

## Knowledge, skills and understanding Content

To prepare students for the final assessment of this qualification, the following content must be covered.

### 1 The small business

Subject content	What students need to learn
1.1 Terminology and concepts	<p>a) Knowledge and understanding of different terminology and concepts in operating a small business:</p> <p>Gross profit, profit for the year, overhead expense, cost price, selling price, sales volume, profit margin, markup, utilities, transports, advertising, processing costs, total cost, insurance, premium, fixed charges, outsourcing, claims and settlement, turnover, budget, cash flow, forecast, deposit, borrowing.</p>
1.2 Overhead expenses	<p>a) Understanding the similarities and differences between various overhead expenses, and how, why and when they are used and their impact on profitability.</p>
	<p>b) Calculations involving:</p> <ul style="list-style-type: none"> <li>• charges for utilities, including fixed charges and per use charges</li> <li>• transport costs, including running costs of vehicles, insurance, and use of couriers/outsourcing of delivery, costs per delivery/order or per kilometer travelled</li> <li>• advertising costs, including in traditional print media, television and radio, and online</li> <li>• processing costs, including banking costs, payment processing costs and online settlement systems</li> <li>• insurance costs for buildings, contents and vehicles, considering gross premiums and premiums after discount, claims and settlement.</li> </ul>
Subject content	What students need to learn

<p>1.3 Gross profit</p>	<p>a) Calculation of the level of gross profit or sales required to generate a gross profit, given suitable information.</p>
	<p>b) Calculation of:</p> <ul style="list-style-type: none"> <li>• gross profit of a business over a period</li> <li>• gross profit as a percentage of turnover</li> <li>• selling price required to create a given gross profit amount or percentage.</li> </ul>
<p>1.4 Profit for the year</p>	<p>a) Calculation of the level of profit for the year, or sales required to generate a profit for the year, given suitable information.</p>
	<p>b) Calculation of:</p> <ul style="list-style-type: none"> <li>• total of overhead expenses</li> <li>• profit for the year</li> <li>• profit for the year as a percentage of turnover</li> <li>• profit for the year as a percentage of gross profit.</li> </ul>
<p>1.5 Job costing</p>	<p>a) Knowledge and understanding of job costing, the different elements involved in the overall job costing and the effects these elements have on the job costing.</p>
	<p>b) Calculation of:</p> <ul style="list-style-type: none"> <li>• individual elements of a job, to include materials and components, labour, services and overhead expenses</li> <li>• total costs of a job, or series of jobs</li> <li>• charge to be made by the supplier to generate a given level of profit.</li> </ul>
<p>1.6 Online trading</p>	<p>a) Knowledge and understanding of the sales processes and costs involved in trading online.</p>
	<p>b) Calculation of:</p> <ul style="list-style-type: none"> <li>• total of orders placed by customers online (simple principles)</li> <li>• costs of processing, to include website development and hosting, advertising and promotion, payment processing, pre-fulfilment and delivery.</li> </ul>
	<p>c) Comparison of use of offline sales methods and online business.</p>

Subject content	What students need to learn
1.7 Cash budgets	<p>a) Knowledge of various factors that impact the amount of cash available within a business and ability to manipulate information about these factors to create and interpret a cash flow forecast, given suitable information.</p> <p>Factors:</p> <ul style="list-style-type: none"> <li>• amount and period of credit offered to customers</li> <li>• amount and period of credit offered by suppliers</li> <li>• changes in sales and revenue levels</li> <li>• seasonal adjustments</li> <li>• cost of bank loans</li> <li>• availability of bank finance.</li> </ul>
	<p>b) Calculation of:</p> <ul style="list-style-type: none"> <li>• cash flow in current trading period</li> <li>• cash flow forecast for successive periods, such as a number of future months.</li> </ul>
	<p>c) Presentation of cash budget information in correct columnar format showing net cash flow.</p>
	<p>d) Interpretation of:</p> <ul style="list-style-type: none"> <li>• requirement for borrowing for a business</li> <li>• facility for short-term deposit of funds for a business.</li> </ul>

