

## Further clarifications to the *Business and management guide* (March 2007)

This text should be read in conjunction with the *Business and management guide*, published in March 2007.

### **“Syllabus details” section**

#### **Theorists**

If a theorist is mentioned by name in the guide (for example, Porter) students should be familiar with the nature of his or her work and its appropriate application in a business setting.

If a theorist is not mentioned by name in the guide, students do not need to know his or her work, although teachers may wish to cover relevant business theory and/or theorists in addition to those listed in the guide.

#### **Final accounts**

See page 28 of guide.

There is a discrepancy in the guide over stock (inventory). The balance sheet refers to stock, while the ratio refers to average stock.

Stock on the balance sheet refers to the value of stock at a point in time, while average stock refers to the average level over a period of time.

In an examination setting, the information would be provided in the stimulus, so the student would only be required to perform a calculation.

#### **Marketing mix**

See page 31 of guide.

When teaching the marketing mix, the emphasis should be on the 7 Ps: people, process, physical evidence, product, place, price and promotion. Students should also be aware of the role of packaging. The syllabus does not revert to the traditional 4 Ps (product, place, price and promotion).

#### **Sales forecasting and trends (HL only)**

See page 32 of guide.

In examinations, students will not be asked to calculate sales trends and forecasts using moving-average or other techniques. They must, however, understand the nature of the process in order to be able to "analyse sales trends and forecasts from given data" (for example, a stimulus in an examination) and to be able to "evaluate the significance for marketing and resource planning."

#### **Premium pricing**

This topic is not mentioned in the guide and therefore does not need to be taught. However, premium pricing may be addressed when covering price skimming, which students do need to know (see page 34 of the guide).

#### **Cost and profit centres (HL only)**

See page 37 of guide.

Students need to understand the concept of cost and profit centres and be able to analyse their value to a firm. In examinations, however, they will not be asked to perform full and absorption costing.

### **Break-even charts**

See page 37 of guide.

Students need to know how to produce a graph / chart using graphical or quantitative methods to calculate the break-even quantity.

### **Impact of globalization on location (HL only)**

See page 38 of guide.

We believe that "examine" the effects of globalization on location is more appropriate than "consider" because "consider" is not listed in the group 3 or subject-specific command terms found in the "Glossary of command terms" section of the guide.

### **Stock control (HL only)**

See page 39 of guide.

We believe that "explain" the need for optimum stock levels is more appropriate than "recognize" because "recognize" is not listed in the group 3 or subject-specific command terms found in the "Glossary of command terms" section of the guide.

### **Make-or-buy decisions (HL only)**

See page 39 of guide.

At present the guide reads: "Make appropriate calculations to support a decision to make or buy." In this context, "appropriate" should be understood as the use of marginal costing and contribution.

## **“Assessment details” section**

### **Paper 1**

See page 46 of guide.

The guide states that “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.” However, sections A and B of HL paper 1 and SL paper 1 in the specimen papers (published in 2007) are completely common. Throughout the duration of the course it is possible that sections A and B on paper 1 (HL and SL) will be completely common, largely common with some variations, or completely different.

### **Paper 2**

See page 47 of guide.

Section A questions on paper 2 (HL and SL) contain a quantitative element. Section B questions on paper 2 (HL and SL) may contain a quantitative element. In other words, the fact that section A will have a quantitative element does not preclude a quantitative element in section B.

## “Assessment details” section

### Standard level

#### Date of supporting documents

The guide states that “supporting documents must be of a contemporary nature and written a maximum of two years before the submission of the written commentary.” This does not mean that the data within the supporting documents cannot be older. It is the publication date of the document that is important rather than the age of the data contained within it.

For example, firms will often publish accounts data 18 months after the end of the accounting period. Provided the document is published within two years of the submission date, it does not matter that some of the data contained within it may be older than two years.

If a document was published more than two years before submission, it should be used as an appendix and not as a supporting document.

The supporting documents have to be highlighted to indicate the relevant parts used.

## “Assessment criteria” section

### Higher level

#### Word limit for the research proposal and action plan (Criterion A)

The research proposal and action plan are marked independently and are not included in the word count of 2,000 words for the written report. However, as stated in the *Business and management teacher support material* (September 2007) “the maximum number of words for the research proposal and action plan is 500 words.”

Therefore, from May 2009 onwards, if a research proposal and action plan is longer than 500 words, any information after the 500th word will not be read and students will therefore not be credited for it. This could affect the mark awarded for the research proposal and action plan, and therefore it is essential that students keep to the maximum word limit specified.

#### Anticipated difficulties (Criterion A)

See page 50 in the “Assessment details” section of the guide.

The guide states that “students should consider the possible difficulties they may face when carrying out their research, for example, limited or biased sources.” It is expected that the anticipated difficulties should be a part of the research proposal and action plan, and their omission may reduce the effectiveness of the research proposal and action plan. However, there is no mention of anticipated difficulties in the markband descriptors for criterion A.

Therefore, at achievement levels 3 and 4, the student will not be penalized for omitting anticipated difficulties from his or her research proposal and action plan provided the remainder of the markband descriptor is clearly met. However, if this is not the case, the student could lose 1 mark after the principle of best-fit is applied.

#### Executive summary (Criterion E)

The *Business and management teacher support material* (September 2007) states that the executive summary should provide “a review of the document as a whole, outlining conclusions drawn and recommendations made. Together with the title, the executive summary should provide a clear overview of the document. It is imperative, therefore, that it is explicit yet brief (between 100 and 200 words). It is recommended that the executive summary include three elements:

- the research question
- the scope of the research (including the methodology)
- the main findings, conclusions and recommendations.”

The absence of an executive summary in a written report or the inclusion of an executive summary that is too short or too long would affect the value to management of the report. Under criterion E, this would be regarded as a minor omission, which would limit the number of marks available to the candidate to a maximum of 3.

Other omissions, for example in sourcing or the bibliography, would constitute a significant omission under criterion E, which would limit the number of marks available to the candidate to a maximum of 2.

Teachers are reminded that the moderator of the internal assessment is looking for a “best-fit” when awarding the final grade.

## “Presentation of balance sheets and profit and loss accounts” section

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 |
|--------------------------------|-------|-------|
| <b>Fixed assets</b>            |       | ****  |
| Less depreciation              | ****  |       |
| Total (net fixed assets)       |       | ****  |
| <br><b>Current assets</b>      |       |       |
| Stock                          | ****  |       |
| Debtors                        | ****  |       |
| Cash                           | ****  |       |
| Total assets                   |       | ****  |
| <br><b>Current liabilities</b> |       |       |
| Creditors                      | ****  |       |
| Short-term borrowing           | ****  |       |
|                                | _____ |       |
| Total                          |       | ****  |
| <b>Net assets</b>              |       | ****  |
|                                |       | _____ |
| Share capital                  |       | ****  |
| Loan capital                   |       | ****  |
| Retained profit                |       | ****  |
| <b>Capital employed</b>        |       | ****  |

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

|                                    | \$000 |
|------------------------------------|-------|
| Sales revenue                      | ****  |
| Cost of goods sold                 | ****  |
|                                    | <hr/> |
| Gross profit                       | ****  |
| Expenses                           | ****  |
| Non-operating income               | ****  |
|                                    | <hr/> |
| Net profit before interest and tax | ****  |
| Interest                           | ****  |
| Tax                                | ****  |
|                                    | <hr/> |
| Net profit after interest and tax  | ****  |
| Dividends                          | ****  |
| Retained profit                    | ****  |