

Business management guide

First assessment 2016

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Diploma Programme

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Published February 2014

Updated August 2015

Updated November 2015

Updated May 2017

Published on behalf of the International Baccalaureate Organization, a not-for-profit educational foundation of 15 Route des Morillons, 1218 Le Grand-Saconnex, Geneva, Switzerland by the

International Baccalaureate Organization (UK) Ltd
Peterson House, Malthouse Avenue, Cardiff Gate
Cardiff, Wales CF23 8GL
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Website: www.ibo.org

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IB mission statement

The International Baccalaureate aims to develop inquiring, knowledgeable and caring young people who help to create a better and more peaceful world through intercultural understanding and respect.

To this end the organization works with schools, governments and international organizations to develop challenging programmes of international education and rigorous assessment.

These programmes encourage students across the world to become active, compassionate and lifelong learners who understand that other people, with their differences, can also be right.



IB learner profile

The aim of all IB programmes is to develop internationally minded people who, recognizing their common humanity and shared guardianship of the planet, help to create a better and more peaceful world.

As IB learners we strive to be:

INQUIRERS

We nurture our curiosity, developing skills for inquiry and research. We know how to learn independently and with others. We learn with enthusiasm and sustain our love of learning throughout life.

KNOWLEDGEABLE

We develop and use conceptual understanding, exploring knowledge across a range of disciplines. We engage with issues and ideas that have local and global significance.

THINKERS

We use critical and creative thinking skills to analyse and take responsible action on complex problems. We exercise initiative in making reasoned, ethical decisions.

COMMUNICATORS

We express ourselves confidently and creatively in more than one language and in many ways. We collaborate effectively, listening carefully to the perspectives of other individuals and groups.

PRINCIPLED

We act with integrity and honesty, with a strong sense of fairness and justice, and with respect for the dignity and rights of people everywhere. We take responsibility for our actions and their consequences.

OPEN-MINDED

We critically appreciate our own cultures and personal histories, as well as the values and traditions of others. We seek and evaluate a range of points of view, and we are willing to grow from the experience.

CARING

We show empathy, compassion and respect. We have a commitment to service, and we act to make a positive difference in the lives of others and in the world around us.

RISK-TAKERS

We approach uncertainty with forethought and determination; we work independently and cooperatively to explore new ideas and innovative strategies. We are resourceful and resilient in the face of challenges and change.

BALANCED

We understand the importance of balancing different aspects of our lives—intellectual, physical, and emotional—to achieve well-being for ourselves and others. We recognize our interdependence with other people and with the world in which we live.

REFLECTIVE

We thoughtfully consider the world and our own ideas and experience. We work to understand our strengths and weaknesses in order to support our learning and personal development.

The IB learner profile represents 10 attributes valued by IB World Schools. We believe these attributes, and others like them, can help individuals and groups become responsible members of local, national and global communities.

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Purpose of this document

This publication is intended to guide the planning, teaching and assessment of the subject in schools. Subject teachers are the primary audience, although it is expected that teachers will use the guide to inform students and parents about the subject.

This guide can be found on the subject page of the online curriculum centre (OCC) at <http://occ.ibo.org>, a password-protected IB website designed to support IB teachers. It can also be purchased from the IB store at <http://store.ibo.org>.

Additional resources

Additional publications such as specimen papers and markschemes, teacher support materials, subject reports and grade descriptors can also be found on the OCC. Past examination papers as well as markschemes can be purchased from the IB store.

Teachers are encouraged to check the OCC for additional resources created or used by other teachers. Teachers can provide details of useful resources, for example: websites, books, videos, journals or teaching ideas.

Acknowledgment

The IB wishes to thank the educators and associated schools for generously contributing time and resources to the production of this guide.

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The Diploma Programme

The Diploma Programme is a rigorous pre-university course of study designed for students in the 16 to 19 age range. It is a broad-based two-year course that aims to encourage students to be knowledgeable and inquiring, but also caring and compassionate. There is a strong emphasis on encouraging students to develop intercultural understanding, open-mindedness, and the attitudes necessary for them to respect and evaluate a range of points of view.

The Diploma Programme model

The course is presented as six academic areas enclosing a central core (see figure 1). It encourages the concurrent study of a broad range of academic areas. Students study two modern languages (or a modern language and a classical language), a humanities or social science subject, an experimental science, mathematics and one of the creative arts. It is this comprehensive range of subjects that makes the Diploma Programme a demanding course of study designed to prepare students effectively for university entrance. In each of the academic areas students have flexibility in making their choices, which means they can choose subjects that particularly interest them and that they may wish to study further at university.



Figure 1
Diploma Programme model

Choosing the right combination

Students are required to choose one subject from each of the six academic areas, although they can, instead of an arts subject, choose two subjects from another area. Normally, three subjects (and not more than four) are taken at higher level (HL), and the others are taken at standard level (SL). The IB recommends 240 teaching hours for HL subjects and 150 hours for SL. Subjects at HL are studied in greater depth and breadth than at SL.

At both levels, many skills are developed, especially those of critical thinking and analysis. At the end of the course, students' abilities are measured by means of external assessment. Many subjects contain some element of coursework assessed by teachers.

The core of the Diploma Programme model

All Diploma Programme students participate in the three course elements that make up the core of the model.

Theory of knowledge (TOK) is a course that is fundamentally about critical thinking and inquiry into the process of knowing rather than about learning a specific body of knowledge. The TOK course examines the nature of knowledge and how we know what we claim to know. It does this by encouraging students to analyse knowledge claims and explore questions about the construction of knowledge. The task of TOK is to emphasize connections between areas of shared knowledge and link them to personal knowledge in such a way that an individual becomes more aware of his/her own perspectives and how they might differ from others.

Creativity, action, service (CAS) is at the heart of the Diploma Programme. The emphasis in CAS is on helping students to develop their own identities, in accordance with the ethical principles embodied in the IB mission statement and the IB learner profile. It involves students in a range of activities alongside their academic studies throughout the Diploma Programme. The three strands of CAS are Creativity (arts, and other experiences that involve creative thinking), Action (physical exertion contributing to a healthy lifestyle) and Service (an unpaid and voluntary exchange that has a learning benefit for the student). Possibly, more than any other component in the Diploma Programme, CAS contributes to the IB's mission to create a better and more peaceful world through intercultural understanding and respect.

The extended essay, including the world studies extended essay, offers the opportunity for IB students to investigate a topic of special interest, in the form of a 4,000 word piece of independent research. The area of research undertaken is chosen from one of the students' six Diploma Programme subjects, or in the case of the inter-disciplinary world studies essay, two subjects, and acquaints them with the independent research and writing skills expected at university. This leads to a major piece of formally presented, structured writing, in which ideas and findings are communicated in a reasoned and coherent manner, appropriate to the subject or subjects chosen. It is intended to promote high-level research and writing skills, intellectual discovery and creativity. An authentic learning experience it provides students with an opportunity to engage in personal research on a topic of choice, under the guidance of a supervisor.

Approaches to teaching and approaches to learning

Approaches to teaching and learning across the Diploma Programme refers to deliberate strategies, skills and attitudes which permeate the teaching and learning environment. These approaches and tools, intrinsically linked with the learner profile attributes, enhance student learning and assist student preparation for the Diploma Programme assessment and beyond. The aims of approaches to teaching and learning in the Diploma Programme are to:

- empower teachers as teachers of learners as well as teachers of content
- empower teachers to create clearer strategies for facilitating learning experiences in which students are more meaningfully engaged in structured inquiry and greater critical and creative thinking
- promote both the aims of individual subjects (making them more than course aspirations) and linking previously isolated knowledge (concurrency of learning)
- encourage students to develop an explicit variety of skills that will equip them to continue to be actively engaged in learning after they leave school, and to help them not only obtain university admission through better grades but also prepare for success during tertiary education and beyond
- enhance further the coherence and relevance of the students' Diploma Programme experience
- allow schools to identify the distinctive nature of an IB Diploma Programme education, with its blend of idealism and practicality.

The five approaches to learning (developing thinking skills, social skills, communication skills, self-management skills and research skills) along with the six approaches to teaching (teaching that is inquiry-based, conceptually focused, contextualised, collaborative, differentiated and informed by assessment) encompass the key values and principles that underpin IB pedagogy.

The IB mission statement and the IB learner profile

The Diploma Programme aims to develop in students the knowledge, skills and attitudes they will need to fulfill the aims of the IB, as expressed in the organization's mission statement and the learner profile. Teaching and learning in the Diploma Programme represent the reality in daily practice of the organization's educational philosophy.

Academic honesty

Academic honesty in the Diploma Programme is a set of values and behaviours informed by the attributes of the learner profile. In teaching, learning and assessment, academic honesty serves to promote personal integrity, engender respect for the integrity of others and their work, and ensure that all students have an equal opportunity to demonstrate the knowledge and skills they acquire during their studies.

All coursework—including work submitted for assessment—is to be authentic, based on the student's individual and original ideas with the ideas and work of others fully acknowledged. Assessment tasks that require teachers to provide guidance to students or that require students to work collaboratively must be completed in full compliance with the detailed guidelines provided by the IB for the relevant subjects.

For further information on academic honesty in the IB and the Diploma Programme, please consult the IB publications *Academic honesty*, *The Diploma Programme: From principles into practice* and *General regulations: Diploma Programme*. Specific information regarding academic honesty as it pertains to external and internal assessment components of this Diploma Programme subject can be found in this guide.

Acknowledging the ideas or work of another person

Coordinators and teachers are reminded that candidates must acknowledge all sources used in work submitted for assessment. The following is intended as a clarification of this requirement.

Diploma Programme candidates submit work for assessment in a variety of media that may include audio/visual material, text, graphs, images and/or data published in print or electronic sources. If a candidate uses the work or ideas of another person the candidate must acknowledge the source using a standard style of referencing in a consistent manner. A candidate's failure to acknowledge a source will be investigated by the IB as a potential breach of regulations that may result in a penalty imposed by the IB final award committee.

The IB does not prescribe which style(s) of referencing or in-text citation should be used by candidates; this is left to the discretion of appropriate faculty/staff in the candidate's school. The wide range of subjects, three response languages and the diversity of referencing styles make it impractical and restrictive to insist on particular styles. In practice, certain styles may prove most commonly used, but schools are free to choose a style that is appropriate for the subject concerned and the language in which candidates' work is written. Regardless of the reference style adopted by the school for a given subject, it is expected that the minimum information given includes: name of author, date of publication, title of source, and page numbers as applicable.

Candidates are expected to use a standard style and use it consistently so that credit is given to all sources used, including sources that have been paraphrased or summarized. When writing text a candidate must clearly distinguish between their words and those of others by the use of quotation marks (or other method like indentation) followed by an appropriate citation that denotes an entry in the bibliography. If an electronic source is cited, the date of access must be indicated. Candidates are not expected to show faultless expertise in referencing, but are expected to demonstrate that all sources have been acknowledged. Candidates must be advised that audio/visual material, text, graphs, images and/or data published in print or in electronic sources that is not their own must also attribute the source. Again, an appropriate style of referencing/citation must be used.

Learning diversity and learning support requirements

Schools must ensure that equal access arrangements and reasonable adjustments are provided to candidates with learning support requirements that are in line with the IB documents *Candidates with assessment access requirements* and *Learning diversity in the International Baccalaureate programmes: Special educational needs within the International Baccalaureate programmes*.

Nature of the subject

Business management

Business management is a rigorous, challenging and dynamic discipline in the individuals and societies subject group. The role of businesses, as distinct from other organizations and actors in a society, is to produce and sell goods and services that meet human needs and wants by organizing resources. Profit-making, risk-taking and operating in a competitive environment characterize most business organizations.

Although business management shares many skills and areas of knowledge with other humanities and social sciences, it is distinct in a number of ways. For example business management is the study of decision-making within an organization, whereas economics is the study of scarcity and resource allocation, both on micro and macro levels. Business management examines the use of information technology in business contexts, whereas information technology in a global society (ITGS) critically examines its impact on other fields, such as health and government.

Business management studies business functions, management processes and decision-making in contemporary contexts of strategic uncertainty. It examines how business decisions are influenced by factors internal and external to an organization, and how these decisions impact upon its stakeholders, both internally and externally. Business management also explores how individuals and groups interact within an organization, how they may be successfully managed and how they can ethically optimize the use of resources in a world with increasing scarcity and concern for sustainability. Business management is, therefore, perfectly placed within the individuals and societies subject area: aiming to develop in students an appreciation both for our individuality and our collective purposes.

The Diploma Programme business management course is designed to develop students' knowledge and understanding of business management theories, as well as their ability to apply a range of tools and techniques. Students learn to analyse, discuss and evaluate business activities at local, national and international levels. The course covers a range of organizations from all sectors, as well as the socio-cultural and economic contexts in which those organizations operate.

Emphasis is placed on strategic decision-making and the operational business functions of human resource management, finance and accounts, marketing and operations management. Links between the topics are central to the course, as this integration promotes a holistic overview of business management. Through the exploration of six concepts underpinning the subject (change, culture, ethics, globalization, innovation and strategy), the business management course allows students to develop their understanding of interdisciplinary concepts from a business management perspective.

The course encourages the appreciation of ethical concerns, as well as issues of corporate social responsibility (CSR), at both a local and global level. Through the study of topics such as human resource management, organizational growth and business strategy, the course aims to develop transferable skills relevant to today's students. These include the ability to: think critically; make ethically sound and well-informed decisions; appreciate the pace, nature and significance of change; think strategically; and undertake long term planning, analysis and evaluation. The course also develops subject-specific skills, such as financial analysis.

Distinction between SL & HL

The HL course in business management differs from the SL course in business management in terms of the:

- recommended hours devoted to teaching (240 hours for HL compared to 150 hours for SL)
- extra depth and breadth required (extension units for HL)
- nature of the internal assessment task
- nature of the examination questions.

Business management and the core

From the perspective of the Diploma Programme core, the value of individuals and societies subjects is that they allow students to reach beyond the classroom and their immediate school community to build intellectual and practical connections to the wider society. In business management, the particular category of actors students learn about, interact with and reflect on is businesses. The all-pervasive and dynamic nature of business organizations means that there are many opportunities for teachers and students to link the course with TOK, CAS and the extended essay.

Theory of knowledge

Students in this subject group explore the interactions between humans and their environment in time and place. As a result, these subjects are often known collectively as the humanities or social sciences.

As with other subject areas, knowledge in individuals and societies subjects can be gained in a variety of ways. For example, archival evidence, data collection, experimentation, observation, and inductive and deductive reasoning can all be used to help explain patterns of behaviour that lead to *knowledge claims*. Students in individuals and societies subjects are required to evaluate these knowledge claims by exploring concepts such as validity, reliability, credibility, certainty and individual as well as cultural perspectives through *knowledge questions*.

The relationship between individuals and societies subjects and TOK is of crucial importance and fundamental to the Diploma Programme. Having followed a course of study in individuals and societies, students should be able to reflect critically on the various ways of knowing and methods used in human sciences, and in doing so, become “inquiring, knowledgeable and caring young people” (*IB mission statement*).

During the business management course, a number of issues will arise that highlight the relationships between TOK and business management. Some of the questions that could be considered during the course are identified below in relation to the six concepts that underpin the course as well as within the syllabus. Teachers and their students are encouraged to explore further questions of their own.

Knowledge questions in business management

A knowledge question in business management challenges a statement, assertion or assumption about the subject that students believe to be true or take for granted. From a TOK perspective, students need to question these claims and how they are justified. Knowledge questions are not about business management *per se* but about how knowledge in business management—and more widely, in social sciences—is constructed and viewed.

Some knowledge questions that could be considered during the course are identified below. These are presented in relation to the concepts of *change*, *culture*, *ethics*, *globalization*, *innovation* and *strategy* that underpin the course and so reflect more overarching questions. Suggested links to TOK are also identified at the end of each unit.

