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Delivery Guide

H031/H431

BUSINESS

Theme: Accounting and Finance

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Introduction

Delivery guides are designed to represent a body of knowledge about teaching a particular topic and contain:

- Content: a clear outline of the content covered by the delivery guide;
- Thinking Conceptually: expert guidance on the key concepts involved, common difficulties students may have, approaches to teaching that can help students understand these concepts and how this topic links conceptually to other areas of the subject;
- Thinking Contextually: a range of suggested teaching activities using a variety of themes so that different activities can be selected that best suit particular classes, learning styles or teaching approaches.

If you have any feedback on this Delivery Guide or suggestions for other resources you would like OCR to develop, please email resources.feedback@ocr.org.uk.

KEY



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A Level content only



Curriculum Content Sources of finance

Sources of finance

- explain sources of finance
- distinguish between internal and external sources of finance for a business
- distinguish between short-term and long-term sources of finance for a business
- explain how factors affect the choice of finance for a business including:
 - time
 - legal structure
 - quantitative factors
 - qualitative factors
 - external influences
- evaluate sources of finance to a business and its stakeholders.



Thinking Conceptually

Approaches to teaching the content

Students need a good understanding of the different sources of finance available to a business and the advantages and disadvantages of each method of raising funds. Emphasis should, however, be placed on the factors which affect the choice of finance and the consequent development of analytical and evaluative skills. The focus of teaching should be on the application of principles. The unique circumstances of a particular business need to be weighed up when answering contextually-based questions. Without suitable contextualisation any consideration would be purely theoretical and of little value to the business. Students need to be taught how to analyse the suitability of different sources of finance for a business, critically evaluating the sources in order to make recommendations.

Common misconceptions or difficulties students may have

Students often have some difficulty understanding basic sources of finance. Many students seem to think that there is one correct answer for each business situation e.g. a short-term cash flow problem should always be solved by

an overdraft. This is too simplistic an analysis. The special circumstances of each business, including its aims and objectives and attitude to risk, need to be taken into consideration when making recommendations for sources of finance.

A common omission by students is to fail to consider the legal structure of the business. Limited/unlimited liability status should have a major impact on the choice of finance recommended. Some students even make the error of recommending a share or debenture issue to an unincorporated business such as a partnership.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course.

The sources of finance theme naturally links with enterprise and business start-ups, business plans, strategic decision-making, aims and objectives, risk and reward, business growth, investment appraisal and management and financial accounting. This theme, therefore, is likely to be revisited several times during the programme of study.








Thinking Contextually

Students need more than a theoretical knowledge and understanding of sources of finance – they need to be able to apply their knowledge and understanding to a range of real business scenarios. Where possible theoretical teaching should be minimised with preference being given to visits to real businesses, guest speakers, case studies, problem-solving, practical or interactive activities. Such approaches reinforce to students the importance of applying the underpinning concepts to specific contexts. To achieve high marks in the examination it is imperative that students apply their knowledge and understanding to the specific circumstances of the business given in the unseen stimulus material. This skill of application is important and needs to be developed alongside the students' accumulation of knowledge. Appropriate contexts would include:

- the financing of a new business start-up
- a sole trader, partnership or company seeking additional funds
- a small local business, national business, international business which is considering expansion
- a struggling business which requires finance
- a successful business which requires finance.






Thinking Contextually

Activities	Resources
<p>1. Start up loans http://www.startuploans.co.uk/category/success-stories/</p> <p>The Start Up Loans programme was created within the Department for Business, Innovation and Skills. It was designed to go some way to help solve the problem of supporting people who have a feasible business idea but no access to finance. This website works well as an introduction to the need for finance by new businesses and includes a number of useful sections including brief 'inspiring case studies' which highlight the need for finance in six new small businesses.</p>	<p> Click here</p>
<p>2. The range of sources of finance available https://www.youtube.com/watch?v=D1G8Y1Ob3Co</p> <p>This short video clip (approximately 10 minutes) explains a range of different sources of finance in business.</p>	<p> Click here</p>
<p>3. Internal or external? http://www.businessstudiesonline.co.uk/GcseBusiness/Activities/Module5/SourcesOfFinance/SourcesofFinanceDragDrop/frame.htm</p> <p>An interactive drag-and-drop activity which requires students to classify 14 different sources of finance. The activity could be used as a plenary to a lesson on internal/external sources of finance. It would also be useful for revision.</p>	<p> Click here</p>
<p>4. Share issue podcast</p> <p>By using newspaper clippings, TV recordings etc, study any new share issue taking place and analyse the likely business rationale behind the decision. Students could produce a 60-second podcast outlining the benefits to the company of using a new share issue.</p>	
<p>5. Business Level 3 – Which Source of Finance? (OCR) http://www.ocr.org.uk/Images/83110-unit-02-business-resources-teacher-instructions.pdf</p> <p>The worksheet contains five simple business scenarios – an ideal introduction to making source of finance decisions. Includes instructions and answers for the teacher.</p>	<p> Click here</p>
<p>6. Sources of finance (The Guardian) http://teachers.theguardian.com/teacher-resources/2738/Sources-of-finance</p> <p>A fully interactive resource with learning notes and activities at each stage taking students through a wide range of sources of finance. The activities are specifically designed to help students learn to judge the suitability of various sources of finance to a range of business scenarios. Please note free registration is required to access the resource.</p>	<p> Click here</p>



