1: What shapes the contest?   |  |   |
|--|--|---|
| Content  | Key areas  | Guidance on key areas   |
| <p><b>What makes a difference?</b></p> <ul style="list-style-type: none"> <li>perfect competition</li> <li>commodity products</li> <li>tactics for differentiation</li> <li>contestable markets</li> </ul> <p><b>Is there a strategy?</b></p> <ul style="list-style-type: none"> <li>business strategy</li> <li>core capabilities</li> <li>SWOT analysis, product portfolio</li> <li>role of human resources</li> </ul> <p><b>Is the price right?</b></p> <ul style="list-style-type: none"> <li>pricing</li> <li>competitive costing</li> <li>cost leadership</li> </ul> <p><b>Is the product right?</b></p> <ul style="list-style-type: none"> <li>quality</li> <li>research and development</li> <li>marketing</li> </ul> | <p>The objectives and outcomes of businesses selling commodity products.</p> <p>Branding and advertising as methods of differentiating commodity products.</p> <p>Entry and exit as an explanation of the degree of competition in a market</p> <p>Strategic and tactical decisions and their objectives.</p> <p>Identification of activities which have competitive advantage.</p> <p>As a means of matching strengths to opportunities, Boston Matrix.</p> <p>Developing a culture of competitiveness through education, training, empowerment, delegation, decentralisation.</p> <p>Demand based, skimming, penetration, cost based, price discrimination, predatory pricing.</p> <p>Average total cost, direct and indirect costs, contribution costing.</p> <p>The role of quality in differentiation and competitiveness; continuous improvement.</p> <p>To identify and produce goods and services with an increased competitive edge.</p> <p>Market segmentation, positioning: strategies for selling in overseas markets.</p> | <p>Businesses selling commodity products will look for ways to increase profit margins.</p> <p>Differentiation introduces competition into commodity markets.</p> <p>The analysis of markets in terms of the ability of firms to enter and leave.</p> <p>The role of strategy in shaping the corporate plan.</p> <p>The effect of the identification of core capabilities on competitive advantage.</p> <p>Their use in developing strategy.</p> <p>Strategies to improve the individual's contribution to competitiveness.</p> <p>The use of cost and price in increasing market power and competitiveness.</p> <p>The use of these strategies to differentiate products and increase competitiveness at home and abroad.</p> <p>Marketing for a product and its associated services as a technique for differentiation.</p> |

**Module 4 – Competitiveness 1: What shapes the contest?**

| <b>Content</b>   | <b>Key areas</b>  | <b>Guidance on key areas</b>  |
|--|---|---|
| <b>In search of dominance?</b> <ul style="list-style-type: none"><li>• mergers, demergers and integration</li><li>• oligopoly</li><li>• game theory</li><li>• monopoly</li></ul>   | <p>Focus, divestment and acquisition in order to increase efficiency/restrict competition.</p> <p>A non-geometric representation; effects on competition.</p> <p>An introduction to the objectives and strategies involved.</p> <p>The outcomes and necessary conditions for monopoly without geometric representation.</p> | <p>The objectives of businesses which use these strategies.</p> <p>Oligopoly is one point on the spectrum of competition which represents a few large firms in control of the market.</p> <p>A simple approach to explaining interdependence between companies.</p> <p>Competition is a dynamic state which is demonstrated in the extreme forms of perfect competition and monopoly but is in practice found on a sliding scale between the two.</p> |
| <b>Having completed ‘What shapes the contest?’, students should appreciate the links that exist between the behaviour of business and the spectrum of competition. They should understand that a key objective of business activity is to increase the power of an individual company through its products or place in the market.</b> |   |   |