Concept	Possible knowledge questions
Change	<ul style="list-style-type: none"> • How do changes in the world bring about changes in knowledge? • How do human scientists decide between competing knowledge claims, or between the views of experts, when they disagree? • What is the role of individuals in bringing about major changes in the theory and practice of business management? How does this compare with individuals' role in bringing about change in other areas of knowledge? • To what extent have views on whether humans act rationally when making economic decisions changed over time? What is the relationship between reason and other ways of knowing in business management?
Culture	<ul style="list-style-type: none"> • To what extent does our culture determine or shape what we believe or know? • To what extent are we aware of the impact of culture on what we believe or know? • Is it possible to objectively evaluate how a culture impacts on our beliefs and knowledge? • Are there any knowledge claims about business that are true across cultures?
Ethics	<ul style="list-style-type: none"> • What is the role of intuition in ethical decision-making? • To what extent might lack of knowledge be an excuse for unethical conduct? • If moral claims often conflict, does it follow that there are no justifiable concepts of right or wrong? • What are the justifications for, and implications of, claiming that there are universal standards for morality, or that there are only individual standards of morality?
Globalization	<ul style="list-style-type: none"> • Does globalization unify our values, beliefs and knowledge or lead to their greater fragmentation? • Are some ways of knowing more useful than others when trying to understand the process of globalization and its effects? • To what extent is our knowledge and understanding of complex phenomena such as globalization dependent on our particular perspective? • Business management uses case studies, a research method most commonly associated with the human sciences. What are the benefits and drawbacks of this in a globalized world? How else does the methodology of the human sciences differ from the methodology of other areas of knowledge?
Innovation	<ul style="list-style-type: none"> • What is the relationship between imagination and other ways of knowing in bringing about innovation? • What are the strengths and weaknesses of using imagination and emotion as a basis for knowledge in the human sciences? • Concepts such as "innovation" are difficult to define. Can we have shared knowledge of concepts that are so difficult to express through language? • What is the relationship between advances in technology and innovation? Does technology control what is possible to know?
Strategy	<ul style="list-style-type: none"> • What is strategy based on? Reason, intuition or something else? • Can we speak of facts in business management or only opinions? • Strategic decisions are supported by evidence. How can we evaluate the usefulness of evidence? How can we decide between seemingly conflicting evidence? • How powerful is language in shaping our interpretation of decisions and events?

Creativity, action, service

In exploring the interactions between humans and their environment, students reflect on their own identity and potential roles in society. They are encouraged to start seeing how they can contribute to positive change in their communities. Business organizations are one category of community actors.

In addition to helping students learn more about active and responsible citizenship, students of business management acquire skills supportive of their CAS activities. They learn about strategic thinking and setting objectives, acquire planning skills and develop an appreciation for different cultural perspectives within organizations. These skills will help them choose significant CAS activities and gain much from them.

Many business organizations have social or environmental objectives. These can be primary, (as in the case of social enterprises or non-profit organizations) or secondary (as in the case of CSR programs). Students in the business management course learn of such organizations and programs through examples, case studies and their internal assessment work. This may give them ideas and contacts for entrepreneurial service learning projects. Similarly, service activities with a business affiliation may get students interested in a particular organization or industry, which they would then explore further in their business management course. Teachers are encouraged to help students identify such opportunities.

Extended essay

The world of business management offers much potential for creative extended essays. Living in an increasingly globalized world, students are involved as actors in what businesses do, from being consumers of goods and services to being campaigners for increased social responsibility. Fascinating decision-making takes place within business organizations in areas such as human resource management, production and marketing. Students have a genuine interest in many aspects of business management and thus may wish to explore them in more depth through their own independent research.

Although students are expected to base their extended essay on secondary resources, there are opportunities for primary research as well, to be applied where appropriate. Students may wish to use secondary material such as company data, which is often accessible due to the reporting requirements of businesses. The use of interviews and surveys with managers and other stakeholders may also be undertaken and these present students with opportunities to explore the real-world application of business tools, techniques and theories.

The breadth and depth of the business management course facilitates students researching topics that allow for meaningful and relevant links to be made between the syllabus and the requirements of the extended essay.

The interdisciplinary, issue-based approach of the world studies extended essay also offers a wealth of opportunities for independent research that draws on the discipline of business management, in addition to at least one other discipline. Students could examine the role of businesses' decision-making processes in terms of their effects on the environment or the way in which international standards relating to work practices and human rights manifest themselves at a local level. Students who choose to undertake a world studies extended essay should be encouraged to think about their essays in relation to global themes. This may be an opportunity for students to make use of the six concepts that underpin the business management course in their extended essay work.

Business management and international-mindedness

Developing international-mindedness is at the heart of the Diploma Programme business management course. Of all organizations and actors in society, businesses are among those most affected by and affecting the forces of globalization. Many businesses operate across national borders, and even seemingly local businesses are influenced by international competition. The business management course helps students understand and evaluate the implications of business activity in an interconnected, global market.

The course encourages the use of contemporary examples and case studies at a variety of levels, from the local to the global, as well as from smaller-scale businesses to multinational ones. Throughout the course, teachers have the opportunity to choose case studies that reflect the cultural context in which they are teaching as well as case studies that allow for comparisons across cultural contexts. The six concepts underpinning the course create a framework for these discussions. The course is designed to give students an international perspective and to encourage their appreciation of cultural diversity among different types of business organizations, and individuals and groups within them.

The course promotes the ideals of international cooperation and responsible citizenship. Students are encouraged to make sense of the forces and circumstances that drive and restrain change in an interdependent and multicultural world. Thus, the Diploma Programme business management course contributes to students' developments as critical and effective participants in local, national and world affairs—business and otherwise.

Approaches to teaching and learning of business management

Like all IB courses, the Diploma Programme business management course is influenced by a number of underlying pedagogical principles. Especially important strategies for business management are conceptually focused teaching and contextualized teaching through the use of case studies and examples. The ability to research is a key skill for students studying the course.

The relationship between concepts, the contexts and content of the discipline of business management can be illustrated with a triangular diagram. Concepts are anchored in the tools, techniques and theories of the subject and come alive through case studies and examples. Together, these help students to acquire a holistic and integrated understanding of business management.

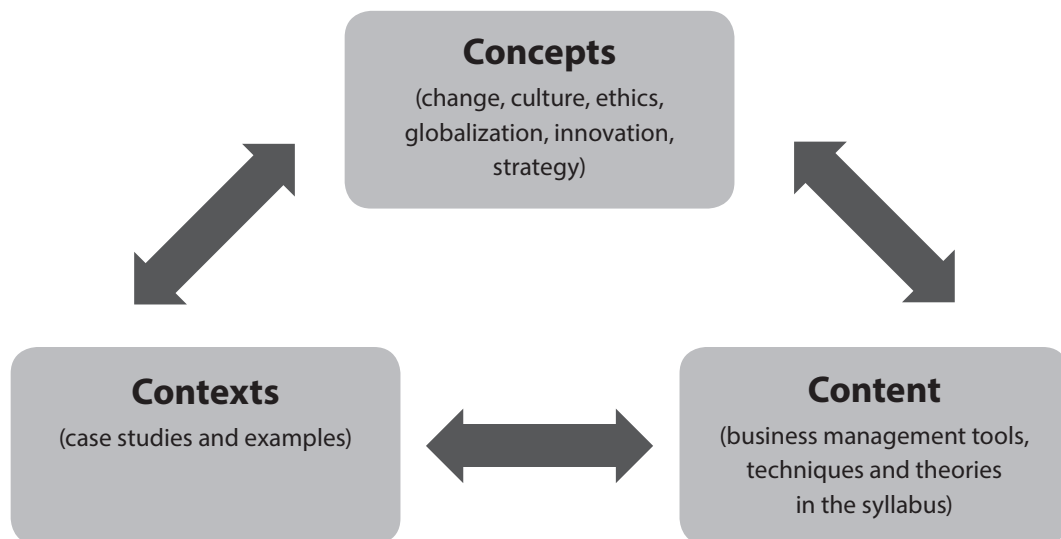


Figure 2

The integrated relationships of concepts, content and contexts in business management

The following section, as well as the teacher support material available on the OCC, contains more specific guidance and suggestions on approaching the teaching and learning of the Diploma Programme business management course. This guidance is not exhaustive, and through their own planning, teachers should explore a range of teaching and learning experiences.

Conceptually focused teaching in business management

The following six concepts underpin the Diploma Programme business management course:

- Change
- Culture
- Ethics

- Globalization
- Innovation
- Strategy.

Some teachers may choose to teach the business management course in a linear way, topic-by-topic. Other teachers may prefer to organize the syllabus content around the six key concepts. Regardless, all teachers should explicitly integrate a conceptual approach to their current practice.

A conceptually focused teaching approach has several advantages. Concepts:

- facilitate disciplinary and interdisciplinary learning and allow for connections with other subjects.
- deepen students' understanding of today's complex and dynamic business environments.
- allow teachers to frame the most important ideas that have relevance for the subject but also transcend it. Consequently, students learn to analyse and evaluate individual and collective behaviours and topical phenomena not only in business contexts but in the society at large.
- allow students to integrate new content into already existing understandings.

Working with a conceptual approach prepares students for a part of their assessment. The six concepts are a part of the formal assessment of the course at both SL and HL. In one of their examination papers, students are asked to use two of the six concepts to discuss the situation and issues faced by real-world organizations they have studied during the course, making use of business management tools, techniques and theories.

The following table provides brief understandings of the six concepts and offers some suggestions as to how they may be explored through specific subject content. The examples are in no way prescriptive, and in their planning, teachers should identify and map areas of the syllabus, and suitable case studies and examples that will allow them to explore these concepts with their students.

Concept	Understanding in relation to the course	Examples of content that allows for the exploration of concepts (this list is not prescriptive)
Change	<p>Competition, new technologies and markets, and trends in consumer behaviour lead business organizations to adapt their objectives, strategies and operations.</p> <p>Success emerges from the ability to research and respond to signals in both the internal and external environment.</p>	<p>1.3 Organizational objectives</p> <p>2.1 Functions and evolution of human resource management</p> <p>2.2 Organizational structure</p> <p>3.1 Sources of finance</p> <p>3.7 Cash flow</p> <p>4.2 Marketing planning</p> <p>4.3 Sales forecasting (HL only)</p> <p>4.4 Market research</p> <p>5.6 Research and development (HL only)</p> <p>5.7 Crisis management and contingency planning (HL only)</p>

Concept	Understanding in relation to the course	Examples of content that allows for the exploration of concepts (this list is not prescriptive)
Culture	<p>Every organization operates in a range of environments in which its role may be interpreted differently. These expectations affect planning, decision-making and strategy implementation.</p> <p>Within an organization, values and backgrounds influence what stakeholders focus on and how they work.</p>	<p>1.2 Types of organization 1.6 Growth and evolution 2.3 Leadership and management 2.4 Motivation 2.5 Organizational culture (HL only) 2.6 Industrial relations (HL only) 4.2 Marketing planning 4.7 International marketing (HL only) 5.3 Lean production and managing quality (HL only) 5.4 Location</p>
Ethics	<p>Every business decision has moral implications.</p> <p>These consequences can be significant for internal and external stakeholders and the natural environment.</p>	<p>1.1 Introduction to business management 1.2 Types of organization 1.3 Organizational objectives 1.4 Stakeholders 1.5 External environment 2.3 Leadership and management 3.4 Final accounts 4.1 The role of marketing 5.1 The role of operations management</p>
Globalization	<p>A wide range of international forces (such as the increasing social, cultural, technological and economic integration) influence business organizations. In turn, business organizations shape these forces.</p> <p>Many business organizations operate across national boundaries. Even local businesses and consumers are influenced by global forces.</p>	<p>1.4 Stakeholders 1.5 External environment 1.6 Growth and evolution 2.1 Functions and evolution of human resource management 2.2 Organizational structure 2.5 Organizational culture (HL only) 4.7 International marketing (HL only) 4.8 E-commerce 5.4 Location</p>

Concept	Understanding in relation to the course	Examples of content that allows for the exploration of concepts (this list is not prescriptive)
Innovation	<p>Incremental or radical improvements to a business idea, or the generation of new ideas in relation to a final product, service or process, are the result of internal or external influences.</p> <p>For many business organizations, a key challenge is bringing in “the new” and managing the process of improvement in a sustainable way.</p>	<p>1.5 External environment</p> <p>1.6 Growth and evolution</p> <p>2.3 Leadership and management</p> <p>2.5 Organizational culture (HL only)</p> <p>3.1 Sources of finance</p> <p>3.8 Investment appraisal</p> <p>4.4 Market research</p> <p>5.3 Lean production and managing quality (HL only)</p> <p>5.6 Research and development (HL only)</p>
Strategy	<p>Strategy refers to the significant long-term planning decisions that organizations make in order to meet the needs and wants of their stakeholders.</p> <p>Strategy is about asking questions: what, why, when, how, where and who?</p>	<p>1.3 Organizational objectives</p> <p>1.6 Growth and evolution</p> <p>1.7 Organizational planning tools (HL only)</p> <p>2.2 Organizational structure</p> <p>2.3 Leadership and management</p> <p>3.4 Final accounts</p> <p>3.8 Investment appraisal</p> <p>4.4 Market research</p> <p>5.1 The role of operations management</p> <p>5.6 Research and development (HL only)</p>

A teacher’s own carefully designed scheme of work will explore the relationships between these concepts, the tools, techniques and theories of business management, and appropriate examples and case studies. The *Business management teacher support material* provides further guidance on teaching through concepts.

Contextualized teaching through case studies and examples

The teaching of business management content should be supported through case studies and examples from news articles and other real-world resources, such as annual reports, industry-level materials, non-governmental organization (NGO) publications and consumer opinion. The case studies and examples should be selected to help develop students’ understanding of the six concepts and the tools, techniques and theories used in business management.

The resources may cover a wide range of contemporary business issues, such as globalization, new business models centred on social and environmental issues, CSR, the role of product quality or the changing nature of marketing. Please note that these are suggestions and the choice of issues should be of interest to students and reflect current debates in the business world.

The following approach is helpful when teaching through case studies and examples.

- Identify the context and issues raised by the case study or example.
- Explain how these issues relate to different areas of the syllabus and the six concepts.
- Apply the business tools, techniques and theories that might be appropriate for understanding the issues raised in the case study or example.
- Discuss and, if appropriate, recommend alternatives to the issues raised.

Students are able to use their work with case studies and examples in their assessment. Familiarity with the case study approach is important for a successful treatment of the pre-seen case study and of stimulus materials given in the examination papers. Moreover, in the conceptual examination questions, students are asked to use two of the six concepts to discuss the context, situation and issues faced by real-world organizations they have studied during the course. Finally, for their internal assessment at both SL and HL, students have to focus on a problem, issue or decision faced by a real-world organization.

The *Business management teacher support material* provides further guidance on teaching through case studies and examples.

Research skills

Potential extended essay work in business management, the internal assessment at both SL and HL, and their preparation for the conceptual examination questions provide opportunities for students to explore and develop their research skills. These include the identification of relevant materials, the design of data collection techniques, the collection and analysis of data, and the ability to evaluate and draw conclusions from data. Teachers are encouraged to discuss appropriate research methods with students. The *Business management teacher support material* provides further guidance on research skills.

While conceptually focused teaching, contextual teaching and research skills are highlighted as particularly relevant approaches to teaching and learning in business management, the course offers opportunities for teachers and students to explore a range of teaching and learning experiences. Teachers are encouraged to discuss their strategies on the OCC.

Prior learning

No particular background in terms of specific subjects for national or international qualifications is expected or required, and no prior knowledge of business management is necessary for students to undertake a course of study based on this specification. However, a familiarity with business concepts would be an advantage, as would completing the individuals and societies course in the Middle Years Programme (MYP).

Links to the Middle Years Programme

The MYP individuals and societies subject group involves inquiry into historical, contemporary, political, social, economic, cultural, technological and environmental contexts that impact on, and are influenced by, individuals and societies. This is a very useful foundation for students who go on to study the Diploma Programme business management course.

Students coming from the MYP are familiar with a conceptual approach to learning. Among their key and related concepts in the individuals and societies subject group, they will have studied the concepts of change, culture, ethics, globalization, innovation and strategy, which will be further developed in the Diploma Programme business management course. Conceptual analysis in the business management course is expected to have an increasing degree of sophistication and disciplinary specificity.

The development of certain skills in the MYP individuals and societies subject group is also excellent preparation for a Diploma Programme course in business management, which requires the student to undertake research, demonstrate understanding and knowledge of content and concepts, and exhibit the capacity to think critically.

For example, the following specific skills, which are identified and developed in the MYP individuals and societies subject group, are encouraged in the Diploma Programme business management course:

- the ability to use sources such as graphs and tables in a critical manner
- the ability to analyse and interpret information from a wide range of sources
- the ability to communicate information and ideas using an appropriate style for the intended audience and purpose
- the ability to analyse concepts, events, issues and arguments
- the ability to make well-substantiated decisions and to relate them to real-world contexts.