Thinking Contextually

Activities	Resources
<p>7. Sources of finance resource pack (TES Connect) http://www.tes.co.uk/ResourceDetail.aspx?storyCode=6068317&</p> <p>The pack contains two PowerPoint presentations and detailed notes on sources of finance together with a range of worksheets to help students find out about various types of finance. 10 scenarios are included so that students can practice their decision-making skills. Seven more detailed scenarios are provided as extension activities to further develop a student's evaluative skills. Finally, students are required to produce a detailed two-page leaflet recommending a source of finance for a given scenario.</p>	<p> Click here</p>
<p>8. Exam Questions</p> <p>Questions from the OCR A Level Business H430: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/</p> <ul style="list-style-type: none">• F291 – June 2013 (q4)• F291 – June 2012 (q3) <p>Question from the OCR A Level Business H431 sample assessment material: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/</p> <ul style="list-style-type: none">• H431/01 – q8	<p> Click here</p> <p> Click here</p>



Curriculum Content Costs, revenue and break-even

Costs, revenue and break-even

- explain what is meant by costs, revenue, profit, total cost, average cost, fixed cost, variable cost, total revenue, price, average revenue, direct, indirect and overhead costs
- calculate and interpret costs, revenue, profit, total cost, average cost, fixed cost, variable cost, total revenue, price, average revenue, direct, indirect and overhead costs
- explain the importance of direct, indirect and overhead costs to a business
- evaluate the impact of costs and revenue on business decisions
- evaluate the impact of costs changing to a business and its stakeholders
- evaluate the profit level of a business
- explain what is meant by 'break-even', contribution, margin of safety and target level of profit
- construct and interpret a break-even graph
- calculate and interpret contribution, break-even, margin of safety and target level of profit
- calculate and interpret the impact on break-even, margin of safety, contribution and target level of profit of changes in costs and revenue
- evaluate the impact on the break-even point, margin of safety, contribution and target level of profit of changes in costs and revenue
- evaluate the impact of break-even analysis on a business and its stakeholders
- evaluate the usefulness of break-even analysis to a business and its stakeholders
- recommend and justify how a business could lower its break-even point.



Thinking Conceptually

Approaches to teaching the content

Whilst being able to calculate costs/revenue/profit is important, understanding the specific meaning of the financial terms and being able to use the terminology accurately is even more crucial. Terms such as 'money' should be avoided in preference for a more meaningful term, be it cash in hand, profit, revenue, direct costs etc. Likewise when teaching break-even it is important to ensure that students cannot only calculate the break-point, contribution or margin of safety but also have a sound grasp of the meaning of these terms and relevance of these concepts to businesses and stakeholders. Without this sound grasp the topics become mere arithmetical calculations with no relevance to a business's decision-making process.

Common misconceptions or difficulties students may have

Students frequently have difficulty accurately defining terms. Even those who are able to churn out definitions by rote are brought down when they have to write explanations which reveal their true, and often poor, level of understanding.

The following is a list of common misconceptions held by students:

- fixed costs never change
- profit means a business has available cash
- greater turnover always increases profit
- contribution is the same as profit
- profit is always more important than contribution
- break-even tells a business when it will break even
- break-even point is automatically lowered by offering discounts
- margin of safety shows the target level of profit.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course

Costs/revenue/profit and break even are key concepts which underpin most of the financial aspects on the specification. These tools produce quantitative data for use in decision-making; it should be emphasised however that decisions should never be made purely on the basis of financial projections.



Thinking Contextually

Students need to be able to understand the concepts of costs/revenue/profit and break-even and be able to apply these to real business situations. Where possible theoretical teaching should be minimised with preference being given to visits to real businesses, guest speakers, case studies, problem-solving, practical or interactive activities. Such approaches reinforce to students the importance of applying the underpinning concepts to specific contexts. To achieve high marks in the examination it is imperative that students apply their knowledge and understanding to the specific circumstances of the business given in the unseen stimulus material. This skill of application is important and needs to be developed alongside the students' accumulation of knowledge. Appropriate contexts would include:

- a new business start-up
- an established business – sole trader, partnership or company
- a small local business, national business, international business which wishes to analyse its cost, revenues and profit
- a struggling business which needs to lower its break-even point
- a successful business which is considering its options.