**Module 4 – Competitiveness 2: How competitive?**

| Content  | Key areas  | Guidance on key areas   |
|--|--|---|
| <p><b>An enterprising environment?</b></p> <ul style="list-style-type: none"> <li>• competitive advantage</li> <li>• enterprise policies EU and UK</li> <li>• infrastructure</li> <li>• employment policies</li> <li>• exchange rates and European Monetary Union</li> </ul> | <p>The conditions which foster national competitiveness.</p> <p>Assistance for firms in increasing efficiency and growth.</p> <p>Government investment to facilitate national and international trade.</p> <p>Measures to improve employment prospects.</p> <p>Their impact on trade patterns.</p> | <p>The behaviour of businesses and governments can lead to competitive advantage.</p> <p>The use of these policies to create an environment in which the country can increase its competitiveness.</p> <p>The effect that exchange rates can have on international competitiveness.</p> |
| <p><b>Power or competitiveness ?</b></p> <ul style="list-style-type: none"> <li>• size</li> <li>• inelastic supply</li> <li>• cartels, tacit agreements and restrictive practices</li> <li>• protected markets</li> <li>• multinationals</li> </ul>                          | <p>As a source of barriers to entry.</p> <p>As a source of market power.</p> <p>Output or price fixing as a source of power.</p> <p>Trade blocs and barriers as a source of power.</p> <p>As a source of international power.</p>  | <p>The effects of these sources of market power and their impact on competitiveness within and between countries.</p>   |
| <p><b>Is the market competitive?</b></p> <ul style="list-style-type: none"> <li>• market share</li> <li>• contestability</li> <li>• concentration ratios</li> <li>• performance ratios</li> </ul>  | <p>To measure the degree of competition.</p> <p>Use of such ratios to assess competitive strength.</p>   | <p>The interpretation of the information to evaluate competitiveness.</p> <p>The use of ratios to evaluate examples of market power and assist in evaluating whether they are in the public interest.</p>   |

**Module 4 – Competitiveness 2: How competitive?**

| Content  | Key areas  | Guidance on key areas   |
|--|--|---|
| <p><b>Is power controlled?</b></p> <ul style="list-style-type: none"> <li>• pressure groups</li> <li>• Office of Fair Trading</li> <br/> <li>• Monopolies and Mergers Commission</li> <br/> <li>• EU</li> <li>• World Trade Organisation</li> </ul> <p><b>Whose advantage?</b></p> <ul style="list-style-type: none"> <li>• costs and benefits for:               <ul style="list-style-type: none"> <li>- people</li> <li>- business</li> <li>- economies</li> </ul> </li> <li>• ethics and reputation</li> </ul> | <p>Their role in controlling power.</p> <p>An introduction to the system for controlling market power. Specific legislation is not required.</p><br><p>Its role in the development of free trade.</p><br><p>The impact of the search for competitive advantage on participants in business and economic activity; consumer sovereignty.</p> <p>The role of businesses and governments in making ethical decisions.</p> | <p>Their influence.</p><br><p>)} Governments, nationally and internationally, establish organisations which attempt to maintain a level playing field and competitive advantage.</p><br><p>There can be winners and losers in the process of achieving competitive advantage.</p><br><p>The effect of decisions on outcomes and the reputation of businesses and governments.</p> |
| <p><b>Having completed 'How competitive?', students should be able to recognise the key features of a competitive economy and understand the types of strategy employed by business and governments to create competitiveness.</b></p>   |  |   |