Aims

The aims of all subjects in the individuals and societies are to:

1. encourage the systematic and critical study of: human experience and behaviour; physical, economic and social environments; the history and development of social and cultural institutions
2. develop in the student the capacity to identify, analyse critically and evaluate theories, concepts and arguments about the nature and activities of the individual and society
3. enable the student to collect, describe and analyse data used in studies of society, and to test hypotheses and interpret complex data and source material
4. promote the appreciation of the way in which learning is relevant to both the culture in which the student lives and the cultures of other societies
5. develop an awareness in the student that human attitudes and opinions are widely diverse and that a study of society requires an appreciation of such diversity
6. enable the student to recognize that the content and methodologies of the individuals and societies subjects are contestable and that their study requires the tolerance of uncertainty.

The aims of the business management course at HL and SL are to:

1. encourage a holistic view of the world of business
2. empower students to think critically and strategically about individual and organizational behaviour
3. promote the importance of exploring business issues from different cultural perspectives
4. enable the student to appreciate the nature and significance of change in a local, regional and global context
5. promote awareness of the importance of environmental, social and ethical factors in the actions of individuals and organizations
6. develop an understanding of the importance of innovation in a business environment.

Assessment objectives

By the end of the business management course, students are expected to reach the following assessment objectives.

1. Demonstrate knowledge and understanding of:
 - the business management tools, techniques and theories specified in the syllabus content
 - the six concepts that underpin the subject
 - real-world business problems, issues and decisions
 - the HL extension topics (**HL only**).
2. Demonstrate application and analysis of:
 - knowledge and skills to a variety of real-world and fictional business situations
 - business decisions by explaining the issue(s) at stake, selecting and interpreting data, and applying appropriate tools, techniques, theories and concepts
 - the HL extension topics (**HL only**).
3. Demonstrate synthesis and evaluation of:
 - business strategies and practices, showing evidence of critical thinking
 - business decisions, formulating recommendations
 - the HL extension topics (**HL only**).
4. Demonstrate a variety of appropriate skills to:
 - produce well-structured written material using business terminology
 - select and use quantitative and qualitative business tools, techniques and methods
 - select and use business material, from a range of primary and secondary sources.

Assessment objectives in practice

Assessment objective	Which component addresses this assessment objective?	How is the assessment objective addressed?
1. Demonstrate knowledge and understanding	<ul style="list-style-type: none"> External assessment Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> Paper 1 (SL and HL): all sections Paper 2 (SL and HL): all sections <p>Internal assessment: all of written commentary (SL) and research project (HL)</p>
2. Demonstrate application and analysis	<ul style="list-style-type: none"> External assessment Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> Paper 1 (SL and HL): all sections Paper 2 (SL and HL): all sections <p>Internal assessment</p> <ul style="list-style-type: none"> SL: emphasized in criteria B and C HL: emphasized in criteria C and D
3. Demonstrate synthesis and evaluation	<ul style="list-style-type: none"> External assessment Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> Paper 1: section B (SL and HL) and section C (HL) Paper 2 (SL and HL): all sections <p>Internal assessment</p> <ul style="list-style-type: none"> SL: emphasized in criteria D and E HL: emphasized in criteria D, E, F and I

Assessment objective	Which component addresses this assessment objective?	How is the assessment objective addressed?
4. Demonstrate a variety of appropriate skills	<ul style="list-style-type: none"> External assessment Internal assessment 	<p>External assessment</p> <ul style="list-style-type: none"> Paper 1 (SL and HL): all sections Paper 2 (SL and HL): all sections, emphasized in section A <p>Internal assessment</p> <ul style="list-style-type: none"> SL: emphasized in criteria A, B, C, F and G HL: emphasized in criteria A, B, C, G and H

Command terms

Command terms are used both in the syllabus content and in examination questions to indicate depth of treatment. They are classified below according to the assessment objective (AO) levels.

AO1—Demonstrate knowledge and understanding

AO2—Demonstrate application and analysis

AO3—Demonstrate synthesis and evaluation

AO4—Demonstrate a variety of appropriate skills

Cognitive demands progress from AO1 to AO3, while AO4 terms are specific to particular skills. Teachers and students must be familiar with the assessment objective levels and the command terms in order to understand the depth of treatment required in teaching and in examination questions.

In the syllabus content, the assessment objective levels are specified instead of particular command terms. This gives teachers flexibility to work with the most relevant command terms at the given assessment objective level.

For use of command terms in examination questions, please refer to the assessment section of this guide.

The command terms within each assessment objective level are listed in alphabetical order in the following table. Definitions of the terms are listed in the “Glossary of command terms” in the appendix to this guide.

Assessment objective	Key command term	Depth
1. Demonstrate knowledge and understanding	<p>Define</p> <p>Describe</p> <p>Outline</p> <p>State</p>	<p>These terms require students to learn and comprehend the meaning of information.</p>

Assessment objective	Key command term	Depth
2. Demonstrate application and analysis of knowledge and understanding	Analyse Apply Comment Demonstrate Distinguish Explain Suggest	These terms require students to use their knowledge and skills to break down ideas into simpler parts and to see how the parts relate.
3. Demonstrate synthesis and evaluation	Compare Compare and contrast Contrast Discuss Evaluate Examine Justify Recommend To what extent	These terms require students to rearrange component ideas into a new whole and make judgments based on evidence or a set of criteria.
4. Demonstrate a variety of appropriate skills	Annotate Calculate Complete Construct Determine Draw Identify Label Plot Prepare	These terms require students to demonstrate the selection and use of subject-specific skills and techniques.

Syllabus outline

Syllabus component	Teaching hours	
	SL	HL
Unit 1: Business organization and environment 1.1 Introduction to business management 1.2 Types of organizations 1.3 Organizational objectives 1.4 Stakeholders 1.5 External environment 1.6 Growth and evolution 1.7 Organizational planning tools (HL only)	40	50
Unit 2: Human resource management 2.1 Functions and evolution of human resource management 2.2 Organizational structure 2.3 Leadership and management 2.4 Motivation 2.5 Organizational (corporate) culture (HL only) 2.6 Industrial/employee relations (HL only)	15	30
Unit 3: Finance and accounts 3.1 Sources of finance 3.2 Costs and revenues 3.3 Break-even analysis 3.4 Final accounts (some HL only) 3.5 Profitability and liquidity ratio analysis 3.6 Efficiency ratio analysis (HL only) 3.7 Cash flow 3.8 Investment appraisal (some HL only) 3.9 Budgets (HL only)	35	50

Syllabus component	Teaching hours	
	SL	HL
Unit 4: Marketing 4.1 The role of marketing 4.2 Marketing planning (including introduction to the four Ps) 4.3 Sales forecasting (HL only) 4.4 Market research 4.5 The four Ps (product, price, promotion, place) 4.6 The extended marketing mix of seven Ps (HL only) 4.7 International marketing (HL only) 4.8 E-commerce	35	50
Unit 5: Operations management 5.1 The role of operations management 5.2 Production methods 5.3 Lean production and quality management (HL only) 5.4 Location 5.5 Production planning (HL only) 5.6 Research and development (HL only) 5.7 Crisis management and contingency planning (HL only)	10	30
Internal assessment	15	30
Total teaching hours	150	240

The recommended teaching time is 240 hours to complete HL courses and 150 hours to complete SL courses as stated in the document *General regulations: Diploma Programme* (page 4, article 8.2).

The curriculum model for Diploma Programme business management is a core curriculum for HL and SL consisting of five obligatory units with common content and learning outcomes. In addition to the core, HL students are expected to complete extension areas of study in all five units, adding depth and breadth to the course. The above teaching hours are suggestions only, and teachers may choose to allocate their teaching time between the units differently.

Syllabus content

Unit 1: Business organization and environment

In this first introductory unit, business management is set in context: students learn to analyse organizations' internal environment (for example, stakeholders, strategic objectives and CSR) and external environment (for example, the impact of technological change and globalization). Unit 1 covers traditional business areas such as the different types of organization and the idea of economies of scale, but it also includes more contemporary topics such as the features of social enterprises, the nature of business activity in the quaternary sector and the distinction between entrepreneurship and intrapreneurship.

Both SL and HL students learn to apply fundamental strategy models such as social, technological, economic, environmental, political, legal and ethical (STEEPLE) analysis as well as the strengths, weaknesses, opportunities and threats (SWOT) analysis; HL students also learn to apply and evaluate more specific tools such as fishbone diagrams, decision-trees and force field analysis. However, given the importance of the overarching business themes introduced in unit 1, most content is common to both levels.

As this unit provides students with an overview of business management both as a topic of study (what the subject covers overall) and as a professional practice (what business managers do), it lends itself to many TOK considerations. On the one hand, students may inquire into how and why a particular model becomes established as a mainstream strategy model. On the other hand, they may ask on what basis business managers make decisions in the real world. Unit 1 is also an open invitation to consider a range of international examples, especially in relation to issues of globalization, and to address businesses' ethical, social or environmental obligations, which fits well with the IB learner profile in terms of developing principled thinkers. It may also provide the impetus for entrepreneurial service learning projects in the local community as part of students' CAS requirement.

SL/HL content	Depth of teaching	HL only	Depth of teaching
1.1 Introduction to business management			
The role of businesses in combining human, physical and financial resources to create goods and services	AO2		
The main business functions and their roles: <ul style="list-style-type: none"> • human resources • finance and accounts • marketing • operations 	AO2		
Primary, secondary, tertiary and quaternary sectors	AO2		

SL/HL content	Depth of teaching	HL only	Depth of teaching
The nature of business activity in each sector and the impact of sectoral change on business activity	AO2		
The role of entrepreneurship (and entrepreneur) and intrapreneurship (and intrapreneur) in overall business activity	AO3		
Reasons for starting up a business or an enterprise	AO2		
Common steps in the process of starting up a business or an enterprise	AO2		
Problems that a new business or enterprise may face	AO2		
The elements of a business plan	AO2		
1.2 Types of organizations			
Distinction between the private and the public sectors	AO2		
The main features of the following types of for-profit (commercial) organizations: <ul style="list-style-type: none"> • sole traders • partnerships • companies/corporations 	AO3		
The main features of the following types of for-profit social enterprises: <ul style="list-style-type: none"> • cooperatives • microfinance providers • public-private partnerships (PPP) 	AO3		
The main features of the following types of non-profit social enterprises: <ul style="list-style-type: none"> • non-governmental organizations (NGOs) • charities 	AO3		

SL/HL content	Depth of teaching	HL only	Depth of teaching
1.3 Organizational objectives			
Vision statement and mission statement	AO2		
Aims, objectives, strategies and tactics, and their relationships	AO3		
The need for organizations to change objectives and innovate in response to changes in internal and external environments	AO3		
Ethical objectives and corporate social responsibility (CSR)	AO1		
The reasons why organizations set ethical objectives and the impact of implementing them	AO3		
The evolving role and nature of CSR	AO3		
SWOT analysis of a given organization	AO3, AO4		
Ansoff matrix for different growth strategies of a given organization	AO3, AO4		
1.4 Stakeholders			
The interests of internal stakeholders	AO2		
The interests of external stakeholders	AO2		
Possible areas of mutual benefit and conflict between stakeholders' interests	AO3		
1.5 External environment			
STEEPLE analysis of a given organization	AO2, AO4		
Consequences of a change in any of the STEEPLE factors for a business's objectives and strategy	AO3		
1.6 Growth and evolution			
Economies and diseconomies of scale	AO2		
The merits of small versus large organizations	AO3		

SL/HL content	Depth of teaching	HL only	Depth of teaching
The difference between internal and external growth	AO2		
The following external growth methods:	AO3		
<ul style="list-style-type: none"> • mergers and acquisitions (M&As) and takeovers • joint ventures • strategic alliances • franchising 			
The role and impact of globalization on the growth and evolution of businesses	AO3		
Reasons for the growth of multinational companies (MNCs)	AO3		
The impact of MNCs on the host countries	AO3		
1.7 Organizational planning tools (HL only)			
		<p>The following planning tools in a given situation:</p> <ul style="list-style-type: none"> • fishbone diagram • decision tree • force field analysis • Gantt chart 	AO2, AO4
		The value to an organization of these planning tools	AO3

Theory of knowledge—suggested links

- How do assumptions about what a business is and how a business works vary by industry and location, and what implications does this have for business actors?
- To what extent are the language and customs of business management based on the English language and Western tradition, and what implications does this have for business cultures around the world?
- To what extent do intuition, imagination and reason factor into the decision to set up a new business?
- Is business decision-making art or science?
- Do we have self-evident beliefs about what the objectives of a business are or how a business operates? If so, which ones and how could we challenge them?
- What needs to be true for ethical objectives to contribute to good strategy? What needs to be true for business strategy to be ethically laudable?
- Most businesses desire to expand. What motivates the growth of a social organization like business?
- How can we evaluate the benefits and drawbacks of globalization, given the multitude of stakeholders it influences?

Unit 2: Human resource management

In this unit, students explore how businesses recruit, organize, develop and lead their arguably most important resource—their people. In unit 2, students also learn what motivates individuals to perform well at work. Given the pace of change in modern business, the unit looks at how structural changes and changes in the business environment or in key people impact on human resource management. Ethical considerations and cross-cultural understanding are particularly relevant for unit 2, and especially in examining global corporations that have a multinational workforce and diverse stakeholder groups.

Although cultural issues are addressed throughout this unit, HL students also examine organizational (corporate) culture as well as industrial/employee relations. This gives them more tools to analyse the relationship between different stakeholder groups as well as the role of individuals in a business.

While unit 2 focuses primarily on “people issues”, these also form part of the discussions in other units of the course. For example: in unit 1, social and demographic changes are discussed as drivers of strategy; in unit 4, customers are in focus; while in unit 5, innovation is examined.

As the unit deals with the interactions between humans and their environments, students have an opportunity to reflect critically and creatively on many TOK considerations. Students may ask how knowledge is generated individually and collectively within an organization, how it is internally and externally validated, and how it may or may not be questioned. Similarly, topics such as persuasion (essential for leadership and collective bargaining) and the consequences of actions and decisions (for instance, in relation to recruiting or dismissing staff) can be examined. In terms of the IB learner profile, it may be interesting to study to what extent the characteristics of the profile are present (and valued) in business contexts.