Thinking Contextually

Activities	Resources
<p>1. Business costs worksheet (tutor2u) http://www.tutor2u.net/blog/index.php/business-studies/comments/lesson-worksheet-business-costs</p> <p>A basic worksheet which could be used to introduce the concept of business costs. Answers are included.</p>	<p>▶ Click here</p>
<p>2. Animated break-even presentation (TES Connect) http://www.tes.co.uk/teaching-resource/Break-Even-Analysis-Animated-Delivery-and-Tasks-6027709/</p> <p>A clear PowerPoint which takes students step by step through the construction of break-even charts and the calculation of break-even. Contains several exercises for the class to tackle together.</p>	<p>▶ Click here</p>
<p>3. Smartwatch case study (tutor2u) http://www.tutor2u.net/blog/index.php/economics/comments/costing-revenue-activity-to-set-in-class-or-for-homework</p> <p>A short activity using data from a watch manufacturer which requires students to work out costs and revenues.</p>	<p>▶ Click here</p>
<p>4. Break-even and margin of safety calculation lesson element</p> <p>This lesson element designed for the Cambridge Technical awards can also be used as classroom or homework tasks for A Level students to practice break-even and margin of safety calculations.</p> <p>Teacher instructions (OCR): http://www.ocr.org.uk/Images/122263-unit-03-break-even-formula-and-margin-of-safety-lesson-element-teacher-instructions.pdf</p> <p>Learner task (OCR): http://www.ocr.org.uk/Images/122269-unit-03-break-even-point-lesson-element-learner-task.doc</p>	<p>▶ Click here</p> <p>▶ Click here</p>
<p>5. Break-even graph lesson element</p> <p>This lesson element, designed for the Cambridge Technical Business Level 2 certificate, can also be used as classroom or homework tasks for A Level students to practice break-even and margin of safety calculations.</p> <p>Teacher instructions (OCR): http://www.ocr.org.uk/Images/122265-unit-03-break-even-graph-lesson-element-teacher-instructions.pdf</p> <p>Learner task (OCR): http://www.ocr.org.uk/Images/122266-unit-03-break-even-graph-lesson-element-learner-task.doc</p>	<p>▶ Click here</p> <p>▶ Click here</p>



Thinking Contextually

Activities	Resources
<p>6. Break even (The Guardian) http://teachers.theguardian.com/teacher-resources/2773/Break-even</p> <p>A fully interactive resource pack based on articles in The Guardian and The Observer covering classification of costs; contribution and break-even analysis.</p>	<p> Click here</p>
<p>7. Revision for students http://www.s-cool.co.uk/a-level/business-studies/budgeting-costing-and-investment/revise-it/costs</p> <p>This website gives a summary of the topic which students may find useful for revision.</p>	<p> Click here</p>
<p>8. Exam questions Questions from the OCR A Level Business H430: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/</p> <ul style="list-style-type: none">• F292 – June 2014 (q2)• F291 – June 2012 (q1d) <p>Question from the OCR AS and A Level Business H031/ H431 sample assessment material: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/</p> <ul style="list-style-type: none">• H031/01 – q4, q14	<p> Click here</p> <p> Click here</p>



Curriculum Content Management accounting 1

Investment appraisal

- explain the nature and purpose of investment appraisal
- calculate and interpret quantitative methods of investment appraisal: the payback period, average rate of return (ARR) and net present value (NPV)
- explain how quantitative and qualitative aspects of investment appraisal affect a business
- evaluate the usefulness of different methods of investment appraisal to a business and its stakeholders
- recommend and justify business investments based on qualitative and quantitative investment appraisal.

Budgets and variances

- explain what is meant by a budget
- explain what is meant by a variance
- calculate and interpret budgets and variances
- analyse budgets and variances (favourable/adverse)
- evaluate the impact of budgets and variances on a business
- evaluate the usefulness of the budgeting process and variance analysis to a business and its stakeholders.



Thinking Conceptually

Approaches to teaching the content

Since the data in the examination will be unseen, students need to be given plenty of practice at calculating payback, ARR and NPV from data provided. Once the arithmetical techniques have been mastered teaching should focus on what the results of investment appraisal actually mean and what course of action a business should take. It is also important to emphasise the limitations of making investment decisions purely on the basis of financial projections. Students should look to include other factors in their evaluative judgements if such information is available.

When teaching budgets and variance analysis care should be taken to cover not only expense budgets but also sales revenue and profit budgets. Students should be able to calculate actual variance and percentage variance, comment on the likely causes of such variance and, where appropriate, make recommendations to address the issues revealed. Once again, considerable practice is needed if students are to reach valid conclusions from unseen data in the examination.

Common misconceptions or difficulties students may have

Students need to realise that even when payback, ARR and NPV have been correctly calculated it is not sufficient to simply recommend the option with the 'best' forecasted results.