## 2. Wages, salaries and commission

Subject content	What students need to learn
2.1 Terminology and concepts	<p>a) Knowledge and understanding of different ways in which staff may be paid in a business:</p> <p>Wages, salaries, gross pay, net pay, deductions, basic rate of pay, overtime rate, piece rate, commission, bonus, tax, social insurance, pension, outsourcing, fulfilment, time and a quarter, time and a half, double time, basic pay.</p>
2.2 Gross/net wages and salaries	<p>a) Knowledge and understanding of gross and net wages, given suitable information about deductions.</p> <p>b) Calculation of:</p> <ul style="list-style-type: none"> <li>• an employer's overall salary/wage cost</li> <li>• number of hours worked by an employee, basic rate of pay, overtime pay</li> <li>• gross pay for a period, or number of hours, or for output of workers on piece rate</li> <li>• total of deductions from gross pay, including tax, insurance, and pension</li> <li>• net pay using figures for gross pay and total deductions</li> <li>• ratio of net pay to gross pay.</li> </ul> <p>Students may be required to complete a payslip.</p>
2.3 Commission	<p>a) Knowledge and understanding of different bases on which commission can be calculated. These are commission based on number of units sold, or value of goods sold, and commission at one rate for an initial number of sales, with higher or lower rate payable for additional sales.</p> <p>b) Calculation of:</p> <ul style="list-style-type: none"> <li>• commission payments to staff, based on percentage of sales, graduated commission, and quantity commission</li> <li>• sales generated, based on commission earned</li> <li>• changes to gross pay due to commission earned, in nominal and percentage terms.</li> </ul>

2.4 Fulfilment	a) Knowledge and understanding of different options available to businesses to perform fulfilment, administrative or customer service functions.
Subject content	What students need to learn
	b) Calculation of costs of outsourcing to complete business-related tasks, which include manufacture, packaging and delivery of products, sales and finance.
	c) Comparison of use of outsourcing to payment to own staff.

### 3. Partnerships

Subject content	What students need to learn
3.1 Terminology and concepts	<p>a) Knowledge and understanding of different terminology and concepts in partnership businesses:</p> <p>Partners, profit, capital accounts, interest on capital, division of profit, withdrawal, distribution, dissolution.</p>
3.2 Capital	<p>a) Knowledge and understanding of capital invested in a partnership by different partners, given suitable information.</p>
	<p>b) Calculation of:</p> <ul style="list-style-type: none"> <li>• additions to or withdrawals from capital</li> <li>• interest on partners' capital</li> <li>• profit available for distribution.</li> </ul>
3.3 Division of profit	<p>a) Knowledge and understanding of different methods for dividing profits or losses of a partnership, given suitable information (in equal amounts, in proportion to capital invested).</p>
	<p>b) Calculations involving:</p> <ul style="list-style-type: none"> <li>• division of profit in equal amounts</li> <li>• division in proportion to capital invested, including explanation of advantages and disadvantages of such division to different partners</li> <li>• adjustment of profits where one or more partners is employed within the business</li> <li>• total income received by a partner from interest, distribution and salary.</li> </ul>

#### 4. Business trading documents

Subject content	What students need to learn
4.1 Terminology and concepts	<p>a) Knowledge and understanding of different documents used in a business to support sales and their appropriate use:</p> <ul style="list-style-type: none"> <li>• Retail, wholesale</li> <li>• Order, invoice, credit note, statement</li> <li>• Trade discount, cash discount, profit margin, online, amounts payable, amounts receivable, output, settlement, balance, delivery, sales tax.</li> </ul>
4.2 Trading documents	<p>a) Produce different documents used in a business to support sales, including calculation of amounts payable or receivable.</p>
	<p>b) Preparation and presentation of:</p> <ul style="list-style-type: none"> <li>• orders, including value of an order, based on quantities and prices; time required to complete an order, based on daily or weekly output and quantity ordered; delivery costs</li> <li>• invoices, including value of orders, trade discount as a percentage of total invoice value, and invoice total after discount</li> <li>• credit notes, considering returns from customers, including delivery costs</li> <li>• statements, based on a series of orders, including cash discount for early settlement, and total balance outstanding, and overdue amounts.</li> </ul>

## 5. Currency exchange

Subject content	What students need to learn
5.1 Terminology and concepts	a) Knowledge and understanding of how exchange of currencies can impact a business:  Currency, rate of exchange, depreciation, appreciation, commission, currency denomination.
	b) Knowledge of currencies in circulation in various parts of the world.
5.2 Rate of exchange	a) Knowledge and understanding that the rate of exchange between any two currencies may vary over time.  Knowledge and understanding that the price of internationally traded goods may increase or decrease over time.
	b) Calculation of: <ul style="list-style-type: none"> <li>• conversion of an amount of one currency to another currency at a stated exchange rate</li> <li>• exchange rate between currencies based on equal values of the two currencies</li> <li>• commission charged by agencies for conversion</li> <li>• comparison of amounts of currency converted at different rates of exchange and at different times.</li> </ul>