SL/HL content	Depth of teaching	HL only	Depth of teaching
2.1 Functions and evolution of human resource management			
Human resource planning (workforce planning)	AO1		
Labour turnover	AO2		
Internal and external factors that influence human resource planning (such as demographic change, change in labour mobility, new communication technologies)	AO3		
Common steps in the process of recruitment	AO2		
The following types of training: <ul style="list-style-type: none"> • on the job (including induction and mentoring) • off the job • cognitive • behavioural 	AO2		

SL/HL content	Depth of teaching	HL only	Depth of teaching
<p>The following types of appraisal:</p> <ul style="list-style-type: none"> • formative • summative • 360-degree feedback • self-appraisal 	AO2		
Common steps in the processes of dismissal and redundancy	AO1		
How work patterns, practices and preferences change and how they affect the employer and employees (such as teleworking, flexitime, migration for work)	AO2		
Outsourcing, offshoring and re-shoring as human resource strategies	AO3		
How innovation, ethical considerations and cultural differences may influence human resource practices and strategies in an organization	AO3		
2.2 Organizational structure			
<p>The following terminology to facilitate understanding of different types of organizational structures:</p> <ul style="list-style-type: none"> • delegation • span of control • levels of hierarchy • chain of command • bureaucracy • centralization • decentralization • de-layering 	AO1		
<p>The following types of organization charts:</p> <ul style="list-style-type: none"> • flat/horizontal • tall/vertical • hierarchical • by product • by function • by region 	AO2, AO4		

SL/HL content	Depth of teaching	HL only	Depth of teaching
Changes in organizational structures (such as project-based organization, Handy's "Shamrock Organization")	AO2		
How cultural differences and innovation in communication technologies may impact on communication in an organization	AO3		
2.3 Leadership and management			
The key functions of management	AO2		
Management versus leadership	AO2		
The following leadership styles: <ul style="list-style-type: none"> • autocratic • paternalistic • democratic • laissez-faire • situational 	AO3		
How ethical considerations and cultural differences may influence leadership and management styles in an organization	AO3		
2.4 Motivation			
The following motivation theories: <ul style="list-style-type: none"> • Taylor • Maslow • Herzberg (motivation–hygiene theory) • Adams (equity theory) • Pink 	AO3		
The following types of financial rewards: <ul style="list-style-type: none"> • salary • wages (time and piece rates) • commission • profit-related pay • performance-related pay (PRP) • employee share ownership schemes • fringe payments (perks) 	AO2		

SL/HL content	Depth of teaching	HL only	Depth of teaching
<p>The following types of non-financial rewards:</p> <ul style="list-style-type: none"> • job enrichment • job rotation • job enlargement • empowerment • purpose/the opportunity to make a difference • teamwork 	AO2		
How financial and non-financial rewards may affect job satisfaction, motivation and productivity in different cultures	AO2		
2.5 Organizational (corporate) culture (HL only)			
		Organizational culture	AO1
		Elements of organizational culture	AO2
		Types of organizational culture	AO2
		The reasons for, and consequences of, cultural clashes within organizations when they grow, merge and when leadership styles change	AO3
		How individuals influence organizational culture and how organizational culture influences individuals	AO3
2.6 Industrial/employee relations (HL only)			
		The role and responsibility of employee and employer representatives	AO2
		<p>The following industrial/employee relations methods used by:</p> <ul style="list-style-type: none"> • employees: collective bargaining, slowdowns/go-slows, work-to-rule, overtime bans and strike action • employers: collective bargaining, threats of redundancies, changes of contract, closure and lock-outs 	AO3

SL/HL content	Depth of teaching	HL only	Depth of teaching
		Sources of conflict in the workplace	AO2
		The following approaches to conflict resolution: <ul style="list-style-type: none"> • conciliation and arbitration • employee participation and industrial democracy • no-strike agreement • single-union agreement 	AO3
		Reasons for resistance to change in the workplace (such as self-interest, low tolerance, misinformation and interpretation of circumstances)	AO2
		Human resource strategies for reducing the impact of change and resistance to change (such as getting agreement/ownership, planning and timing the change and communicating the change)	AO3
		How innovation, ethical considerations and cultural differences may influence employer–employee relations in an organization	AO3

Theory of knowledge—suggested links

- The pace of change in modern business is high and what is important to know is not static. How do individuals and organizations cope with change and new demands?
- “Knowledge is power.” If this saying is true, how does it affect different stakeholders’ ability to contribute to business decision-making?
- In large businesses, many stakeholders are far from the centre of decision-making. What challenges does an organizational or a geographical distance create for understanding the concerns of individual and stakeholder groups?
- Each individual and stakeholder group in a business has its own interests. Does this mean that a genuine shared strategy is impossible?
- How can a good leader use the different ways of knowing for effective communication and interaction with employees?
- Can individual motivation only emerge internally or can it be created externally? Is there such a thing as collective motivation?
- What types of knowledge, skills and attitudes might future business leaders and employees need?

Unit 3: Finance and accounts

Irrespective of their size, scope and sector, all organizations need robust accounting systems, making finance a core business function. In unit 3, students examine finance and accounts through both quantitative and qualitative methods. They learn how businesses represent themselves numerically through accounts; they also learn how to construct basic balance sheets and profit and loss accounts themselves. By the end of the unit, they will be able to explain the meaning of these accounts by calculating ratios (for example, gross profit margin, net profit margin and return on capital employed (ROCE)) and interpreting the results.

HL students explore aspects of finance and accounts in more depth through the study of further efficiency ratios, investment appraisals and budgets.

Finance transcends mere numbers and connects to the six concepts underpinning the course. The profitability and financial health of an organization may significantly influence its strategy, ethics, and need and willingness to change—and vice versa. The challenge of accounting is for an organization to represent itself through the common language of financial statements, which raises many TOK considerations, for example in relation to the “truth” that may or may not be found in numbers. Unit 3 also provides opportunities for students to think about the attributes of the IB learner profile. They may inquire which characteristics of the learner profile are and, in their view, ought to be valued in accounting and, more broadly, in the financial markets.

SL/HL content	Depth of teaching	HL only	Depth of teaching
3.1 Sources of finance			
Role of finance for businesses: <ul style="list-style-type: none"> • capital expenditure • revenue expenditure 	AO2		
The following internal sources of finance: <ul style="list-style-type: none"> • personal funds (for sole traders) • retained profit • sale of assets 	AO2		
The following external sources of finance: <ul style="list-style-type: none"> • share capital • loan capital • overdrafts • trade credit • grants • subsidies • debt factoring • leasing • venture capital • business angels 	AO2		

SL/HL content	Depth of teaching	HL only	Depth of teaching
Short, medium and long-term finance	AO1		
The appropriateness, advantages and disadvantages of sources of finance for a given situation	AO3		
3.2 Costs and revenues			
The following types of cost, using examples: <ul style="list-style-type: none"> fixed variable semi-variable direct indirect/overhead 	AO2		
Total revenue and revenue streams, using examples	AO2		
3.3 Break-even analysis			
Total contribution versus contribution per unit	AO2		
A break-even chart and the following aspects of break-even analysis: <ul style="list-style-type: none"> break-even quantity/point profit or loss margin of safety target profit output target profit target price 	AO2, AO4		
The effects of changes in price or cost on the break-even quantity, profit and margin of safety, using graphical and quantitative methods	AO2, AO4		
The benefits and limitations of break-even analysis	AO3		

SL/HL content	Depth of teaching	HL only	Depth of teaching
3.4 Final accounts (some HL only)			
The purpose of accounts to different stakeholders	AO3		
The principles and ethics of accounting practice	AO3		
Final accounts: <ul style="list-style-type: none"> profit and loss account balance sheet 	AO2, AO4		
Different types of intangible assets	AO1		
		Depreciation using the following methods: <ul style="list-style-type: none"> straight line method reducing/declining balance method 	AO2, AO4
		The strengths and weaknesses of each method	AO2
3.5 Profitability and liquidity ratio analysis			
The following profitability and efficiency ratios: <ul style="list-style-type: none"> gross profit margin net profit margin ROCE 	AO2, AO4		
Possible strategies to improve these ratios	AO3		
The following liquidity ratios: <ul style="list-style-type: none"> current acid-test/quick 	AO2, AO4		
Possible strategies to improve these ratios	AO3		

SL/HL content	Depth of teaching	HL only	Depth of teaching
3.6 Efficiency ratio analysis (HL only)			
		The following further efficiency ratios: <ul style="list-style-type: none"> • inventory/stock turnover • debtor days • creditor days • gearing ratio 	AO2, AO4
		Possible strategies to improve these ratios	AO3
3.7 Cash flow			
The difference between profit and cash flow	AO2		
The working capital cycle	AO2		
Cash flow forecasts	AO2, AO4		
The relationship between investment, profit and cash flow	AO2		
The following strategies for dealing with cash flow problems: <ul style="list-style-type: none"> • reducing cash outflow • improving cash inflows • looking for additional finance 	AO3		
3.8 Investment appraisal (some HL only)			
Investment opportunities using payback period and average rate of return (ARR)	AO3, AO4		
		Investment opportunities using net present value (NPV)	AO3, AO4

SL/HL content	Depth of teaching	HL only	Depth of teaching
3.9 Budgets (HL only)			
		The importance of budgets for organizations	AO2
		The difference between cost and profit centres	AO1
		The roles of cost and profit centres	AO2
		Variances	AO2, AO4
		The role of budgets and variances in strategic planning	AO2

Theory of knowledge—suggested links

- Do financial statements reflect the “truth” about a business?
- Many businesses are introducing metrics about their environmental, social or ethical performance on the side of financial information. Can well-being, or other social variables, be measured?
- How certain is the information we get from financial statements? For example, could we know in advance if an investment will be successful?
- What is the role of interpretation in accounting? For example, could we compare businesses by just looking at their financial statements?
- Often, financial information is presented to the wider audience in a graphical or summary form. Do such simplifying presentations limit our knowledge of accounts?
- Does the accounting process allow for imagination?
- Accounting practices vary from country to country. Is this necessary, or is it possible to have the same accounting practices everywhere?

Unit 4: Marketing

Marketing is an essential business function: it creates a bridge between an organization and its customers. In our everyday speech, the word *marketing* is often associated with advertisements and finding innovative ways of getting people to buy a product or service. However, unit 4 shows students that marketing is much more than that. Effective marketing requires consideration of everything from product quality to consumer perceptions and increasingly, engagement with people’s everyday lives to uncover needs that customers may not even be aware of themselves.

Both SL and HL students learn the marketing mix of the four Ps—the essential ingredients of marketing planning: product, price, promotion and place (distribution). At HL, this model is expanded to the seven Ps: students also explore how people, processes and physical evidence can be applied to the marketing of services. HL students also examine international marketing in greater depth. This gives them an appreciation for how marketing strategies and practices are both a reflection of and an influence on the culture in which they are applied.

Given the strategic nature of marketing, unit 4 is closely linked to the other business functions students study in the business management course. For instance, market research may lead to new strategic objectives (unit 1) that impact on production (unit 5), human resource planning (unit 2) and profitability (unit 3).

Unit 4 provides an ideal opportunity for teachers and students to explore case studies and examples that are contemporary, relevant and of direct interest to students. Marketing also allows students to develop their conceptual understanding. The unit ties to all concepts underpinning the course: marketing decisions are strategic and have ethical and cultural implications. Here, the degree to which marketing is globalized can be examined. Innovating and being aware or even ahead of social changes are essential elements of effective marketing. Thus, students learn to discuss and evaluate marketing decisions from a range of perspectives, combining inquiry, critical thinking and cross-cultural understanding.

SL/HL content	Depth of teaching	HL only	Depth of teaching
4.1 The role of marketing			
Marketing and its relationship with other business functions	AO1		
The differences between marketing of goods and marketing of services	AO2		
Market orientation versus product orientation	AO2		
The difference between commercial marketing and social marketing	AO2		
Characteristics of the market in which an organization operates	AO1		
Market share	AO4		
The importance of market share and market leadership	AO3		
The marketing objectives of for-profit organizations and non-profit organizations	AO3		

SL/HL content	Depth of teaching	HL only	Depth of teaching
How marketing strategies evolve as a response to changes in customer preferences	AO3		
How innovation, ethical considerations and cultural differences may influence marketing practices and strategies in an organization	AO3		
4.2 Marketing planning (including introduction to the four Ps)			
The elements of a marketing plan	AO1		
The role of marketing planning	AO2		
The four Ps of the marketing mix	AO2		
An appropriate marketing mix for a particular product or business	AO2, AO4		
The effectiveness of a marketing mix in achieving marketing objectives	AO3		
The difference between target markets and market segments	AO2		
Possible target markets and market segments in a given situation	AO4		
The difference between niche market and mass market	AO2		
How organizations target and segment their market and create consumer profiles	AO2		
A product position map/perception map	AO2, AO4		
The importance of having a unique selling point/proposition (USP)	AO2		
How organizations can differentiate themselves and their products from competitors	AO3		

SL/HL content	Depth of teaching	HL only	Depth of teaching
4.3 Sales forecasting (HL only)			
		Up to four-part moving average, sales trends and forecast (including seasonal, cyclical and random variation) using given data	AO4
		The benefits and limitations of sales forecasting	AO3
4.4 Market research			
Why and how organizations carry out market research	AO2		
The following methods/techniques of primary market research: <ul style="list-style-type: none"> surveys interviews focus groups observations 	AO2		
The following methods/techniques of secondary market research: <ul style="list-style-type: none"> market analyses academic journals government publications media articles 	AO2		
Ethical considerations of market research	AO3		
The difference between qualitative and quantitative research	AO2		
The following methods of sampling: <ul style="list-style-type: none"> quota random stratified cluster snowballing convenience 	AO2		
Results from data collection	AO2		

SL/HL content	Depth of teaching	HL only	Depth of teaching
4.5 The four Ps (product, price, promotion, place)			
Product			
The product life cycle	AO4		
The relationship between the product life cycle and the marketing mix	AO2		
Extension strategies	AO3		
The relationship between the product life cycle, investment, profit and cash flow	AO2		
Boston Consulting Group (BCG) matrix on an organization's products	AO3, AO4		
The following aspects of branding: <ul style="list-style-type: none"> • awareness • development • loyalty • value 	AO2		
The importance of branding	AO3		
The importance of packaging	AO3		
Price			
The appropriateness of the following pricing strategies: <ul style="list-style-type: none"> • cost-plus (mark-up) • penetration • skimming • psychological • loss leader • price discrimination • price leadership • predatory 	AO3		

SL/HL content	Depth of teaching	HL only	Depth of teaching
Promotion			
The following aspects of promotion: <ul style="list-style-type: none"> above the line promotion below the line promotion promotional mix 	AO2		
The impact of changing technology on promotional strategies (such as viral marketing, social media marketing and social networking)	AO3		
Guerrilla marketing and its effectiveness as a promotional method	AO3		
Place			
The importance of place in the marketing mix	AO2		
The effectiveness of different types of distribution channels	AO3		
4.6 The extended marketing mix of seven Ps (HL only)			
		People	
		The importance of employee–customer relationships in marketing a service and cultural variation in these relationships	AO3
		Processes	
		The importance of delivery processes in marketing mix a service and changes in these processes	AO3
		Physical evidence	
		The importance of tangible physical evidence in marketing a service	AO3
		The seven Ps model in a service-based market	AO2

SL/HL content	Depth of teaching	HL only	Depth of teaching
4.7 International marketing (HL only)			
		Methods of entry into international markets	AO2
		The opportunities and threats posed by entry into international markets	AO3
		The strategic and operational implications of international marketing	AO3
		The role of cultural differences in international marketing	AO3
		The implications of globalization on international marketing	AO3
4.8 E-commerce			
Features of e-commerce	AO1		
The effects of changing technology and e-commerce on the marketing mix	AO2		
The difference between the following types of e-commerce: <ul style="list-style-type: none"> • business to business (B2B) • business to consumer (B2C) • consumer to consumer (C2C) 	AO2		
The costs and benefits of e-commerce to firms and consumers	AO3		

Theory of knowledge—suggested links

- The four Ps and seven Ps frameworks suggest that marketing has four or seven aspects, all of which can be described with a word that starts with a P. How helpful are such analytical frameworks to you as a knowledge-seeker?
- Many ads use scientific language. What does this tell us about the hierarchy of different areas of knowledge?
- The observer effect is a common problem in the social sciences whereby knowledge of being researched influences how people answer questions and behave. What problems does the observer effect create for market research?
- In market research, how might the language used in polls and questionnaires influence consumers and businesses' conclusions?
- Is it possible to measure brand loyalty?
- To what extent is consumer behaviour rational?
- Is the decision to develop CSR objectives solely a marketing strategy?
- To what extent are marketing practices a reflection of the values of a given time and culture?

Unit 5: Operations management

In this unit, students return to the fundamental rationale of business management: to make goods and services that meet consumers' needs and wants. Without efficient operations leading to products and experiences customers are satisfied with, success in the other business functions is unsustainable. In unit 5, students learn how organizations manage their operations, whether in terms of achieving an optimal cost-quality ratio or the shortest supply chain; using the most ethical means or the latest innovative techniques; or applying the highest levels of quality assurance.

Unit 5 is the part of the business management course where the relative weight of the HL material is greatest. Both SL and HL students look at different production methods and their implications as well as different ways of organizing production. At HL, students explore additional areas such as lean production, quality management, and research and development.

Operations management is the "how to" of business management. Still, it ties intimately to the "what" question of an organization's objectives (unit 1): a new strategic direction means adjustments in operations. Good human resource management at all levels in an organization, in turn, is a pre-requisite of successful operations (unit 2). Cooperation between marketing, with the closest relation to customers, and operations, which put new ideas into practice, is also significant (unit 4).

Unit 5 can be taught through case studies in a variety of settings; visits to factories or service businesses are a good way to make the topic come alive. This unit has a very concrete dimension that invites students to explore and understand the importance of manufacturing and other types of operations, bringing the other units of the course together in a dynamic way. The nature of operations is varied and rapidly evolving across industries and locations, and thus there are plenty of opportunities to explore the concepts of change, culture, ethics, globalization and innovation.