Account must be taken of qualitative information, especially the particular circumstances of the business given in the scenario. For example, option A shows a significantly better ARR and NPV than option B but the payback is 6 times as long. If the business is experiencing a cash flow crisis or funding issues then the business should opt for option B despite the higher return on investment offered by option A.

When carrying out variance analysis students need to refer to variances as 'adverse' or 'favourable'. The terms 'adverse' and 'favourable' indicate whether the discrepancy between actual and predicted is better or worse than anticipated. Given that sales revenue, profit and expense budgets can be analysed in this way 'positive' and 'negative' become meaningless.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course

Investment appraisal techniques and budget variance analysis are more tools to add to the student's armoury. The tools should be used, whenever appropriate, when making business decisions.



Thinking Contextually

Students need to be able to make recommendations in the light of the calculations they have made. These recommendations cannot be learnt from a text book as the situation of each individual business is different. Making the decisions as to which criteria matter most to the particular case in question and using these criteria to make judgements is a skill which can only be developed with practice. Where possible theoretical teaching should be minimised with preference being given to visits to real businesses, guest speakers, case studies, problem-solving, practical or interactive activities. Such approaches reinforce to students the importance of applying the underpinning concepts to specific contexts. To achieve high marks in the examination it is imperative that students apply their knowledge and understanding to the specific circumstances of the business given in the unseen stimulus material. This skill of application is important and needs to be developed alongside the students' accumulation of knowledge. Appropriate contexts would include:

- a business considering a change of strategic direction
- a business wishing to choose between a range of options
- a business wishing to know if an investment opportunity is viable
- a business wishing to exercise tighter financial control
- a business wishing to analyse its budget variances
- a business considering undertaking the variance analysis.








Thinking Contextually

Activities	Resources
<p>1. Investment appraisal technique videos</p> <p>The short videos listed below would provide an ideal introduction to each of the three investment appraisal methods. Each video explains the purpose of investment appraisal before carefully going through the required arithmetical techniques and then considering how to interpret the results. Each video contains at least one numerical problem for students to solve.</p> <p>Bee Business Bee Investment Appraisal NPV tutorial (Bee Business Bee): http://www.youtube.com/watch?v=Q6CZGlyF_bM</p> <p>Bee Business Bee Investment Appraisal ARR tutorial (Bee Business Bee): http://www.youtube.com/watch?v=0znLotQ0IVU</p> <p>Bee Business Bee Investment Appraisal Payback tutorial (Bee Business Bee): http://www.youtube.com/watch?v=Sw9RLOMNP7o</p>	<p>▶ Click here</p> <p>▶ Click here</p> <p>▶ Click here</p>
<p>2. Investment appraisal activity</p> <p>This resource has been specifically written to allow students to interpret the results of investment appraisal in the light of the particular factors being experienced by a business. It is designed to improve students' evaluative skills, helping them to score more highly on investment appraisal questions. The pack includes a card matching activity covering the specific advantages and disadvantages of each of the three investment appraisal methods, a full investment appraisal calculation and scenario cards which allow students to see how a business situation may alter the recommended course of action. Good for exam preparation and particularly suitable towards the end of a period of study.</p> <p>Responding to unseen data – investment appraisal teacher slides and teacher notes (OCR) – can be found under teaching and learning resources on the subject web page: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/</p> <p>Responding to unseen data – investment appraisal activity (OCR): http://www.ocr.org.uk/Images/171184-responding-to-unseen-data-investment-appraisal-activity.doc</p>	<p>▶ Click here</p> <p>▶ Click here</p>



Thinking Contextually

Activities	Resources
<p>3. Mr Prior's investment pack (TES Connect) http://www.tes.co.uk/teaching-resource/Investment-Appraisal-Revision-Pack-6025291/</p> <p>Whilst originally written as a resource for revision, these handouts would make an excellent reference point for students attempting to master the arithmetical skills of the three investment appraisal methods and the interpretation of results. In Mr Prior's pack a business is considering two options and students are required to perform a full investment appraisal in order to recommend which option the business should take.</p>	<p> Click here</p>
<p>4. Christmas investment appraisal (TES Connect) http://www.tes.co.uk/ResourceDetail.aspx?storyCode=6005848&</p> <p>Santa has a veritable selection box of investment projects – which one(s) should he choose? A Christmas-themed investment appraisal question, best carried out in small groups, which requires full computation and analysis. Students must also identify qualitative factors which may affect the decision and present their findings to the class.</p>	<p> Click here</p>
<p>5. Simulated interactive investment appraisal calculator (tutor2u) http://www.tutor2u.net/blog/index.php/business-studies/comments/interactive-investment-appraisal-simulator</p> <p>This resource takes the emphasis away from the calculations by providing a spreadsheet-based simulator to do the calculations. Instead the emphasis is on understanding and interpreting the results and deciding what course of action the business should take. The simulator can handle very complex scenarios, making this a suitable resource for stretching and challenging the most able students. Includes a teacher guide and simulated activities for students to undertake either individually or in groups.</p>	<p> Click here</p>
<p>6. Interactive quiz (tutor2u) http://www.tutor2u.net/blog/index.php/business-studies/comments/revision-quiz-investment-appraisal-1</p> <p>An online interactive quiz covering all three appraisal methods – includes calculations, strengths and weaknesses of methods and interpretation of data. Suitable for revision but would also make an excellent plenary.</p>	<p> Click here</p>
<p>7. Budget presentation (tutor2u) http://www.tutor2u.net/blog/index.php/business-studies/comments/revision-presentation-using-budgets</p> <p>Whilst designed for revision this presentation would make an equally good introduction to the concept of budgeting and variance analysis.</p>	<p> Click here</p>