| <b>Modules 5 and 6 – Option 1: What is the global future?</b>   |  |   |
|---|--|---|
| <b>Content</b>  | <b>Key areas</b>   | <b>Guidance on key areas</b>  |
| <b>Enquiry 1: What is globalisation?</b>  |  |   |
| <ul style="list-style-type: none"> <li>• Business in developing markets</li> <li>• Technological revolution</li> <li>• Inward investment and capital flows</li> </ul>   | <p>New markets and new sources.</p> <p>Communication, transport, process innovation, response and lead time.</p> <p>Business conditions for investment, profitability, finance for development.</p>  | <p>The type of business activity which is appropriate.</p> <p>The effect of technical change on business functions.</p> <p>The flow of investment depends on the prevailing conditions.</p>   |
| <b>Enquiry 2: What is the role of business?</b>   |  |   |
| <ul style="list-style-type: none"> <li>• Competitiveness <ul style="list-style-type: none"> <li>- global products</li> <li>- global markets</li> </ul> </li> <li>• Multinationals and mergers</li> <li>• Competitive advantage</li> </ul>   | <p>Product innovation and standardisation.</p> <p>Joint ventures, licensing, franchising.</p> <p>Development of multinationals.</p> <p>Culture, specialisation and the role of knowledge; exchange rates.</p>  | <p>The types of strategy for competing in a global market.</p> <p>The implications of globalisation for business.</p> <p>Influence on host countries.</p> <p>The factors that make countries more competitive. Estimation of the effects of changing exchange rates on business.</p>                |
| <b>Enquiry 3: What is the impact on people?</b>   |  |   |
| <ul style="list-style-type: none"> <li>• Trade and comparative advantage <ul style="list-style-type: none"> <li>- income distribution</li> <li>- terms of trade</li> </ul> </li> <li>• Employment and change</li> </ul>   | <p>The link between trade and growth, reduced barriers to trade; impact of restructuring.</p> <p>Increasing inequalities, indebtedness</p> <p>Interpretation of data.</p> <p>Terms of trade index.</p> <p>Skills, training, flexibility, work practices, workplace location.</p> | <p>The effect of trade on people, business and communities in developed and developing countries.</p> <p>The changing pattern of inequalities within and between countries.</p> <p>The impact of changing commodity prices.</p> <p>The positive and negative impact of globalisation on people.</p> |
| <b>Enquiry 4: Is globalisation ethical?</b>   |  |   |
| <ul style="list-style-type: none"> <li>• Global trade, growth and the environment</li> <li>• Ethical trading</li> <li>• Multinational responsibility</li> </ul>   | <p>Impact of resource use and improving infrastructure; unequal standards; public awareness.</p> <p>Resources and retail sourcing.</p> <p>Consumer awareness, ethical pricing strategies.</p>  | <p>The local, national and international impact of growth and globalisation on the environment.</p> <p>The effect of multinational activity on host countries.</p> <p>The effect of such strategies on producers and consumers.</p>   |
| <b>Enquiry 5: Deregulation or control?</b>  |  |   |
| <ul style="list-style-type: none"> <li>• Trade blocs and trade negotiations</li> <li>• International environmental agreements</li> <li>• Global stability</li> </ul>  | <p>Reduced trade barriers, EU, EMU, WTO, G7, interdependence and integration.</p> <p>EU and international agreements; trade related agreements.</p> <p>The role of the international organisations and global financial markets.</p>   | <p>The trends in trade negotiations and the nature of the organisations involved.</p> <p>The likely impact of success and failure.</p> <p>The effect of interdependence on national economies.</p>  |
| <p><b>Having completed ‘What is the global future?’, students should appreciate the influences which determine future trends in the world economy. They should be able to evaluate the actions of business, governments and international organisations and their influence on the global future using both written and numerical material.</b></p> |  |   |