SL/HL content	Depth of teaching	HL only	Depth of teaching
5.1 The role of operations management			
Operations management and its relationship with other business functions	AO1		
Operations management in organizations producing goods and/or services	AO2		
Operations management strategies and practices for ecological, social (human resource) and economic sustainability	AO3		

SL/HL content	Depth of teaching	HL only	Depth of teaching
5.2 Production methods			
The following production methods: <ul style="list-style-type: none"> • job/customized production • batch production • mass/flow/process production • cellular manufacturing 	AO2		
The most appropriate method of production for a given situation	AO3		
5.3 Lean production and quality management (HL only)			
		The following features of lean production: <ul style="list-style-type: none"> • less waste • greater efficiency 	AO1
		The following methods of lean production: <ul style="list-style-type: none"> • continuous improvement (<i>kaizen</i>) • just-in-time (JIT) • <i>kanban</i> • <i>andon</i> 	AO2
		Features of cradle to cradle design and manufacturing	AO2
		Features of quality control and quality assurance	AO1
		The following methods of managing quality: <ul style="list-style-type: none"> • quality circle • benchmarking • total quality management (TQM) 	AO2
		The impact of lean production and TQM on an organization	AO3
		The importance of national and international quality standards	AO2

SL/HL content	Depth of teaching	HL only	Depth of teaching
5.4 Location			
The reasons for a specific location of production	AO2		
The following ways of re-organizing production, both nationally and internationally: <ul style="list-style-type: none"> • outsourcing/ subcontracting • offshoring • insourcing 	AO3		
5.5 Production planning (HL only)			
		The supply chain process	AO2
		The difference between JIT and just-in-case (JIC)	AO2
		Stock control charts based on the following: <ul style="list-style-type: none"> • lead time • buffer stock • re-order level • re-order quantity 	AO2, AO4
		Capacity utilization rate	AO2, AO4
		Productivity rate	AO2, AO4
		Cost to buy (CTB)	AO2, AO4
		Cost to make (CTM)	AO2, AO4
5.6 Research and Development (HL only)			
		The importance of research and development for a business	AO3
		The importance of developing goods and services that address customers' unmet needs (of which the customers may or may not be aware)	AO2

SL/HL content	Depth of teaching	HL only	Depth of teaching
		<p>The following types of innovation:</p> <ul style="list-style-type: none"> • product • process • positioning • paradigm 	AO2
		The difference between <i>adaptive creativity</i> (adapting something that exists) and <i>innovative creativity</i> (creating something new)	AO2
		How pace of change in an industry, organizational culture and ethical considerations may influence research and development practices and strategies in an organization	AO3
5.7 Crisis management and contingency planning (HL only)			
		The difference between crisis management and contingency planning	AO2
		<p>The following factors that affect effective crisis management:</p> <ul style="list-style-type: none"> • Transparency • Communication • Speed • Control 	AO2
		<p>The following advantages and disadvantages of contingency planning for a given organization or situation:</p> <ul style="list-style-type: none"> • Cost • Time • Risks • Safety 	AO2

Theory of knowledge—suggested links

- Is there a difference between a product that consumers perceive to be of good quality and one that businesses know is? What ethical dilemmas does the information advantage businesses have over consumers pose?
- Is a quality product always more expensive to manufacture or buy than a mediocre product? How does time perspective affect our assessment of such statements?
- Is there such a thing as an optimal production method? What evidence and whose experiences could business leaders look at to decide on this?
- Environmental costs of production are often referred to as “externalities” as they harm third parties. How does our formulation of problems affect our sense of responsibility for solving them?
- What ways of knowing do you think business leaders use in deciding where to locate their production?
- What is the role of creativity, imagination and emotion in a business context?
- Can one make an argument that the more people’s needs and wants are met, the more difficult innovation is?
- Can a business plan for a crisis?

Assessment in the Diploma Programme

General

Assessment is an integral part of teaching and learning. The most important aims of assessment in the Diploma Programme are that it should support curricular goals and encourage appropriate student learning. Both external and internal assessments are used in the Diploma Programme. IB examiners mark work produced for external assessment, while work produced for internal assessment is marked by teachers and externally moderated by the IB.

There are two types of assessment identified by the IB.

- Formative assessment informs both teaching and learning. It is concerned with providing accurate and helpful feedback to students and teachers on the kind of learning taking place and the nature of students' strengths and weaknesses in order to help develop students' understanding and capabilities. Formative assessment can also help to improve teaching quality, as it can provide information to monitor progress towards meeting the course aims and objectives.
- Summative assessment gives an overview of previous learning and is concerned with measuring student achievement.

The Diploma Programme primarily focuses on summative assessment designed to record student achievement at, or towards the end of, the course of study. However, many of the assessment instruments can also be used formatively during the course of teaching and learning, and teachers are encouraged to do this. A comprehensive assessment plan is viewed as being integral with teaching, learning and course organization. For further information, see the IB *Programme standards and practices* document.

The approach to assessment used by the IB is criterion-related, not norm-referenced. This approach to assessment judges students' work by their performance in relation to identified levels of attainment, and not in relation to the work of other students. For further information on assessment within the Diploma Programme please refer to the publication *Diploma Programme assessment: Principles and practice*.

To support teachers in the planning, delivery and assessment of the Diploma Programme courses, a variety of resources can be found on the OCC or purchased from the IB store (<http://store.ibo.org>). Additional publications such as specimen papers and markschemes, teacher support materials, subject reports and grade descriptors can be found on the OCC. Past examination papers as well as markschemes can be purchased from the IB store.

Methods of assessment

The IB uses several methods to assess work produced by students.

Assessment criteria

Assessment criteria are used when the assessment task is open-ended. Each criterion concentrates on a particular skill that students are expected to demonstrate. An assessment objective describes what students should be able to do, and assessment criteria describe how well they should be able to do it. Using assessment criteria allows discrimination between different answers and encourages a variety of responses.

Each criterion comprises a set of hierarchically ordered level descriptors. Each level descriptor is worth one or more marks. Each criterion is applied independently using a best-fit model. The maximum marks for each criterion may differ according to the criterion's importance. The marks awarded for each criterion are added together to give the total mark for the piece of work.

Markbands

Markbands are a comprehensive statement of expected performance against which responses are judged. They represent a single holistic criterion divided into level descriptors. Each level descriptor corresponds to a range of marks to differentiate student performance. A best-fit approach is used to ascertain which particular mark to use from the possible range for each level descriptor.

Analytic markschemes

Analytic markschemes are prepared for those examination questions that expect a particular kind of response and/or a given final answer from students. They give detailed instructions to examiners on how to break down the total mark for each question for different parts of the response.

Marking notes

For some assessment components marked using assessment criteria, marking notes are provided. Marking notes give guidance on how to apply assessment criteria to the particular requirements of a question.

Inclusive assessment arrangements

Inclusive assessment arrangements are available for candidates with assessment access requirements. These arrangements enable candidates with diverse needs to access the examinations and demonstrate their knowledge and understanding of the constructs being assessed.

The IB document *Candidates with assessment access requirements* provides details on all the inclusive assessment arrangements available to candidates with learning support requirements. The IB document *Learning diversity in the International Baccalaureate programmes: Special educational needs within the International Baccalaureate programmes* outlines the position of the IB with regard to candidates with diverse learning needs in the IB programmes. For candidates affected by adverse circumstances, the IB documents *General regulations: Diploma Programme* and the *Handbook of procedures for the Diploma Programme* provide details on access consideration.

Responsibilities of the school

The school is required to ensure that equal access arrangements and reasonable adjustments are provided to candidates with learning support requirements that are in line with the IB documents *Candidates with special assessment needs* and *Learning diversity in the International Baccalaureate programmes: Special educational needs within the International Baccalaureate programmes*

Assessment outline—SL

First assessment 2016

Assessment component	Weighting
<p>External assessment (3 hours)</p> <p>Paper 1 (1 hour and 15 minutes) Based on a case study issued in advance, with additional unseen material for section B.</p> <p>Assessment objectives 1, 2, 3, 4 (40 marks)</p> <p><i>Section A</i> Syllabus content: Units 1–5</p> <p>Students answer two of three structured questions based on the pre-seen case study. (10 marks per question)</p> <p><i>Section B</i> Syllabus content: Units 1–5</p> <p>Students answer one compulsory structured question primarily based on the additional stimulus material. (20 marks)</p> <p>Paper 2 (1 hour and 45 minutes) Assessment objectives 1, 2, 3, 4 (50 marks)</p> <p><i>Section A</i> Syllabus content: Units 1–5</p> <p>Students answer one of two structured questions based on stimulus material with a quantitative focus. (10 marks)</p> <p><i>Section B</i> Syllabus content: Units 1–5</p> <p>Students answer one of three structured questions based on stimulus material. (20 marks)</p> <p><i>Section C</i> Syllabus content: Units 1–5</p> <p>Students answer one of three extended response questions primarily based on two concepts that underpin the course. (20 marks).</p>	<p>75%</p> <p>30%</p> <p>45%</p>
<p>Internal assessment (15 teaching hours) This component is internally assessed by the teacher and externally moderated by the IB at the end of the course.</p> <p>Written commentary Students produce a written commentary based on three to five supporting documents about a real issue or problem facing a particular organization. Maximum 1500 words. (25 marks)</p>	<p>25%</p>

Assessment outline—HL

First assessment 2016

Assessment component	Weighting
<p>External assessment (4 hours and 30 minutes)</p> <p>Paper 1 (2 hour and 15 minutes) Based on a case study issued in advance, with additional unseen material for sections B and C.</p> <p>Assessment objectives 1, 2, 3, 4 (60 marks)</p> <p><i>Section A</i> Syllabus content: Units 1–5 including HL extension topics</p> <p>Students answer two of three structured questions based on the pre-seen case study. (10 marks per question)</p> <p><i>Section B</i> Syllabus content: Units 1–5 including HL extension topics</p> <p>Students answer one compulsory structured question primarily based on the additional stimulus material. (20 marks)</p> <p><i>Section C</i> Syllabus content: Units 1–5 including HL extension topics</p> <p>Students answer one compulsory extended response question primarily based on the additional stimulus material. (20 marks)</p> <p>Paper 2 (2 hour and 15 minutes) Assessment objectives 1, 2, 3, 4 (70 marks)</p> <p><i>Section A</i> Syllabus content: Units 1–5 including HL extension topics</p> <p>Students answer one of two structured questions based on stimulus material with a quantitative focus. (10 marks)</p> <p><i>Section B</i> Syllabus content: Units 1–5 including HL extension topics</p> <p>Students answer two of three structured questions based on stimulus material. (20 marks per question)</p> <p><i>Section C</i> Syllabus content: Units 1–5 including HL extension topics</p> <p>Students answer one of three extended response questions primarily based on two concepts that underpin the course. (20 marks)</p>	<p>75%</p> <p>35%</p> <p>40%</p>

Assessment component	Weighting
<p>Internal assessment (30 teaching hours) This component is internally assessed by the teacher and externally moderated by the IB at the end of the course.</p> <p>Research project Students research and report on an issue facing an organization or a decision to be made by an organization (or several organizations). Maximum 2000 words. (25 marks)</p>	<p>25%</p>

External assessment

Three different methods are used to assess students.

- Analytic markschemes
- Markbands
- Assessment criteria (for paper 1 and paper 2 extended response questions)

For both examination papers, there are analytic markschemes, markbands and assessment criteria.

The markbands and assessment criteria are related to the assessment objectives established for the business management course and the individuals and societies grade descriptors, and are published in this guide. The analytic markschemes are specific to each examination and are published separately in a markscheme document.

Written papers

The external assessment of the Diploma Programme business management course consists of two examination papers at SL and at HL that are externally set and externally marked. They are designed to allow students to demonstrate their competencies in relation to the business management assessment objectives. All questions on the examination papers are based on specifications in this guide.

The external components contribute 75% to the final assessment at both SL and HL.

In common with all Diploma Programme examination papers, students at SL and HL are given five minutes of reading time before they begin answering the papers.

Pre-seen case study (paper 1)

- The pre-seen case study is provided by the IB three months before the examination session. The pre-seen case study describes a fictitious case study organization and its business situation. Teachers are advised to spend no more than three weeks on the pre-seen case study. The teacher support material gives further guidance on appropriate preparatory work with the pre-seen case study. Section A questions of paper 1 are based on the pre-seen case study.
- The pre-seen case study is the same for SL and HL students, although different questions could be set for each level.
- Additional stimulus material is provided on the day of the examination, giving students more information on the situation of the case study organization and decisions it is facing. Section B and section C (HL only) questions of paper 1 are primarily based on the additional stimulus material, although students are expected to draw on the pre-seen material where relevant. The additional stimulus material may be the same as, similar to, or different for SL and HL students, and some additional stimulus material is given for HL students only.
- The purpose of the pre-seen case study is to assess, in depth and across a number of topics, the students' ability to apply business management knowledge to a given situation.

Command terms

Teachers and students must be familiar with the command terms used at each assessment objective level to understand the depth of treatment required in examination questions. Cognitive demands progress from AO1 to AO3, while AO4 terms are specific to particular skills.

Examination questions may use any command term from the assessment objective level specified in the “Syllabus content” section or a less demanding command term from a lower level. For example, if the assessment objective level for a topic is AO2, an examination question could contain any of the command terms for AO2, such as “explain”, “distinguish” and so forth. Alternatively, the examination question could contain a command term from AO1, such as “describe”. However, a more demanding command term, such as “evaluate”, from a higher level (AO3 in this case), cannot be used.

The command terms used in each question or part thereof indicate the depth required. The command terms are organized by assessment objective level in the “Assessment objectives” section earlier in the guide and defined in the “Glossary of command terms” in the appendix.

Use of examples and case studies

In order to be awarded marks in the higher markbands and levels of assessment criteria, students are expected, where appropriate, to refer to the stimulus material provided in examinations, use case studies and illustrate their answers with examples. This way, they highlight their understanding of how business management tools, techniques and theories operate in practice. Where the stimulus material, case studies and examples are referred to, students should not simply state the information, but rather offer some explanation of how it relates to the question asked.

Use of business management terms

Students are expected to demonstrate the ability to appropriately define, use and apply the business management terms included in the “Syllabus content” section.

Use of calculators

While all questions requiring a calculator can be answered fully using a four-function (plus, minus, multiply, divide) calculator, graphic display calculators (GDCs) are allowed during the examination.

Teachers and schools **must** adhere to the regulations regarding the use of electronic calculators in examinations, and students must be made aware of these. This information can be found in the relevant section of the *Handbook of procedures for the Diploma Programme*.

External assessment details—SL

Paper 1

Duration: 1 hour 15 minutes

Weighting: 30%

This paper is divided into two sections. Section A questions are based on the IB prescribed pre-seen case study issued to students three months before the examination. Section B questions are primarily based on the additional stimulus material given on the day of the examination, although students are expected to draw on the pre-seen material where relevant. Questions may be the same, similar or different for SL and HL students.

Students are expected to demonstrate the following assessment objectives.

Assessment objective	Section A	Section B
1. Demonstrate knowledge and understanding	X	X
2. Demonstrate application and analysis	X	X
3. Demonstrate synthesis and evaluation		X
4. Demonstrate a variety of appropriate skills	X	X

Section A

- Questions in this section are drawn from units 1 to 5 of the syllabus and refer to the prescribed pre-seen case study.
- Students answer two structured questions in total from a choice of three.
- The questions are each subdivided into parts.
- The command terms used in each part indicate the depth required.
- The questions may require: knowledge and understanding; application and analysis; and a variety of appropriate skills.
- The marks available for each part are indicated on the examination paper.
- Each question is worth 10 marks.
- Section A is worth a total of 20 marks.

Section B

- The questions in this section are drawn from units 1 to 5 of the syllabus and are primarily based on the additional stimulus material given on the day of the examination.
- Students answer one compulsory structured question.
- The question is subdivided into parts.
- The command terms used in each part indicate the depth required.
- The questions may require: knowledge and understanding; application and analysis; synthesis and evaluation; and a variety of appropriate skills.

- The marks available for each part are indicated on the examination paper.
- Section B is worth a total of 20 marks.

Marks are allocated using a combination of an analytic markscheme and markbands.

Overall, the maximum for paper 1 is 40 marks.

Paper 2

Duration: 1 hour and 45 minutes

Weighting: 45%

This paper is divided into three sections. The structure of this paper is the same as HL paper 2. However, questions may be the same as, similar to, or different from, those used for the HL paper. SL students answer fewer questions.

Students are expected to demonstrate the following assessment objectives.

Assessment objective	Section A	Section B	Section C
1. Demonstrate knowledge and understanding	X	X	X
2. Demonstrate application and analysis	X	X	X
3. Demonstrate synthesis and evaluation		X	X
4. Demonstrate a variety of appropriate skills	X	X	X

Section A

- The questions in this section are drawn from units 1 to 5.
- The questions have a quantitative focus.
- Students answer one structured question based on unseen stimulus material from a choice of two.
- The questions are subdivided into parts.
- The command terms used in each part indicate the depth required.
- The questions may require: knowledge and understanding; application and analysis; and a variety of appropriate skills
- The marks available for each part are indicated on the examination paper.
- Each question is worth 10 marks.
- Section A is worth a total of 10 marks.