Thinking Contextually

Activities	Resources
<p>8. Budgets and budget variance resource pack</p> <p>This resource is in two parts each containing a PowerPoint presentation together with student activities and worksheets. The first part considers the purpose of budgets and the calculation of variances. The second part considers the causes of adverse and favourable variances. It encourages students to consider appropriate management responses to adverse variances in a range of situations.</p> <p>BUSS2 Budgets 1 (TES Connect): http://www.tes.co.uk/teaching-resource/BUSS2-Budgets-1-6035886/</p> <p>BUSS2 Budgets 2 (TES Connect): http://www.tes.co.uk/teaching-resource/BUSS2-Budgets-2-6035887/</p>	<p>▶ Click here</p> <p>▶ Click here</p>
<p>9. Exam Questions</p> <p>Questions from the OCR A Level Business H430: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/</p> <ul style="list-style-type: none">• F292 – January 2013 (q1b & 1d)• F292 – June 2012 (q2) <p>Questions from the OCR AS and A Level Business H031/ H431 sample assessment material: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/</p> <ul style="list-style-type: none">• H031/01 – q15, q18• H431/02 – q4	<p>▶ Click here</p> <p>▶ Click here</p>



Curriculum Content Management accounting 2

Cash-flow forecasting

- explain what is meant by cash-flow
- distinguish between a cash-flow forecast and a cash-flow statement
- distinguish between cash-flow and profit
- explain the purpose of a cash-flow forecast
- calculate, interpret and analyse cash-flow forecasts
- calculate, interpret and analyse the impact on a cash-flow forecast of changes in costs and revenue
- evaluate the impact of a cash-flow forecast
- evaluate the usefulness of cash-flow forecasting to a business and its stakeholders
- evaluate strategies to overcome forecast cash-flow problems
- evaluate the usefulness of cash-flow forecasts to a business and its stakeholders.

Working capital

- explain what is meant by working capital
- explain what is meant by the working capital cycle.



Thinking Conceptually

Approaches to teaching the content

Students need to understand the concept of working capital and the problem that time lags in the working capital cycle cause to a business. Students need to realise the critical importance of adequate cash-flow to the success of a business. It is lack of cash-flow, rather than profit, which undermines the health of many businesses. Cash-flow forecasts are tools used to anticipate future cash-flow problems and allow effective cash-flow management to take place. Students need to be equipped with the skills to evaluate the usefulness of cash-flow forecasts to a particular business and/or its particular group of stakeholders.

Common misconceptions or difficulties students may have

The concept of working capital is one of the most difficult business concepts for students to grasp, yet it is essential to the health of every business. Care needs to be taken to accurately define working capital and to avoid confusion with cash or profit.

Students also need to ensure that they do not confuse cash-flow forecasts with cash-flow statements. Cash-flow forecasts are predictions of the expected cash-flow within a business; cash-flow statements show the actual cash inflows and outflows of the business.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course

The level of working capital and the need for adequate cash-flow are fundamental to the survival of the business. Every aspect of the specification impacts on cash-flow; consequently this area of study can be linked with every other aspect of the specification. As a starting point the concept of working capital and the need for cash-flow forecasting can be explicitly linked with enterprise, business plans, business aims and objectives, stakeholder objectives, decision-making, risk and uncertainty, contingency planning, sources of finance, investment appraisal, budgets and variances, financial accounting, external factors and costs, revenue and profit.











Thinking Contextually

Students need to be able to grasp the importance of working capital and adequate cash-flow to a business and be able to use cash-flow forecasting to anticipate and deal with problems before it becomes too late. Where possible theoretical teaching should be minimised with preference being given to visits to real businesses, guest speakers, case studies, problem-solving, practical or interactive activities. Such approaches reinforce to students the importance of applying the underpinning concepts to specific contexts. To achieve high marks in the examination it is imperative that students apply their knowledge and understanding to the specific circumstances of the business given in the unseen stimulus material. This skill of application is important and needs to be developed alongside the students' accumulation of knowledge. Appropriate contexts would include:

- the working capital cycle of businesses operation in various sectors – primary, secondary, tertiary; private, public, third sector
- an entrepreneur seeking to produce a cash-flow forecast for a business plan
- a company seeking to identify its likely future cash-flow status
- an existing business attempting to better manage its cash-flows.



