

Theme 2 Specification

2.1 Raising finance

Subject content	What students need to learn:
2.1.1 Internal finance	a) Owner's capital: personal savings b) Retained profit c) Sale of assets
2.1.2 External finance	a) Sources of finance: <ul style="list-style-type: none">o family and friendso bankso peer-to-peer fundingo business angelso crowd fundingo other businesses b) Methods of finance: <ul style="list-style-type: none">o loanso share capitalo venture capitalo overdraftso leasingo trade credito grants
2.1.3 Liability	a) Implications of limited and unlimited liability b) Finance appropriate for limited and unlimited liability businesses
2.1.4 Planning	a) Relevance of a business plan in obtaining finance b) Interpretation of a simple cash-flow forecast and calculations based on changes in the cash-flow variables c) Use and limitations of a cash-flow forecast

2.2 Financial planning

Subject content	What students need to learn:
2.2.1 Sales forecasting	a) Purpose of sales forecasts b) Factors affecting sales forecasts: <ul style="list-style-type: none">o consumer trendso economic variableso actions of competitors c) Difficulties of sales forecasting
2.2.2 Sales, revenue and costs	a) Calculation of sales volume and sales revenue b) Calculation of fixed and variable costs
2.2.3 Break-even	a) Contribution: selling price – variable cost per unit b) Break-even point: <ul style="list-style-type: none">o $\text{total fixed costs} + \text{total variable costs} = \text{total revenue}$ c) Using contribution to calculate the break-even point d) Margin of safety e) Interpretation of break-even charts f) Limitations of break-even analysis
2.2.4 Budgets	a) Purpose of budgets b) Types of budget: <ul style="list-style-type: none">o historical figureso zero based c) Variance analysis d) Difficulties of budgeting

2.3 Managing finance

Subject content	What students need to learn:
2.3.1 Profit	a) Calculation of: <ul style="list-style-type: none">o gross profito operating profito profit for the year (net profit) b) Statement of comprehensive income (profit and loss account): <ul style="list-style-type: none">o measuring profitability:<ul style="list-style-type: none">- calculation of gross profit margin, operating profit margin, and profit for the year (net profit) margino ways to improve profitability c) Distinction between profit and cash
2.3.2 Liquidity	a) Statement of financial position (balance sheet): <ul style="list-style-type: none">o measuring liquidity:<ul style="list-style-type: none">- calculating current ratio and acid test ratioo ways to improve liquidity b) Working capital and its management: the importance of cash
2.3.3 Business failure	a) Internal and external causes of business failure: <ul style="list-style-type: none">o financial factorso non-financial factors

2.4 Resource management

Subject content	What students need to learn:
2.4.1 Production, productivity and efficiency	a) Methods of production: <ul style="list-style-type: none">o jobo batcho flowo cell b) Productivity: <ul style="list-style-type: none">o output per unit of input per time period:<ul style="list-style-type: none">- factors influencing productivity- link between productivity and competitiveness c) Efficiency: <ul style="list-style-type: none">o production at minimum average cost:<ul style="list-style-type: none">- factors influencing efficiency- distinction between labour and capital intensive production
2.4.2 Capacity utilisation	a) Capacity utilisation: <ul style="list-style-type: none">o current output (divided by) maximum possible output (x 100) b) Implications of under- and over-utilisation of capacity c) Ways of improving capacity utilisation
2.4.3 Stock control	a) Interpretation of stock control diagram b) Buffer stocks c) Implications of poor stock control d) Just in time (JIT) management of stock e) Waste minimisation f) Competitive advantage from lean production
2.4.4 Quality management	a) Quality: <ul style="list-style-type: none">o controlo assuranceo circleso Total Quality Management (TQM) b) Continuous improvement (Kaizen) c) Competitive advantage from quality management

2.5 External influences

Subject content	What students need to learn:
2.5.1 Economic influences	a) The effect on businesses of changes in: <ul style="list-style-type: none">o inflation (the rate of inflation, the Consumer Prices Index)o exchange rates (appreciation, depreciation)o interest rateso taxation and government spendingo the business cycle b) The effect of economic uncertainty on the business environment
2.5.2 Legislation	a) The effects on businesses of: <ul style="list-style-type: none">o consumer protectiono employee protectiono environmental protectiono competition policyo health and safety
2.5.3 The competitive environment	a) Competition and market size