| <b>Modules 5 and 6 – Option 2: Can there be certainty?</b>   |  |   |
|--|--|---|
| <b>Content</b>   | <b>Key areas</b>   | <b>Guidance on key areas</b>  |
| <b>Enquiry 1: Opportunities or constraints?</b>  |  |   |
| <ul style="list-style-type: none"> <li>• Business environment</li> <li>• Economic forecasting</li> <li>• Expectations</li> </ul>                             | <p>Market research, time series, trend analysis, Ansoff's box.</p> <p>Economic indicators, demographic projections, analysis of data from OECD, WTO and EU.</p> <p>Effect of changing expectations on business and economic forecasts.</p>   | <p>The use of techniques for analysing changes in the market and identifying opportunities, including the use of appropriate calculations.</p> <p>The use of economic data and indicators to forecast changes in the economy.</p> <p>The implications of decisions made by people and businesses.</p>                                   |
| <b>Enquiry 2: Going for growth?</b>  |  |   |
| <ul style="list-style-type: none"> <li>• Financial resources</li> <li>• Investment appraisal</li> <li>• Production planning</li> <li>• Employment</li> </ul> | <p>Financing expansion, cash flow, working capital, gearing, loans.</p> <p>Measures of profitability, qualitative factors.</p> <p>Quality, supplier relations.</p> <p>Training and development, flexibility, teleworking.</p>  | <p>The importance of monitoring and controlling financial activity in an expanding economy.</p> <p>The relationship between costs and potential revenue.</p> <p>The need to control operations to maintain efficiency.</p> <p>The effect on business and aggregate supply.</p>  |
| <b>Enquiry 3: Boom or bust?</b>  |  |   |
| <ul style="list-style-type: none"> <li>• Skills shortage</li> <li>• Prices</li> <li>• Controlling inflation</li> </ul>                                       | <p>Effect on wages.</p> <p>Supplier costs and constraints, inflation, effect on demand, rising imports, exchange rates.</p> <p>The use of interest rates and fiscal policy.</p>  | <p>The effect on business, output and the economy.</p> <p>The implications of rising prices for individuals, businesses and the economy.</p> <p>The use of policies and their side effects.</p>   |
| <b>Enquiry 4: Retreat or recovery?</b>   |  |   |
| <ul style="list-style-type: none"> <li>• Business failure</li> <li>• Strategic planning - employment</li> <li>• Controlling - unemployment</li> </ul>        | <p>Business cycle and the world economy, losing competitiveness, inflexibility.</p> <p>Cutting costs, diversification, export markets.</p> <p>Part time, fixed-hours contracts, de-layering, outsourcing; resulting changes in AS/AD, effect on PSBR</p> <p>The use and effectiveness of supply-and-demand side policies in dealing with unemployment; national and regional multiplier.</p> | <p>Businesses can suffer from both internal and external problems in a recession.</p> <p>The ways in which business can thrive or survive in a period of contraction.</p> <p>Why firms change their employment strategies and the effect on the economy.</p> <p>The use and effectiveness of these policies and their side effects.</p> |

| <b>Modules 5 and 6 – Option 2: Can there be certainty?</b>  |  |   |
|---|--|---|
| <b>Content</b>  | <b>Key areas</b>   | <b>Guidance on key areas</b>  |
| <b>Enquiry 5: Will there be certainty?</b>  |  |   |
| <ul style="list-style-type: none"> <li>• Cultural factors</li> <li>• Corporate planning</li> <li>• Welfare implications and policies</li> <li>• EU and government policy</li> </ul>   | <p>Learning organisations, managing change.</p> <p>Research and development, product portfolio, innovation, new opportunities.</p> <p>Distribution of income and wealth, labour markets, poverty, poverty trap, benefits and incentives. Interpretation of data.</p> <p>Single currency, EU and UK government support for business, regional policy.</p> | <p>How a business culture can facilitate change.</p> <p>How business develops strategies to deal with the uncertainty.</p> <p>The welfare effects of recession and relevant government strategies.</p> <p>The effect that policy has on the economy and business.</p> |
| <p><b>Having completed 'Can there be certainty?', students should appreciate the interrelated nature of the business cycle and the actions of business. Using both written and numerical material, they will be able to determine whether the actions of business and government will reinforce or counteract the underlying economic trends.</b></p> |  |   |