Thinking Contextually

Activities	Resources
<p>1. Working capital video clip (YouTube) http://www.youtube.com/watch?v=2yrl2sM8LhI</p> <p>The concept of working capital can be introduced using this 3-minute video clip. The short clip explains what working capital is, why it is important and the formula used for its calculation.</p>	<p> Click here</p>
<p>2. Working capital cycle video</p> <p>The working capital cycle could be introduced using a short video. There are several suitable ones available on the web. Some are listed below.</p> <p>Working capital cycle (YouTube): http://www.youtube.com/watch?v=MUY1aB6mQu4</p> <p>Working capital cycle (YouTube): http://www.youtube.com/watch?v=T7gmNTpj6el</p> <p>The working capital cycle (YouTube): http://www.youtube.com/watch?v=81fsMOu2nDs</p>	<p> Click here</p> <p> Click here</p> <p> Click here</p>
<p>3. Cash-flow forecasting</p> <p>Transition activities aimed at students who have studied Business at Key Stage 4 (OCR)</p> <p>A set of lesson element resources have been specifically written to help students develop the cash-flow forecasting skills which they might need in an unseen data examination. The pack includes teacher guides and student activities. These include cash-flow terms, completing a cash-flow forecast, constructing a cash-flow forecast, interpreting a cash-flow forecast, improving a business's cash-flow position and extension activities.</p> <p>Checkpoint assessment teacher instructions and student task (OCR) – note the cash-flow task is a word document which can be downloaded from the subject page:</p> <p>http://www.ocr.org.uk/Images/164061-cash-flow-checkpoint-assessment-teacher-instructions-.pdf</p> <p>http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/</p> <p>http://www.ocr.org.uk/Images/163986-cash-flow-checkpoint-task-teacher-instructions-.pdf</p> <p>http://www.ocr.org.uk/Images/164007-cash-flow-checkpoint-task.doc</p>	<p> Click here</p> <p> Click here</p> <p> Click here</p> <p> Click here</p>








Thinking Contextually

Activities	Resources
<p>3. Cash-flow forecasting (continued) Transition activities aimed at students who have studied Business at Key Stage 4 (OCR)</p> <p>Teacher instructions for each activity can be downloaded from the OCR subject web page: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/</p> <p>Cash-flow extension task (OCR): http://www.ocr.org.uk/Images/163990-cash-flow-extension-task.doc</p> <p>Cash-flow forecast teacher instructions and student task (OCR): http://www.ocr.org.uk/Images/163992-cash-flow-forecast-activity-.doc</p> <p>Cash-flow terms teacher instructions and student task (OCR): http://www.ocr.org.uk/Images/163997-cash-flow-terms-activity.doc</p> <p>Personal cash-flow teacher instructions and task (OCR): http://www.ocr.org.uk/Images/163988-personal-cash-flow-checkpoint-task.doc</p>	<p>▶ Click here</p> <p>▶ Click here</p> <p>▶ Click here</p> <p>▶ Click here</p> <p>▶ Click here</p>
<p>4. Managing working capital – revision quiz (tutor2u) http://beta.tutor2u.net/business/blog/revision-quiz-working-capital</p> <p>An interactive quiz on working capital, most suitable for use as a plenary. Students could be issued with a set of ABCD answer cards to hold up to indicate their answers or a simple show of hands could be used.</p>	<p>▶ Click here</p>
<p>5. Why cash-flow matters (LearnLoads) http://www.learnloads.com/type/a-level-business-instant-access/</p> <p>This resource hosts two videos about cash flow. The first explains why cash-flow is so important to a business. The second investigates causes of cash-flow problems and possible solutions. In particular the video focuses on overtrading and poor credit control.</p>	<p>▶ Click here</p>