Section B

- The questions in this section are drawn from units 1 to 5 of the syllabus.
- Students answer one structured question based on unseen stimulus material from a choice of three.

- The question is subdivided into parts.
- The command terms used in each part indicate the depth required.
- The questions may require: knowledge and understanding; application and analysis; synthesis and evaluation; and a variety of appropriate skills.
- The marks available for each part are indicated on the examination paper.
- Each question is worth 20 marks.
- Section B is worth a total of 20 marks.

For sections A and B, marks are allocated using a combination of an analytic markscheme and markbands.

Section C

- The principal focus of questions in this section is on the concepts of change, culture, ethics, globalization, innovation and strategy that underpin the business management course.
- While the principal focus for each question is on two of the concepts, students need to draw on their knowledge of other relevant topics in the syllabus.
- There is no stimulus material provided for the questions.
- Students are required to address the question in relation to at least one real-world organization but may use information from a range of sources, which may include real-world case studies examined in class and IA research. The real-world organization that students use in their responses must not be the case study organization featured in paper 1.
- The response should consider the perspectives of individuals and societies on which the real-world organization impacts.
- Students answer one extended response question from a choice of three.
- Assessment objective level 3 (AO3) command terms are used in the questions.
- The questions require: knowledge and understanding; application and analysis; synthesis and evaluation; and a variety of appropriate skills.
- Each question is worth 20 marks.
- Section C is worth a total of 20 marks.

For section C, marks are allocated using assessment criteria. Marking notes included in the markscheme give additional guidance on how to apply the assessment criteria.

Overall, the maximum for paper 2 is 50 marks.

External assessment details—HL

Paper 1

Duration: 2 hours 15 minutes

Weighting: 35%

This paper is divided into three sections. Section A questions are based on the IB prescribed pre-seen case study issued to students three months before the examination. Section B and C questions are based mainly on the additional stimulus material given on the day of the examination, although students are expected to draw on the pre-seen material where relevant. Section A and section B questions may be the same, similar or different for SL and HL students.

Students are expected to demonstrate the following assessment objectives.

Assessment objective	Section A	Section B	Section C
1. Demonstrate knowledge and understanding	X	X	X
2. Demonstrate application and analysis	X	X	X
3. Demonstrate synthesis and evaluation		X	X
4. Demonstrate a variety of appropriate skills	X	X	X

Section A

- Questions in this section are drawn from units 1 to 5, which could include the HL extension of the syllabus, and refer to the prescribed pre-seen case study.
- Students answer two structured questions in total from a choice of three.
- Each question is subdivided into parts.
- The command terms used in each question indicate the depth required.
- The questions may require: knowledge and understanding; application and analysis; and a variety of appropriate skills.
- The marks available for each part are indicated on the examination paper.
- Each question is worth 10 marks.
- Section A is worth a total of 20 marks.

Section B

- The questions in this section are drawn from units 1 to 5 and HL extension of the syllabus and are primarily based on the additional stimulus material given on the day of the examination.
- Students answer one compulsory structured question.
- The question is subdivided into parts.
- The command terms used in each part indicate the depth required.
- The questions may require: knowledge and understanding; application and analysis; synthesis and evaluation; and a variety of appropriate skills.
- The marks available for each part are indicated on the examination paper.
- Section B question is worth a total of 20 marks.

For sections A and B, marks are allocated using a combination of an analytic markscheme and markbands.

Section C

- The question in this section is drawn from units 1 to 5 and HL extension of the syllabus and is primarily based on the additional stimulus material given on the day of the examination.
- The response should consider the perspectives of individuals and societies that the organization in the prescribed case study impacts upon.
- Students answer one compulsory extended response question.
- Assessment objective level three (AO3) command terms are used in the questions.
- The questions require: knowledge and understanding; application and analysis; synthesis and evaluation; and a variety of appropriate skills.
- Each question is worth 20 marks.
- Section C is worth a total of 20 marks.

For section C, marks are allocated using assessment criteria. Marking notes included in the markscheme give additional guidance on how to apply the assessment criteria.

Overall, the maximum for paper 1 is 60 marks.

Paper 2

Duration: 2 hours 15 minutes

Weighting: 40%

This paper is divided into three sections. The structure of this paper is the same as SL paper 2. However, questions may be the same as, similar to, or different from, those used for the SL paper. HL students answer more questions.

Students are expected to demonstrate the following assessment objectives.

Assessment objective	Section A	Section B	Section C
1. Demonstrate knowledge and understanding	X	X	X
2. Demonstrate application and analysis	X	X	X
3. Demonstrate synthesis and evaluation		X	X
4. Demonstrate a variety of appropriate skills	X	X	X

Section A

- The questions in this section are drawn from units 1 to 5 and HL extension of the syllabus.
- The questions have a quantitative focus.
- Students answer one structured question based on unseen stimulus material from a choice of two.
- The question is subdivided into parts.

- The command terms used in each part indicate the depth required.
- The questions may require: knowledge and understanding; application and analysis; and a variety of appropriate skills.
- The marks available for each part are indicated on the examination paper.
- Each question is worth 10 marks.
- Section A is worth a total of 10 marks.

Section B

- The questions in this section are drawn from units 1 to 5 and HL extension of the syllabus.
- Students answer two structured questions based on stimulus material from a choice of three.
- The questions are each subdivided into parts.
- The command terms used in each part indicate the depth required.
- The questions may require: knowledge and understanding; application and analysis; synthesis and evaluation and a variety of appropriate skills.
- The marks available for each part are indicated on the examination paper.
- Each question is worth 20 marks.
- Section B is worth a total of 40 marks.

For sections A and B, marks are allocated using a combination of an analytic markscheme and markbands.

Section C

- The principal focus of questions in this section is on the concepts of change, culture, ethics, globalization, innovation and strategy that underpin the business management course.
- While the principal focus for each question is on two of the concepts, students need to draw on their knowledge of other relevant topics in the syllabus, including the HL extension.
- There is no stimulus material provided for the questions.
- Students are required to address the question in relation to one real-world organization but may use information from a range of sources, which may include real-world case studies examined in class and IA research. The real-world organization that students use in their response must not be the case study organization featured in paper 1.
- The response should consider the perspectives of individuals and societies upon which the real-world organization impacts.
- Students answer one extended response question from a choice of three.
- Assessment objective level 3 (AO3) command terms are used in each question.
- Each question requires: knowledge and understanding; application and analysis; synthesis and evaluation; and a variety of appropriate skills.
- Each question is worth 20 marks.
- Section C is worth a total of 20 marks.

For section C, marks are allocated using assessment criteria. Marking notes included in the markscheme give additional guidance on how to apply the assessment criteria.

Overall, the maximum for paper 2 is 70 marks.

External assessment markbands—SL and HL

In addition to an analytic markscheme specific to the question paper, markbands are used to allocate marks in sections A and B for questions where a larger number of marks are available. Markbands are used in:

- paper 1 (SL/HL), sections A and B
- paper 2 (SL/HL), section B.

SL and HL Paper 1, Section A

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little knowledge and understanding of relevant issues and business management tools (where applicable), techniques and theories. • Little use of business management terminology. • Little reference to the stimulus material.
3–4	<ul style="list-style-type: none"> • A description or partial analysis of some relevant issues with some use of business management tools (where applicable), techniques and theories. • Some use of appropriate terminology. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • At the lower end of the markband, responses are mainly theoretical.
5–6	<ul style="list-style-type: none"> • An analysis of the relevant issues with good use of business management tools (where applicable), techniques and theories. • Use of appropriate terminology throughout the response. • Effective use of the stimulus material.

SL and HL Paper 1 and 2, Section B

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> • Little understanding of the demands of the question. • Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking. • Little reference to the stimulus material.
3–4	<ul style="list-style-type: none"> • Some understanding of the demands of the question. • Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used. • Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.

Marks	Level descriptor
5–6	<ul style="list-style-type: none"> • Understanding of most of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time. • Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization. • Some evidence of a balanced response. • Some judgments are relevant but not substantiated.
7–8	<ul style="list-style-type: none"> • Good understanding of the demands of the question. • Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used. • Good reference to the stimulus material. • Good evidence of a balanced response. • The judgments are relevant but not always well substantiated.
9–10	<ul style="list-style-type: none"> • Good understanding of the demands of the question, including implications, where relevant. • Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response. • Effective use of the stimulus material in a way that significantly strengthens the response. • Evidence of balance is consistent throughout the response. • The judgments are relevant and well substantiated.

External assessment criteria—SL and HL

Assessment criteria are used to allocate marks for extended response questions in:

- HL paper 1, section C
- SL paper 2, section C
- HL paper 2, section C.

HL paper 1, section C

There are five assessment criteria for this question type.

- Criterion A: Knowledge and understanding of tools, techniques and theories
- Criterion B: Application
- Criterion C: Reasoned arguments
- Criterion D: Structure
- Criterion E: Individual and societies.

Criterion A: Knowledge and understanding of tools, techniques and theories

This criterion addresses the extent to which the student demonstrates knowledge and understanding of relevant business management tools, techniques and theories as stated and/or implied by the question. This includes using appropriate business management terminology.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of relevant tools, techniques and theory is demonstrated.
2	Satisfactory knowledge and understanding of relevant tools, techniques and theories is demonstrated.
3	Good knowledge and understanding of relevant tools, techniques and theories is generally demonstrated, though the explanation may lack some depth or breadth.
4	Good knowledge and understanding of relevant tools, techniques and theories is demonstrated.

Criterion B: Application

This criterion addresses the extent to which the student is able to apply the relevant business management tools, techniques and theories to the case study organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The relevant business management tools, techniques and theories are connected to the case study organization, but this connection is inappropriate or superficial.
2	The relevant business management tools, techniques and theories are appropriately connected to the case study organization, but this connection is not developed.
3	The relevant business management tools, techniques and theories are generally well applied to explain the situation and issues of the case study organization, though the explanation may lack some depth or breadth. Examples are provided.
4	The relevant business management tools, techniques and theories are well applied to explain the situation and issues of the case study organization. Examples are appropriate and illustrative.

Criterion C: Reasoned arguments

This criterion assesses the extent to which the student makes reasoned arguments. This includes making relevant and balanced arguments by, for example, exploring different practices, weighing up their strengths and weaknesses, comparing and contrasting them or considering their implications, depending on the requirements of the question. It also includes justifying the arguments by presenting evidence for the claims made.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Statements are made but these are superficial.
2	Relevant arguments are made but these are mostly unjustified.
3	Relevant arguments are made and these are mostly justified.
4	Relevant, balanced arguments are made and these are well justified.

Criterion D: Structure

This criterion assesses the extent to which the student organizes his or her ideas with clarity, and presents a structured piece of writing comprised of:

- an introduction
- a body
- a conclusion
- fit-for-purpose paragraphs.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Two or fewer of the structural elements are present, and few ideas are clearly organized.
2	Three of the structural elements are present, or most ideas are clearly organized.
3	Three or four of the structural elements are present, and most ideas are clearly organized.
4	All of the structural elements are present, and ideas are clearly organized.

Criterion E: Individuals and societies

This criterion assesses the extent to which the student is able to give balanced consideration to the perspectives of a range of relevant stakeholders, including individuals and groups internal and external to the organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	One individual or group perspective is considered superficially or inappropriately.
2	One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately.
3	At least two relevant individual or group perspectives are considered appropriately.
4	Balanced consideration is given to relevant individual and group perspectives.

SL and HL paper 2, section C

There are five assessment criteria for this question type.

- Criterion A: Knowledge and conceptual understanding
- Criterion B: Application
- Criterion C: Reasoned arguments
- Criterion D: Structure
- Criterion E: Individuals and societies

Criterion A: Knowledge and conceptual understanding

This criterion addresses the extent to which the student demonstrates knowledge and understanding of the given concepts and relevant business management content (theories, techniques or tools, depending on the requirements of the question).

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Superficial knowledge of the given concepts is demonstrated. Business management content is not selected or the content selected is irrelevant.
2	Satisfactory understanding of one or both of the given concepts is demonstrated. Some business management content selected is relevant. The relevant content is satisfactorily explained.
3	Good understanding of one or both of the given concepts is demonstrated. The business management content selected is relevant, though it may not be sufficient. The relevant content is generally well explained, though the explanation may lack some depth or breadth.
4	Good understanding of both of the given concepts is demonstrated. The business management content selected is relevant, sufficient and well explained.

Criterion B: Application

This criterion addresses the extent to which the student is able to apply the given concepts and the relevant business management content (theories, techniques or tools, depending on the requirements of the question) to his or her chosen real-world organization(s). **The real-world organization(s) must not be the organization featured in the prescribed case study for paper 1.**

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The given concepts and/or any relevant business management content are connected to the real-world organization(s), but this connection is inappropriate or superficial.
2	The given concepts and/or relevant business management content are connected appropriately to the real-world organization(s), but this connection is not developed.
3	The given concepts and relevant business management content are generally well applied to explain the situation and issues of the real-world organization(s), though the explanation may lack some depth or breadth. Examples are provided.
4	The given concepts and relevant business management content are well applied to explain the situation and issues of the real-world organization(s). Examples are appropriate and illustrative.

Criterion C: Reasoned arguments

This criterion assesses the extent to which the student makes reasoned arguments. This includes making relevant and balanced arguments by, for example, exploring different practices, weighing up their strengths and weaknesses, comparing and contrasting them or considering their implications, depending on the requirements of the question. It also includes justifying the arguments by presenting reasonable evidence or other support for the claims made.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Statements are made but these are superficial.
2	Relevant arguments are made but these are mostly unjustified.
3	Relevant arguments are made and these are mostly justified.
4	Relevant, balanced arguments are made and these are well justified.

Criterion D: Structure

This criterion assesses the extent to which the student organizes his or her ideas with clarity, and presents a structured piece of writing comprised of:

- an introduction
- a body
- a conclusion
- fit-for-purpose paragraphs.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Two or fewer of the structural elements are present, and few ideas are clearly organized.
2	Three of the structural elements are present, or most ideas are clearly organized.
3	Three or four of the structural elements are present, and most ideas are clearly organized.
4	All of the structural elements are present, and ideas are clearly organized.

Criterion E: Individuals and societies

This criterion assesses the extent to which the student is able to give balanced consideration to the perspectives of a range of relevant stakeholders, including individuals and groups internal and external to the organization.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	One individual or group perspective is considered superficially or inappropriately.
2	One relevant individual or group perspective is considered appropriately, or two relevant individual or group perspectives are considered superficially or inappropriately.
3	At least two relevant individual or group perspectives are considered appropriately.
4	Balanced consideration is given to relevant individual and group perspectives.

Please see marking notes in markschemes for further support in assessing these questions.

Internal assessment

Purpose of internal assessment

Internal assessment is an integral part of the course and is compulsory for both SL and HL students. It enables students to demonstrate the application of their skills and knowledge, and to pursue their personal interests, without the time limitations and other constraints that are associated with written examinations. The internal assessment should, as far as possible, be woven into normal classroom teaching and not be a separate activity conducted after a course has been taught.

The internal assessment requirements at SL and at HL are different for the business management course. The SL internal assessment is a written commentary and the HL internal assessment is a research project.

Guidance and authenticity

The written commentary (SL) and research project (HL) submitted for internal assessment must be the students' own work. However, it is not the intention that students should decide upon a title or topic and be left to work on the internal assessment component without any further support from the teacher. The teacher should play an important role during both the planning stage and the period when the student is working on the internally assessed work. It is the responsibility of the teacher to ensure that students are familiar with:

- the requirements of the type of work to be internally assessed
- the assessment criteria; students must understand that the work submitted for assessment must address these criteria effectively.

Teachers and students must discuss the internally assessed work. Students should be encouraged to initiate discussions with the teacher to obtain advice and information, and students must not be penalized for seeking guidance. As part of the learning process, teachers should read and give advice to students on one draft of the work. The teacher should provide oral or written advice on how the work could be improved, but must not edit the draft. The next version handed to the teacher must be the final version for submission.

It is the responsibility of teachers to ensure that all students understand the basic meaning and significance of concepts that relate to academic honesty, especially authenticity and intellectual property. Teachers must ensure that all student work for assessment is prepared according to the requirements and must explain clearly to students that the internally assessed work must be entirely their own. Where collaboration between students is permitted, it must be clear to all students what the difference is between collaboration and collusion.