| <b>Modules 5 and 6 – Option 3: Competition, conflict or consensus?</b>   |  |   |
|--|--|---|
| <b>Content</b>   | <b>Key areas</b>   | <b>Guidance on key areas</b>  |
| <b>Enquiry 1: Does the market motivate?</b>  |  |   |
| <ul style="list-style-type: none"> <li>• Stimulating innovation and efficiency <ul style="list-style-type: none"> <li>- intellectual capital</li> </ul> </li> <li>• The role of the customer <ul style="list-style-type: none"> <li>- protecting the customer</li> </ul> </li> <li>• Generating income and employment</li> </ul> | <p>Profit maximisation, investment, quality.</p> <p>Patent and copyright.</p> <p>Market research, customer services, consultation. Consumers' Association; objectives of consumer legislation.</p> <p>Growth and raising living standards.</p>       | <p>The creative influence of competition on business.</p> <p>The importance of being able to protect creative ideas.</p> <p>Mechanisms for consulting with customers.</p> <p>The rationale behind consumer law.</p> <p>The impact of growth in business on a growing economy.</p> |
| <b>Enquiry 2: Who makes relationships?</b>   |  |   |
| <ul style="list-style-type: none"> <li>• Business interaction</li> <li>• Employer and employee relations <ul style="list-style-type: none"> <li>- protecting the employee</li> </ul> </li> </ul>   | <p>Interdependency, supply chains and joint supply.</p> <p>Employee participation and share ownership, delegation and autonomy, the learning organisation.</p> <p>Security, changing role of trade unions, objectives of employment legislation.</p> | <p>Positive and negative aspects of the relationship between businesses.</p> <p>Changing attitudes to the relationship between employer and employees.</p> <p>The rationale behind employment law.</p>  |
| <b>Enquiry 3: What do accounts reveal?</b>   |  |   |
| <ul style="list-style-type: none"> <li>• Financial disclosure <ul style="list-style-type: none"> <li>- interpretation</li> </ul> </li> </ul>   | <p>Corporate control, statutory disclosure and accountability, intangible assets.</p> <p>Interpretation of numerate and non-numerate data; asset turnover ratio and acid test ratio.</p>   | <p>The effect of statutory disclosure.</p> <p>The interpretation of resulting data using prior knowledge of ratios.</p>   |

|   |  |  |
|---|--|--|
| <b>Enquiry 4: What's being counted?</b>   |  |  |
| <ul style="list-style-type: none"> <li>Protecting the environment</li> </ul>  | National, EU and international agreements, legislation and pressure groups.<br>Environmental policies, environmental accounting. | National, EU and international agreements and legislation.<br><br>Techniques for assessing business activity.  |
| <b>Enquiry 5: Whose responsibility?</b>   |  |  |
| <ul style="list-style-type: none"> <li>Social responsibility</li> <li>Corporate responsibility</li> </ul>   | Social audits, types of activity.<br>Policies, boardroom powers, non-executive directors.  | The nature and objectives of environmental regulation.<br>Techniques for assessing business activity – the changing relationship between business and the community. |
| <b>Having completed 'Competition, conflict or consensus?', students should be able to evaluate the impact of the market on business and the economy through the use of both written and numerical material. They should appreciate the measures that are taken to influence business behaviour and the pressure on business to act responsibly.</b> |  |  |

## Coursework

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### The Portfolio

|                     |               |              |
|---------------------|---------------|--------------|
| <b>AS</b>           | <b>Unit 3</b> | <b>(15%)</b> |
| <b>A2</b>           | <b>Unit 6</b> | <b>(15%)</b> |
| <b>Advanced GCE</b> |               | <b>(30%)</b> |

In this specification, the full range of coursework pieces produced by any particular student is known as the Portfolio.

### Aim

The aim of the Portfolio is to engage students fully in the real-world investigation of economic and business phenomena. It allows students to demonstrate a range of capabilities through a variety of outcomes. A Portfolio piece will be an integral part of the learning process for the module in question. It will use as its starting point a question or a hypothesis that can be tested. It will involve investigating a range of primary and/or secondary sources. The Portfolio, *as a whole*, should embody investigations using a range of both primary and secondary sources. Students should include a brief explanation of their approach and methods in each Portfolio piece. The findings of each piece will be explained and analysed using relevant theoretical ideas and concepts drawn from the course content. Conclusions will be drawn. Overall, the piece should demonstrate the use of initiative in carrying out the investigation and show some originality.

The Portfolio provides students with the opportunity to generate evidence for all the key skills listed at the end of this document. Please refer to the coursework guidance document for full details on the operation of this aspect of the course, including guidance on suggested titles, sources, word limits, presentation, marking/internal moderation and other matters. It is expected that students will submit their Portfolio pieces word processed.