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Activities	Resources
<p>6. Interactive Cash-Flow Game (TES Connect) http://www.tes.co.uk/teaching-resource/Interactive-Cash-Flow-Game-6425987/</p> <p>This game allows students to see the importance of adequate cash-flow to a business and how day- to-day business decisions affect future cash-flow. The aim is to optimise the business's cash-flow position. Students choose an action from a list of possibilities for each of the 12 months of the year. Each action has a different outcome on the cash-flow of the business. A spreadsheet is used to calculate these effects. The activity can be used by an individual but is more effective if played competitively in teams.</p>	<p> Click here</p>
<p>7. Cash Flow Forecasting (Bee Business Bee) http://www.youtube.com/watch?v=Jh7BJtV72z8</p> <p>An 11-minute video which would provide a good introduction to the topic of cash-flow forecasting. The video uses a bath tub with water going in and out of it as an analogy for cash flowing into and out of a business. Care is taken to explain what cash-flow is and its distinction from profit. Cash-flow forecasting is emphasised to be a prediction, rather than a statement, of inflows and outflows of money expected to be going into and out of the business.</p>	<p> Click here</p>
<p>8. Cash flow forecasting worksheets (TES Connect) http://www.tes.co.uk/ResourceDetail.aspx?storyCode=6265786&</p> <p>These worksheets contain lots of questions based on various scenarios to develop students' ability to complete and interpret cash-flow forecasts. The resource also includes an excellent table on causes of cash-flow problems and potential solutions.</p>	<p> Click here</p>
<p>9. Starter Activity – Cash-Flow Forecasting for Celebs (tutor2u) http://www.tutor2u.net/blog/index.php/business-studies/comments/starter-activity-cash-flow-forecasting-for-celebs</p> <p>Despite being called a starter this is a complex activity about a leading celebrity considering a new business venture - organising post-marriage wedding celebrations for celebrities. Students are required to act as the celebrity's business advisor producing a complete cash-flow forecast and providing advice on how total cash-flow could be improved.</p>	<p> Click here</p>
<p>10. Business Finance – cash-flow test (BBC) http://www.bbc.co.uk/bitesize/quiz/q42245408</p> <p>An online quiz which can be used to reinforce students' understanding of cash-flow. It includes questions on the difference between cash-flow, cash and profit.</p>	<p> Click here</p>



Thinking Contextually

Activities

11. Exam questions

Questions from the OCR AS and A Level Business H031/H431 sample assessment material: <http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/>

- H031/01 – q17
- H031/02 – q5

Resources

 Click here



Curriculum Content Financial accounting

Income statements

- explain what is meant by an income statement
- explain what is contained within an income statement
- calculate, interpret and analyse measures of profit: gross profit, operating profit and net profit
- complete, interpret and analyse an income statement
- evaluate the usefulness of income statements to a business and its stakeholders.

Statement of financial position

- explain what is meant by a statement of financial position
- explain what is contained within a statement of financial position
- complete, interpret and analyse a statement of financial position (non-current assets, inventory, receivables, payables, working capital, non-current liabilities, net assets, retained earnings and total shareholders' equity)
- evaluate how assets may be valued: non-current assets, investments, patents, goodwill, receivables, bad debts, inventories
- evaluate the usefulness of a statement of financial position to a business and its stakeholders.

Ratio analysis

- calculate and interpret liquidity ratios: current ratio and acid test
- calculate and interpret profitability ratios: gross profit margin, net profit margin, return on capital employed (ROCE) and return on equity
- evaluate the financial position of a business
- evaluate the usefulness of ratio analysis to a business and its stakeholders.



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Approaches to teaching the content

Students need to have a firm grasp of the purpose and content of an income statement and a statement of financial position. Whilst students should be able to construct both of these final financial accounts the emphasis of teaching should be on understanding the component parts and being able to assess the significance of changes in values e.g. changes in goodwill, an increase in inventory, a decrease in receivables or a fall in gross profit. Students also need to be able to use ratio analysis as a basis for investigation into the financial position of the business. Evaluation skills are essential here. Students need a lot of hands-on practice with figures in order to become skilled at analysing the statements by calculating and interpreting ratios in order to reach justified judgements.

Common misconceptions or difficulties students may have

Students also need to be able to evaluate the usefulness of final accounts/ratio analysis to the business and its stakeholders. This is an area which many students find

difficult. It may prove helpful here to revisit work previously done on the objectives of stakeholders. The final accounts or ratios of a business can then be evaluated to see the extent to which the statements provide information to different stakeholder groups concerning their primary objectives e.g. suppliers might find the statement of financial position of particular value because it allows them to obtain information on the liquidity position of the business whereas shareholders might be more interested in the income statement as it provides details of dividends.

Conceptual links to other areas of the specification – useful ways to approach this topic to set students up for topics later in the course

Income statements, statements of financial position and ratio analysis, whilst tools in their own right, are best used with other quantitative and qualitative information. As such these topics link naturally with aims and objectives, stakeholder objectives, strategic decision-making and external influences.








Thinking Contextually

Students need to be able to do more than simply complete final accounts and calculate ratios – they need to be able to interpret these figures, making judgements about a wide range of real business scenarios. Where possible theoretical teaching should be minimised with preference being given to visits to real businesses, guest speakers, case studies, problem-solving, practical or interactive activities. Such approaches reinforce to students the importance of applying the underpinning concepts to specific contexts. To achieve high marks in the examination it is imperative that students apply their knowledge and understanding to the specific circumstances of the business given in the unseen stimulus material. This skill of application is important and needs to be developed alongside the students' accumulation of knowledge. Appropriate contexts would include:

- the final accounts of a sole trader or partnership
- the final accounts of a private limited company
- the published report of a public limited company
- data comparisons – over time, with industrial averages or competitors
- successful or failing businesses.