All work submitted to the IB for moderation or assessment must be authenticated by a teacher, and must not include any known instances of suspected or confirmed malpractice. Each student must confirm that the work is his or her authentic work and constitutes the final version of that work. Once a student has officially submitted the final version of the work it cannot be retracted. The requirement to confirm the authenticity of work applies to the work of all students, not just the sample work that will be submitted to the IB for the purpose of moderation. For further details refer to the IB publication *Academic honesty, The Diploma Programme: From principles into practice* and the relevant articles in the *General regulations: Diploma Programme*.

Authenticity may be checked by discussion with the student on the content of the work, and scrutiny of one or more of the following:

- the student's initial proposal
- the first draft of the written work
- the references cited
- the style of writing compared with work known to be that of the student
- the analysis of the work by a web-based plagiarism detection service such as turnitin.com.

The same piece of work cannot be submitted to meet the requirements of both the internal assessment and the extended essay.

Time allocation

Internal assessment is an integral part of the business management course, contributing 25% to the final assessment in the SL and the HL courses. This weighting should be reflected in the time that is allocated to teaching the knowledge, skills and understanding required to undertake the work, as well as the total time allocated to carry out the work.

It is recommended that a total of approximately 15 hours (SL) and 30 hours (HL) of teaching time should be allocated to the work. This should include:

- time for the teacher to explain to students the requirements of the internal assessment
- class time for students to work on the internal assessment component and ask questions
- time for consultation between the teacher and each student
- time to review and monitor progress, and to check authenticity.

Requirements and recommendations

It is important for the integrity of the moderation process that the internal assessment by the teacher is based on the same evidence as that available to the moderator. When there is more than one teacher teaching students in this component, internal standardization must take place.

Using assessment criteria for internal assessment

For internal assessment, a number of assessment criteria have been identified. Each assessment criterion has level descriptors describing specific achievement levels, together with an appropriate range of marks. The level descriptors concentrate on positive achievement, although for the lower levels failure to achieve may be included in the description.

Teachers must judge the internally assessed work at SL and at HL against the criteria using the level descriptors.

- Different assessment criteria are provided for SL and HL.
- The aim is to find, for each criterion, the descriptor that conveys most accurately the level attained by the student, using the best-fit model. A best-fit approach means that compensation should be made when a piece of work matches different aspects of a criterion at different levels. The mark awarded should be one that most fairly reflects the balance of achievement against the criterion. It is not necessary for every single aspect of a level descriptor to be met for that mark to be awarded.

- When assessing a student's work, teachers should read the level descriptors for each criterion until they reach a descriptor that most appropriately describes the level of the work being assessed. If a piece of work seems to fall between two descriptors, both descriptors should be read again and the one that more appropriately describes the student's work should be chosen.
- Where there are two or more marks available within a level, teachers should award the upper marks if the student's work demonstrates the qualities described to a great extent; the work may be close to achieving marks in the level above. Teachers should award the lower marks if the student's work demonstrates the qualities described to a lesser extent; the work may be close to achieving marks in the level below.
- Only whole numbers should be recorded; partial marks, (fractions and decimals) are not acceptable.
- Teachers should not think in terms of a pass or fail boundary, but should concentrate on identifying the appropriate descriptor for each assessment criterion.
- The highest level descriptors do not imply faultless performance but should be achievable by a student. Teachers should not hesitate to use the extremes if they are appropriate descriptions of the work being assessed.
- A student who attains a high achievement level in relation to one criterion will not necessarily attain high achievement levels in relation to the other criteria. Similarly, a student who attains a low achievement level for one criterion will not necessarily attain low achievement levels for the other criteria. Teachers should not assume that the overall assessment of the students will produce any particular distribution of marks.
- It is recommended that the assessment criteria be made available to students.

Internal assessment details—SL

Written commentary

Duration: 15 hours

Weighting: 25%

Introduction

The SL internal assessment is a written commentary that allows students to demonstrate the application of business management tools, techniques and theories to a business issue or problem.

Requirements

SL students are required to:

- select a real business issue or problem for their written commentary that must relate to the SL syllabus.
- refer directly to a single business organization, but may consider industry-wide issues that impact on that organization.
- base their written commentary on secondary research, selected for its suitability, depth and breadth. Primary research may be used as support.
- provide a title for the commentary that, to give focus and direction, must be framed as a question.
- produce a written commentary that does not exceed 1,500 words.
- attach to the commentary three to five supporting documents from which the majority of the information for the commentary has been obtained.
- fully reference all supporting documents and additional sources and include them in a bibliography.

Role of teacher's guidance

With the teacher's support, students should choose an issue or problem for investigation, and develop a title in the form of a question.

The teacher should approve the students' questions before work is started, to ensure that they are suitable for investigation and allow access to all levels of the assessment criteria. It is highly advisable that every student is supplied with a copy of the assessment criteria.

The teacher should also guide students in the selection of appropriate supporting documents.

Throughout the internal assessment process, students and the teacher should engage in dialogue supportive of the students' work. The teacher should comment on students' work plans and first draft of the commentary as part of the learning process.

If more than one student chooses the same organization for their research, it is the responsibility of the teacher to ensure that the written commentaries reflect the students' own individual research, interpretation and analysis.

If a student also writes an extended essay in business management, it is the responsibility of the teacher to ensure that students do not build their internal assessment and extended essay in business management on the same syllabus content. Also, given different requirements and assessment criteria, students should choose different organizations for these different tasks.

Examples of appropriate questions

Examples of appropriate questions for the written commentary might be:

- "Can airline X successfully target segment Y?" The commentary could then examine business management topics such as market segmentation, consumer profiling, promotion, and measure of financial success.
- "Should company Y outsource its manufacturing?" The commentary could then examine areas within business management such as operations management and human resource management.

Supporting documents

The selection of supporting documents is very important. To achieve the highest levels of each assessment criterion, it is strongly recommended that the supporting documents present a range of ideas and views. For example, the selection of three to five documents published by a single company, or three to five surveys of similar populations, would not provide balance or objectivity.

The supporting documents must be of a contemporary nature and written within a maximum of three years prior to the submission of the written commentary to the IB. Submission of the written commentary occurs in April or November of the final year of the course, depending on the examination session of the school.

A maximum of one of the supporting documents may be a transcript of video/audio material. The transcript must summarize the essential points of the video/audio file used for the purposes of the commentary. Only video/audio material published by a reliable organization (such as the business organization itself, an organization commissioned by the business or an NGO) should be used. Particular attention needs to be paid to referencing the original video/audio file so that this may be traced.

The commentary must be based on secondary sources and may include primary data.

Examples of secondary sources include:

- articles from the local, national or international press
- business accounts
- business plans

- extracts from company websites
- transcripts of a relevant audio-visual file
- financial reports
- government and other statistics
- journal publications
- market research surveys
- mission statements
- web-based surveys.

Examples of primary sources include:

- responses to questionnaires (students should include a blank copy of the questionnaire and a tally/summary of results)
- results of surveys
- transcripts of interviews and discussions with focus groups.

Students must select their own supporting documents, which must not be provided to the student by the teacher.

Students must highlight the parts of each supporting document that relate directly to their commentary. Any highlighted parts of supporting documents that are not in the language for which the student is registered must be translated.

Students should label each supporting document clearly, such as “Supporting document 1”, “Supporting document 2” and so on. This will help with referencing in the commentary.

It is expected that students will include in-text citations/references of the supporting documents and a bibliography, which should be formatted in an appropriate way.

Any additional sources such as textbooks and class notes must be referenced but will not be accepted as supporting documents.

Written commentary

Although there is no required format for the written commentary, it should nonetheless be a structured piece of well-presented writing. An introduction that sets the scene, presentation, analysis and discussion of findings, and a conclusion that answers the commentary question provides an effective structure for the commentary. Good presentation additionally requires a title page, an accurate table of contents page, appropriate headings and sub-headings, consistent referencing, a complete bibliography and numbered pages.

The introduction should briefly demonstrate some background information about the business organization, to give a clear outline of the issue or problem under investigation and to explain the methodology used to investigate this issue or problem.

In the body of the commentary, findings from the supporting documents should be presented and analysed with the help of relevant business tools, techniques and theories. The findings should also be interpreted: what main themes emerge from the analysis of the supporting documents, and why and how are they helpful (or not) to answering the commentary question? An evaluative approach to this discussion of findings should be pursued: for example, what are the strengths and weaknesses of the various positions on the issue or problem and what are their implications?

In the conclusion, the commentary question should be explicitly answered. The conclusion should not introduce facts or arguments that have not been discussed in previous sections of the commentary. Rather, it is good practice to include those aspects of the commentary question that have not been fully answered in the commentary or that might need further investigation in order to be judged more effectively.

For presentation of references and bibliography, please see the information on acknowledging the ideas and work of another person in the “The Diploma Programme” section of this subject guide.

Word count

The written commentary must not exceed 1,500 words. A word count must be included as part of the commentary. If the word limit is exceeded, the teacher’s assessment must be based on the first 1,500 words.

Note: Moderators will not read beyond 1,500 words for the commentary.

The following are **not** included in the word count:

- acknowledgments
- contents page
- tables of statistical data
- diagrams or figures
- equations, formulae and calculations
- citations (which, if used, must be in the body of the commentary)
- references (which, if used, must be in the footnotes/endnotes)
- bibliography.

Please note that footnotes/endnotes may be used for references only. Definitions of business management terms and quotations, if used, must be in the body of the work and are included in the word count. Please note that citation is a shorthand method of making a reference in the body of the commentary, which is then linked to the full reference in the bibliography.

Internal assessment criteria—SL

The SL business management written commentary is assessed against seven criteria that are related to the assessment objectives for the business management course.

When the work to be assessed has been read, the descriptors for each criterion should be studied until a descriptor is reached that most appropriately describes the achievement level. If a piece of work seems to fall between two descriptors, both descriptors should be read again and the one that more appropriately describes the student’s work chosen.

There are seven assessment criteria for the written commentary.

- Criterion A: Supporting documents
- Criterion B: Choice and application of business tools, techniques and theories
- Criterion C: Choice and analysis of data and integration of ideas
- Criterion D: Conclusions

- Criterion E: Evaluation
- Criterion F: Structure
- Criterion G: Presentation

Criterion A: Supporting documents

This criterion assesses the extent to which the student selects three to five relevant supporting documents that address the issue or problem selected for commentary in appropriate depth and breadth. The criterion also assesses whether the student's choice and presentation of the supporting documents meets formal requirements.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	There are only one or two, or more than five, supporting documents, or they are of marginal relevance.
2	The supporting documents are generally relevant but some lack depth, or they were published more than three years prior to the submission of the IA to the IB, or they are not all translated in the language of submission.
3	The supporting documents are relevant and sufficiently in-depth.
4	The supporting documents are relevant, sufficiently in-depth and provide a range of ideas and views.

Criterion B: Choice and application of tools, techniques and theories

This criterion assesses the extent to which the student chooses business management tools, techniques and theories that are relevant to the issue or problem and applies these so that a greater insight into the situation of the organization ensues.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	There is a limited selection of business management tools, techniques and theories, and these are not applied.
2	There is a limited selection of business management tools, techniques and theories, and these are superficially applied.
3	There is an appropriate selection of business management tools, techniques and theories, but these are superficially applied.
4	There is an appropriate selection of business management tools, techniques and theories, and these are suitably applied.
5	There is an appropriate selection of business management tools, techniques and theories, and these are skillfully applied.

Criterion C: Choice and analysis of data and integration of ideas

This criterion assesses the extent to which the student uses data from the supporting documents effectively in order to understand and explain the issue or problem and is able to integrate ideas coherently.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	There is a limited selection of data from the supporting documents but no analysis.
2	There is a limited selection of data from the supporting documents with superficial analysis.
3	There is an appropriate selection of data from the supporting documents with satisfactory analysis.
4	There is an appropriate selection of data from the supporting documents with good analysis and some integration of ideas.
5	There is an appropriate selection of data from the supporting documents with skillful analysis and a coherent integration of ideas.

Criterion D: Conclusions

This criterion assesses the extent to which the student is able to draw relevant conclusions based on the analysis of the supporting documents and answer the commentary question.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Conclusions are inconsistent with the evidence presented, or conclusions are superficial.
2	Some conclusions are consistent with the evidence presented.
3	Conclusions are consistent with the evidence presented and explicitly answer the commentary question.

Criterion E: Evaluation

This criterion assesses the extent to which the student evaluates his or her arguments and makes judgments that are well substantiated.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	There is limited evidence of evaluation.
2	There is evidence of evaluation, and some judgments are substantiated.
3	There is evidence of evaluation, and judgments are substantiated.
4	There is thorough evidence of evaluation, and judgments are well substantiated.

Criterion F: Structure

This criterion assesses the extent to which the student organizes his or her ideas into a structured commentary with an argument that is easy to follow.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Limited structure.
2	Appropriate structure.

Criterion G: Presentation

This criterion assesses the extent to which the student presents the written commentary well. This involves a title page, an accurate table of contents, appropriate headings and sub-headings, consistent referencing, a complete bibliography and numbered pages.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	One or more of the above elements of a well presented commentary is missing.
2	All of the above elements of a well presented commentary are included.

Internal assessment details—HL

Research project

Duration: 30 hours

Weighting: 25%

Introduction

The HL internal assessment is a research project that allows students to demonstrate the application of their skills and knowledge to business issues or decision-making.

Requirements

HL students are required to:

- design and undertake research that **either** addresses an issue facing a business organization or a range of organizations **or** analyses a decision to be made by a business organization or range of organizations
- select a real business organization or a range of organizations and a real issue or decision under investigation
- base their research project on primary research they gather from the organization investigated (secondary research may be used as support)
- provide a title for the research project that, to give focus and direction, must be framed as a question
- produce a research proposal (of maximum 500 words), including an action plan, to be used as the primary planning document

- produce a written report that does not exceed 2,000 words
- write the report in a style and format of a useful working document for management.

Choice of research topic and organization

Students should, with the teacher's guidance, choose their own topic and organization that they find interesting and motivating.

The teacher should approve each topic before work is started, and ensure that it complies with the requirements for internal assessment.

The research question should be forward-looking, targeted at an issue or a decision still relevant for the business organization(s) rather than descriptive of something already finished, and should require the student to make recommendations for further action. Guidance from the teacher in formulating an appropriate research question is important.

For a variety of reasons not apparent at the start of the project, such as confidentiality, some organizations fail to provide data, which will undermine the quality of the final report. Students must therefore confirm before starting their investigations that they will be able to obtain the necessary data from the chosen organization.

Students must be aware of ethical considerations when undertaking any research. There is a need for tact, sensitivity to other people and respect for confidentiality.

If more than one student chooses the same organization for their research, it is the responsibility of the teacher to ensure that the written commentaries reflect the students' own individual research, interpretation and analysis.

If a student also writes an extended essay in business management, it is the responsibility of the teachers to ensure that students do not build their internal assessment and extended essay in business management on the same syllabus content. Also, given different requirements and assessment criteria, students should choose different organizations for these different tasks.

Research proposal

The internal assessment must start with a research proposal. This will become the primary planning document, giving direction to the research project. The maximum length of the research proposal is 500 words. The word count must be stated on the submitted work. If the word limit is exceeded, the teacher's assessment must be based on the first 500 words of the proposal.

Note: Moderators will not read beyond 500 words for the research proposal.

The research proposal has a required format consisting of the following components.

- Research question
- The rationale for study
- Proposed methodology, including:
 - areas of the syllabus to be covered
 - possible sources of information
 - organizations and individuals to be approached
 - methods to be used to collect and analyse data, and the reason for choosing them
- Anticipated difficulties, such as limited or biased sources
- Action plan

- the order of activities and timescale of the project

Students should use the research proposal as their primary planning document, reviewing it regularly with the teacher and modifying or rewriting it as necessary, should circumstances change.

The maximum achievement level for criterion A, research proposal, is 3 marks (see “Internal assessment criteria—HL”). Students who fail to produce a research proposal will be awarded 0 marks for this criterion.

Written report

The written report, which follows the research proposal, is the second part of the research project. This will document the main findings of the research.

The report must follow acceptable practice in report presentation, reflected in the required format for the written report shown below.

The written report must consist of the following sections.