The student and the teacher who assessed their work must sign student coursework record sheets which may be found in the Coursework Guide. The final submission date for coursework is 15 May.

### Structure of the Portfolio

- **Advanced Subsidiary GCE – Unit 3 (available in June only)**

The Portfolio is built up over the duration of the course. Students will be expected to complete a range of work within their portfolio, from which **two pieces** are to be selected for assessment. One piece must be drawn from Module 1, the other from Module 2 or Module 3. *Each piece of work should be no more than 1,250 words long.*

- **Advanced GCE – Unit 6 (available in June only)**

The Portfolio is built up over the duration of the course. Students will be expected to complete a range of work within their portfolio, from which **two pieces** are to be selected for assessment – one piece from each of the two Options studied. *Each piece of work should be no more than 1,500 words long.*

### Word limit

In preparing their portfolio pieces, students need to adhere to the word limit as given.

### Textbooks and other resources

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#### General

*The Student Book* – 2nd Ed (Nuffield Economics and Business, Longman, 2000)  
ISBN 0-582-40545-9

Teachers' Resource Pack – *Advice, Activities, Key Skills, Software* (Nuffield Economics and Business, Longman 2000) ISBN 0-582-40544-0

#### Websites

|   |  |
|---|--|
| Nuffield Economics and Business Studies | <a href="http://www.necb.org.uk">www.necb.org.uk</a>                 |
| Bized                                   | <a href="http://www.bized.ac.uk">www.bized.ac.uk</a>                 |
| Office of National Statistics           | <a href="http://www.ons.gov.uk">www.ons.gov.uk</a>                   |
| The Treasury                            | <a href="http://www.hm-treasury.gov.uk">www.hm-treasury.gov.uk</a>   |
| Company sites, eg Glaxo Wellcome        | <a href="http://www.glaxowellcome.co.uk">www.glaxowellcome.co.uk</a> |
| Guardian Newspapers                     | <a href="http://www.guardian.co.uk">www.guardian.co.uk</a>           |

## Further reading

Wall Nancy, Lines David, Marcousé Ian and Martin Barry – *The Complete A–Z of Business and Economics Handbook* (Hodder & Stoughton, 2000)

Allan Philip – *Business Review* (four issues per year) [www.philipallan.co.uk](http://www.philipallan.co.uk)

Cook Gary – *Business Studies Update* and *Economics Update* (Hidcote Press – [www.updates.co.uk](http://www.updates.co.uk))

Heinemann – *Studies in Economics and Business* and *Studies in The UK Economy* – several relevant titles recently published, eg *The European Union, Economic Growth and Business Cycles* and *UK Unemployment, Development Economics, External Influences*

*The Inflation Report* (Bank of England, quarterly)

Anderton Alain – *The Student's Economy in Focus* (Causeway Press, annual)

Handy Charles – *The Gods of Management* (Arrow Books, 1995)

Crainer Stuart – *Key Management Ideas* (FT Pitman, 1999)

Philip Kotler and Gary Armstrong – *Principles of Marketing* – European Ed (Prentice Hall, 2001)

Pascale R – *Managing on the Edge* (Penguin, 1991)

Rice Anthony – *Accounts Demystified* (FT Pitman, 1999)

*Economics Today* magazine: c/o Anforme Ltd (including back issues on CD ROM) – [www.anforme.co.uk](http://www.anforme.co.uk)

Gillespie Andrew and Harrison Simon – *Current Topics in Business Studies* (plus accompanying suggested answer schemes) (Anforme)

Cramp Peter – *Understanding Economic Data* (Anforme)

Riley Geoff – *The UN Economy 1990-2000* (Anforme)

Tree Nigel – *The Year in Review and Revision Guide* (Anforme)

## Data sources

*World Development Report* (World Bank, OUP, annual)

*Human Development Report* (UN, OUP, annual)

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