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Activities	Resources
<p>1. Accounting in business – reporting (The Guardian) http://teachers.theguardian.com/teacher-resources/2739/Accounting-in-business-----reporting</p> <p>A fully interactive resource with learning notes and activities at each stage taking students through the production of income statements and statements of financial position to ratio analysis and the evaluation of the financial performance of the business. The activities are specifically designed to help students understand the importance of key elements in the financial statements. Please note free registration is required to access the resource.</p>	<p> Click here</p>
<p>2. Income statement example (tutor2u) http://www.tutor2u.net/business/accounts/profit_loss_account.htm</p> <p>This link offers a simple example showing the structure and format of a typical income statement including the previous year's data so the two can be compared.</p>	<p> Click here</p>
<p>3. News in Brief podcast</p> <p>Students produce a 60-second sound byte/MP3 podcast for News in Brief on the financial performance of a company of their choice. Business articles in the tabloid press can be used as a basis for research. This activity can be useful as a consolidation exercise after studying income statements and statements of financial position.</p>	
<p>4. Why keep accounts?</p> <p>This lesson element, designed for the Cambridge Technical Business Level 3 certificate, can also be used as classroom or homework tasks for A Level students to consider the usefulness of accounts to stakeholders.</p> <p>Teacher instructions (OCR) – can be downloaded from the support materials section in the subject web page: http://www.ocr.org.uk/qualifications/cambridge-technical-business-level-3-certificate-diploma-subsidary-diploma-extended-diploma-05327-05329-05332-05335-05338/</p> <p>Learner task (OCR): http://www.ocr.org.uk/Images/126205-unit-04-why-keep-accounts-lesson-element-learner-task.doc</p> <p>PowerPoint slides (OCR): http://www.ocr.org.uk/Images/126207-unit-04-why-keep-accounts-lesson-element-presentation.ppt</p>	<p> Click here</p> <p> Click here</p> <p> Click here</p>





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Activities	Resources
<p>5. Research activity Students could be issued with the company report and annual accounts for a well known plc. Students should then be split into groups, each representing a different stakeholder group e.g. suppliers, customers, staff, shareholders, HMRC etc. They should be asked to evaluate the usefulness of these documents from their own stakeholder perspective using appropriate criteria. This activity helps students understand that the usefulness of final accounts varies from one stakeholder group to another. This is far more than a number crunching exercise. To gain maximum benefit from the activity a wide range of different stakeholder groups need to be allocated and each stakeholder group needs to feed back its findings.</p>	
<p>6. Billy's Kebabs: Ratio Analysis Activity (TES Connect) http://www.tes.co.uk/teaching-resource/Ratio-Analysis-Activity-1-of-3-6301522/ A simple and clearly laid out resource which could be used to help guide students through the initial stages of ratio analysis. The resource comprises data for Billy's Kebabs and multiple worksheets guiding students through the interpretation of income statements and statements of financial position to ratio analysis.</p>	<p> Click here</p>
<p>7. Frank's Frankfurters: Introduction to Ratio Analysis (TES Connect) http://www.tes.co.uk/teaching-resource/Intro-to-Ratio-Analysis-6382714/ A comprehensive resource pack on ratio analysis including lesson plans, formula sheets, flash cards and various starter and plenary activities (round robin, paired sorter, peer assessment) as well as progressive worksheets, teacher answers and extension exercises.</p>	<p> Click here</p>
<p>8. Bangkok Chocolate Company – Financial Accounts (TES Connect) http://www.tes.co.uk/teaching-resource/Bangkok-Chocolate-Company-Financial-Accounts-6183141/ A complex resource which would work well to enhance student understanding of ratio analysis towards the end of a period of study. Students have to use the information to draw up an income statement and statement of financial position before carrying out ratio analysis on the company. All figures are in Thai Baht. Answers are included and there is a PowerPoint presentation which can be turned into a wall display.</p>	<p> Click here</p>
<p>9. Trouble at Travelodge (tutor2u) http://www.tutor2u.net/blog/index.php/business-studies/comments/trouble-at-travelodge-ratio-analysis-helps-explain-why A short case study on the troubles at Travelodge. Students could be asked to analyse the problems at Travelodge and suggest possible solutions. This work could be done individually but is probably best carried out in pairs or small groups.</p>	<p> Click here</p>



Thinking Contextually

Activities	Resources
<p>10. Exam questions</p> <p>Questions from the OCR A Level Business H430: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-studies-h030-h430/</p> <ul style="list-style-type: none">• F292 – June 2014 (q5)• F292 – June 2013 (q1e)• F294 – June 2013 (q1 & 2)• F292 – January 2013 (q3) <p>Questions from the OCR AS and A Level Business H031/ H431 sample assessment material: http://www.ocr.org.uk/qualifications/as-a-level-gce-business-h031-h431-from-2015/</p> <ul style="list-style-type: none">• H031/02 – q4, Q8• H431/01 – q6	<p> Click here</p> <p> Click here</p>





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