- **Title page:** The title page should give a clear indication of the content of the research project, including the name of the student, the title of the project, the intended audience and the word count.
- **Acknowledgements:** The acknowledgements should recognize any individual and/or organization that made the production of the report possible.
- **Contents page:** The contents page should include the major headings in the report, beginning with the executive summary. Page numbers should be clearly indicated.
- **Executive summary (abstract):** The executive summary should be a concise, clear and explicit summary of the document, including the recommendations and conclusions. The research question and executive summary should guide the reader to the substance of the report. The maximum length of the executive summary is **200 words**, and this is not included in the word count.
- **Introduction:** The introduction should demonstrate some background knowledge about the organization(s) and give a clear outline of the issue or decision under investigation.
- **Research question**
- **Methodology employed:** The methodology section should be a summary of the primary (and, where relevant, secondary) research undertaken and the business tools, techniques and theories applied. It should also include an assessment of the validity and reliability of the data collected (for example, partiality and scope) and the methods employed. Any changes made as the work progressed should be explained.
- **Main results and findings:** The main results and findings section should clarify what the raw data has revealed. This should include a summary of the data collected and of the findings made, and should, where appropriate, be supported by tables, graphs and statistics.
- **Analysis and discussion:** In the analysis and discussion section, the results and findings should be analysed with the help of relevant business tools, techniques and theories. They should also be interpreted: what main issues emerge from the research, and why and how are they helpful (or not) to answering the research question? An evaluative approach to the discussion of findings should be pursued: for example, what are the strengths and weaknesses of the various positions on the issue or decision under investigation and what are their implications?
- **Conclusion(s) and recommendation(s):** The conclusions should follow on from the analysis and discussion; new facts or arguments should not be presented. Recommendations should be precise, answer the research question and be practical proposals for action that stem from the conclusions. If the results of the research are inconclusive, further research should be recommended. To be of practical value to management, the report should be forward-looking and support the organization’s decision-making process.

- **References and bibliography:** For presentation of references and bibliography, please see the section on acknowledging the ideas and work of another person in the “The Diploma Programme” section of this subject guide.
- **Appendices:** The appendices should contain only information or data that is required to support of the text and should be clearly referred to where relevant. The appendices will typically include examples of photographs, documents, questionnaires, numerical raw data in tables and statistical calculations.

The teacher should comment on students’ first drafts of the written report as part of the learning process.

Word count

The written report must not exceed 2,000 words. A word count must be included as part of the written report. If the word limit is exceeded, the teacher’s assessment must be based on the first 2,000 words of the report.

Note: Moderators will not read beyond 2,000 words for the written report.

The following are **not** included in the 2,000-word count:

- title page
- acknowledgments
- contents page
- executive summary (abstract)
- tables of statistical data
- diagrams or figures
- equations, formulae and calculations
- citations (which, if used, must be in the body of the commentary)
- references (which, if used, must be in the footnotes/endnotes)
- bibliography
- appendices.

Please note that footnotes/endnotes may be used for references only. Definitions of business management terms and quotations, if used, must be in the body of the work and are included in the word count. Please note that citation is a shorthand method of making a reference in the body of the commentary, which is then linked to the full reference in the bibliography.

Internal assessment criteria—HL

The HL business management research project is assessed against nine criteria that are related to the assessment objectives for the business management course. Criterion A refers to the research proposal, while criteria B–I are used to assess the written report.

When the work to be assessed has been read, the descriptors for each criterion should be studied until a descriptor is reached that most appropriately describes the achievement level. If a piece of work seems to fall between two descriptors, both descriptors should be read again and the one that more appropriately describes the student’s work chosen.

There are nine assessment criteria for the research project.

- Criterion A: Research proposal
- Criterion B: Sources and data
- Criterion C: Use of tools, techniques and theories
- Criterion D: Analysis and evaluation
- Criterion E: Conclusions
- Criterion F: Recommendations
- Criterion G: Structure
- Criterion H: Presentation
- Criterion I: Reflective thinking

Criterion A: Research proposal

Please note: Criterion A should be used to assess the research proposal only.

This criterion assesses the extent to which the student presents a research proposal that gives an effective direction for the project, with all the required elements.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The research proposal is presented but is generally inappropriate, or two or more elements are missing.
2	The research proposal is generally appropriate but some elements lack clarity, detail and focus, or one element is missing.
3	The research proposal with all the required elements is appropriate, detailed, clear and focused.

Criterion B: Sources and data (written report)

This criterion assesses the extent to which the student selects primary sources and collects primary data which address an issue or a decision to be made by an organization or a range of organizations in appropriate depth and breadth.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Some of the primary sources selected or the data collected are appropriate.
2	The primary sources selected and the data collected are appropriate, but are not varied and sufficient.
3	The primary sources selected and the data collected are appropriate, varied and sufficient.

Criterion C: Use of tools, techniques and theories (written report)

This criterion assesses the extent to which the student understands and applies relevant business management tools, techniques and theories so that a greater insight into the situation of the organization ensues.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	There is a limited understanding of business management tools, techniques and theories, and these are not applied or are superficially applied.
2	There is a satisfactory understanding of relevant business management tools, techniques and theories, and these are suitably applied.
3	There is a good understanding of relevant business management tools, techniques and theories, and these are skillfully applied.

Criterion D: Analysis and evaluation (written report)

This criterion assesses the extent to which the student uses his or her results and findings effectively in order to explain the issue or decision to be made and is able to integrate his or her ideas coherently. This criterion also assesses the extent to which the student evaluates his or her arguments and makes judgments that are well substantiated.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The results and findings are limited, and no analysis of them is provided.
2	The results and findings are limited, and a superficial analysis of them is provided.
3	There is a satisfactory analysis of the results and findings and some integration of ideas.
4	There is a satisfactory analysis of the results and findings, a satisfactory integration of ideas and some evidence of evaluation.
5	There is a good analysis of the results and findings, a good integration of ideas and evidence of substantiated evaluation.
6	There is a skillful analysis of the results and findings, a coherent integration of ideas and consistent evidence of substantiated evaluation.

Criterion E: Conclusions (written report)

This criterion assesses the extent to which the student is able to draw relevant conclusions based on the analysis of the report.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	There are some conclusions, but they are unsubstantiated and/or inconsistent with the evidence presented in the main body of the report.
2	Conclusions are substantiated and consistent with the evidence presented in the main body of the report.

Criterion F: Recommendations (written report)

This criterion assesses the extent to which the student is able to make substantiated recommendations that are consistent with the conclusions made and answer the research question.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	There are recommendations, but they are unsubstantiated and/or inconsistent with the conclusions, or they do not answer the research question.
2	The recommendations are substantiated and consistent with the conclusions, and they answer the research question. Areas for further study have been identified..

Criterion G: Structure (written report)

This criterion assesses the extent to which the student organizes his or her ideas into a structured report with an argument that is easy to follow.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	Limited structure.
2	Appropriate structure.

Criterion H: Presentation (written report)

This criterion assesses the extent to which the student presents all the required components of the written report in the correct order and format.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The report is missing one or more of the required components, or the components are not in the correct order or format.
2	The report includes all of the required components in the correct order and format.

Criterion I: Reflective thinking (written report)

This criterion assesses the extent to which the student is able to reflect critically on the approach taken in this piece of research and its limitations.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1	The report includes limited or superficial reflective thinking on the approach taken in this piece of research and its limitations.
2	The report includes appropriate evidence of reflective thinking on the approach taken in this piece of research and its limitations.

Formulae

The following formulae will be used in business management external assessment. A copy of the formulae will be provided to students for the examination.

Formulae for ratio analysis (SL/HL)

Profitability ratios (SL/HL)

$$\text{Gross profit margin} = \frac{\text{gross profit}}{\text{sales revenue}} \times 100$$

$$\text{Net profit margin} = \frac{\text{net profit before interest and tax}}{\text{sales revenue}} \times 100$$

Liquidity ratios (SL/HL)

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$\text{Acid test (quick) ratio} = \frac{\text{current assets} - \text{stock}}{\text{current liabilities}}$$

Efficiency ratios (SL/HL)

$$\text{Return on capital employed (ROCE)} = \frac{\text{net profit before interest and tax}}{\text{capital employed}} \times 100$$

where *capital employed* = loan capital (or long-term liabilities) + share capital + accumulated retained profit

Efficiency ratios (HL only)

$$\text{Stock turnover (number of times)} = \frac{\text{cost of goods sold}}{\text{average stock}}$$

or

$$\text{Stock turnover (number of days)} = \frac{\text{average stock}}{\text{cost of goods sold}} \times 365$$

where *cost of goods sold* is an approximation of total credit purchases

$$\text{and average stock} = \frac{\text{opening stock} + \text{closing stock}}{2}$$

$$\text{Debtor days ratio (number of days)} = \frac{\text{debtors}}{\text{total sales revenue}} \times 365$$

where *total sales revenue* is an approximation of total credit sales

$$\text{Creditor days ratio (number of days)} = \frac{\text{creditors}}{\text{cost of goods sold}} \times 365$$

where *cost of goods sold* is an approximation of total credit purchases

$$\text{Gearing ratio} = \frac{\text{loan capital}}{\text{capital employed}} \times 100$$

Where *capital employed* = loan capital (or long-term liabilities) + share capital + accumulated retained profit

Other formulae (SL/HL)

Investment appraisal

SL/HL

$$\text{Average rate of return (ARR)} = \frac{(\text{total returns} - \text{capital cost}) \div \text{years of use}}{\text{capital cost}} \times 100$$

HL only

$$\text{Net present value (NPV)} = \sum \text{present values of return} - \text{original cost}$$

Capacity utilization and productivity (HL only)

$$\text{Capacity utilization rate} = \frac{\text{actual output}}{\text{productive capacity}} \times 100$$

$$\text{Productivity rate} = \frac{\text{total output}}{\text{total input}} \times 100$$

Discount tables (HL only)

A discount table will be provided for students within the examination paper when required to answer the question.

Years	Discount rate				
	4%	6%	8%	10%	20%
1	0.9615	0.9434	0.9259	0.9091	0.8333
2	0.9246	0.8900	0.8573	0.8264	0.6944
3	0.8890	0.8396	0.7938	0.7513	0.5787
4	0.8548	0.7921	0.7350	0.6830	0.4823
5	0.8219	0.7473	0.6806	0.6209	0.4019
6	0.7903	0.7050	0.6302	0.5645	0.3349
7	0.7599	0.6651	0.5835	0.5132	0.2791
8	0.7307	0.6271	0.5403	0.4665	0.2326
9	0.7026	0.5919	0.5002	0.4241	0.1938
10	0.6756	0.5584	0.4632	0.3855	0.1615

Presentation of balance sheet and profit and loss account (SL/HL)

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. Students should be familiar with these layouts. Please note that while profit and loss account is also known as income statement, the term profit and loss account will be used in assessment.

ABC Ltd

Balance sheet as of 31 May 20**

	\$m	\$m
Fixed assets		
Fixed assets	500	
Accumulated depreciation	20	
Net fixed assets		480
Current assets		
Cash	10	
Debtors	12	
Stock	35	
Total current assets	57	
Current liabilities		
Overdraft	5	
Creditors	15	
Short term loans	22	
Total current liabilities	42	
Net current assets (Working capital)		15
Total assets less current liabilities		495
Long-term liabilities (debt)	300	
Net assets		195
Financed by:		
• share capital	110	
• accumulated retained profit	85	
Equity		195

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

	\$m
Sales revenue	700
Cost of goods sold	350
Gross profit	350
Expenses	200
Net profit before interest and tax	150
Interest	10
Net profit before tax	140
Tax	25
Net profit after interest and tax	115
Dividends	35
Retained profit	80

Glossary of command terms

Students should be familiar with the following key terms and phrases used in syllabus content and in examination questions, which are to be understood as described below. Although these terms will be used frequently in examination questions, other terms may be used to direct students to present an argument in a specific way.

Command term	Assessment objective level	Definition	Business management example
Analyse	AO2	Break down in order to bring out the essential elements or structure.	Analyse the impact of external opportunities and threats on the business strategy of company A.
Annotate	AO4	Add brief notes to a diagram or graph.	Copy and annotate the product life cycle.
Apply	AO2	Use an idea, equation, principle, theory or law in relation to a given problem or issue.	Apply the concept of diseconomies of scale to company X in 2014 compared to 2012.
Calculate	AO4	Obtain a numerical answer showing the relevant stages in the working.	Calculate the acid test ratio for company X in 2013.
Comment	AO2	Give a judgment based on a given statement or result of a calculation.	Comment on the profitability, liquidity and efficiency ratios of company X.
Compare	AO3	Give an account of the similarities between two (or more) items or situations, referring to both (all) of them throughout.	Compare the leadership style of manager A with that of manager B.
Compare and contrast	AO3	Give an account of similarities and differences between two (or more) items or situations, referring to both (all) of them throughout.	Compare and contrast how managers use different planning tools to make changes to their strategies.
Complete	AO4	Add missing information/ data.	Copy and complete the profit and loss account provided below.

Command term	Assessment objective level	Definition	Business management example
Construct	AO4	Display information in a diagrammatic or logical form.	Based on the information given, construct a break-even chart for company X.
Contrast	AO3	Give an account of the differences between two (or more) items or situations, referring to both (all) of them throughout.	Contrast the marketing objectives of for-profit organization X and non-profit organization Y.
Define	AO1	Give the precise meaning of a word, phrase, concept or physical quantity.	Define the term <i>economies of scale</i> .
Demonstrate	AO2	Make clear by reasoning or evidence, illustrating with examples or practical application.	Demonstrate why company X has decided to offshore to country Y.
Describe	AO1	Give a detailed account.	Describe one method of primary research that company X could use.
Determine	AO4	Obtain the only possible answer.	Determine the break-even point for product X.
Discuss	AO3	Offer a considered and balanced review that includes a range of arguments, factors or hypotheses. Opinions or conclusions should be presented clearly and supported by appropriate evidence.	Discuss how company X can differentiate itself from its main competitor.
Distinguish	AO2	Make clear the differences between two or more concepts or items.	Distinguish between leadership and management.
Draw	AO4	Represent by means of a labelled, accurate diagram or graph, using a pencil. A ruler (straight edge) should be used for straight lines. Diagrams should be drawn to scale. Graphs should have points correctly plotted (if appropriate) and joined in a straight line or smooth curve.	Draw a break-even chart for company X.

Command term	Assessment objective level	Definition	Business management example
Evaluate	AO3	Make an appraisal by weighing up the strengths and limitations.	Evaluate the investment opportunities using net present value (NPV).
Examine	AO3	Consider an argument or concept in a way that uncovers the assumptions and interrelationships of the issue.	Examine the importance of branding for company X.
Explain	AO2	Give a detailed account including reasons or causes.	Explain why company X has changed its pricing strategy.
Identify	AO4	Provide an answer from a number of possibilities.	Identify two reasons why the owner has chosen a particular method of investment appraisal.
Justify	AO3	Give valid reasons or evidence to support an answer or conclusion.	Justify the reason(s) why company X has decided to merge with company Y.
Label	AO4	Add labels to a diagram.	Label the margin of safety on the break-even chart that you have constructed.
Outline	AO1	Give a brief account or summary.	Outline two advantages and two disadvantages of working from home.
Recommend	AO3	Present an advisable course of action with appropriate supporting evidence/ reason in relation to a given situation, problem or issue.	Recommend a suitable growth strategy for company X.
Plot	AO4	Mark the position of points on a diagram.	Plot the position of company X on the position map drawn in your answer to part (b).
Prepare	AO4	Put given data or information from a stimulus/ source into a suitable format.	Prepare a cash flow forecast for company X for January, February and March 2015.
State	AO1	Give a specific name, value or other brief answer without explanation or calculation.	State one reason why company X has decided to outsource the production of Y to country Z.
Suggest	AO2	Propose a solution, hypothesis or other possible answer.	Suggest a suitable method of appraisal for employee group Y in company Z.

Command term	Assessment objective level	Definition	Business management example
To what extent	AO3	Consider the merits or otherwise of an argument or concept. Opinions and conclusions should be presented clearly and supported with appropriate evidence and sound argument.	To what extent has outsourcing the production of X been unsuccessful for company Y?

Efficiency ratios (SL/HL)

“where capital employed = loan capital “ (or long-term liabilities”)+ share capital + accumulated retained profit”

“Gearing ratio = “ loan capital” /“capital employed” “×100”

“where capital employed = loan capital “ (or long-term liabilities”)+ share capital + accumulated retained profit”