## 6. Hire purchase and leasing

Subject content	What students need to learn
6.1 Terminology and concepts	<p>a) Knowledge and understanding of diverse types of purchase and leasing arrangements available to businesses:</p> <p>Hire purchase, credit purchase and leasing arrangements</p> <p>Deposit, balance, interest charge, instalment, early settlement, default.</p>
6.2 Hire purchase	<p>a) Calculation of:</p> <ul style="list-style-type: none"> <li>• amount of deposit as percentage of cash price</li> <li>• amount of interest charged on balance outstanding</li> <li>• total amount to be repaid, and monthly or periodic instalment payments to be made</li> <li>• number of instalments to be made</li> <li>• alterations due to early settlement</li> </ul> <p>Calculation of assets, understanding that the goods are the property of the customer following hire purchase completion.</p>
6.3 Credit purchase	<p>a) Calculation of:</p> <ul style="list-style-type: none"> <li>• amount of interest payable</li> <li>• amount to be paid in monthly or periodic instalments</li> <li>• number of instalments to be made</li> <li>• amount of final payment</li> <li>• total amount to be paid</li> <li>• assets, understanding that the goods are the property of the customer once the credit purchase agreement has been signed and the customer has possession of the goods.</li> </ul>

6.4 Leasing	<p>a) Calculation of:</p> <ul style="list-style-type: none"> <li>• amount to be paid in monthly or periodic instalments</li> <li>• number of instalments to be made</li> <li>• assets, understanding that the goods are not the property of the customer following the leasing agreement</li> <li>• additional payments which may be required at the end of a leasing agreement.</li> </ul>
Subject content	What students need to learn
6.5 Comparison	<p>a) Understanding of how to compare different arrangements.</p> <p>b) Comparison and explanation of:</p> <ul style="list-style-type: none"> <li>• different purchase and leasing arrangements</li> <li>• advantages and disadvantages of particular sets of terms, although only in financial terms</li> <li>• impact of early settlement</li> <li>• impact of non-payment.</li> </ul>

## 7. Simple and compound interest

Subject content	What students need to learn
7.1 Terminology and concepts	a) Knowledge and understanding of different terminology and concepts in simple and compound interest: Principal, rate of interest, loan, investment, period, withdrawal, repayment.
7.2 Calculating interest	a) Knowledge and understanding of the differences between simple and compound interest and their uses within a business environment.
	b) Knowledge and understanding of how interest impacts loans and investments in terms of adding or removing value over time.
	c) The relationship between amount of interest, amount of principal, rate of interest paid or chargeable and the period of a loan or investment.
	d) Ability to select the correct formula for simple or compound interest.
	e) Ability to rearrange the simple interest formula given to make principle, rate or time the subject.
	f) Ability to rearrange the compound interest formula given to make principal or rate the subject.
	g) Calculation of: <ul style="list-style-type: none"> <li>• amount of interest paid/payable after a single period or a number of complete periods</li> <li>• in the case of simple interest only, the rate of interest used in arriving at a given amount of interest</li> <li>• principal borrowed or invested, given the interest paid/payable over a given time.</li> <li>• in the case of simple interest only, the number of periods for which the principal was invested/borrowed, given the amount and rate of interest paid/payable.</li> </ul>

Subject content	What students need to learn
7.3 Comparison	<p>a) Calculations involving:</p> <ul style="list-style-type: none"><li>• comparison between amounts of simple and compound interest payable on an investment or loan</li><li>• comparison of interest where compounding occurs over different periods, such as annual, quarterly or monthly compounding, involving only whole numbers of periods.</li></ul>

## 8. Averages

Subject content	What students need to learn
8.1 Terminology and concepts	<p>a) Knowledge and understanding of different types of mathematical average:</p> <p>Estimated mean, median, mode, modal class, median class, frequency, range, weighted average.</p>
8.2 Averages	<p>a) Knowledge and understanding of the uses of different averages.</p> <p>b) Calculations involving:</p> <ul style="list-style-type: none"> <li>• sum and number of given quantities</li> <li>• identification of the interval containing the median value in a grouped frequency example</li> <li>• ordering of data to determine median value</li> <li>• average (mean) of given data, which may be an estimated average (mean) in a grouped frequency example</li> <li>• identification of mode or modal class</li> <li>• multiplication of components of each class by a factor reflecting their importance to achieve a weighted average.</li> </ul>
8.3 Presentation of findings	<p>a) Knowledge and understanding of the ways in which findings can be presented.</p> <p>b) Presentation of:</p> <ul style="list-style-type: none"> <li>• tabulated data, to indicate median, mode or range including estimated values</li> <li>• graphical presentation of data, to include bar charts, pie charts, scatter graphs, stem and leaf diagrams and histograms, dealing with equal class intervals.</li> </ul>