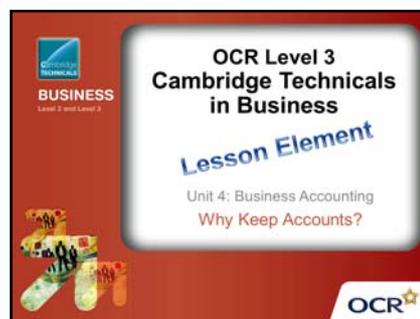


Unit 4 – Business accounting

Why Keep Accounts?

Instructions and answers for Teachers

These instructions should accompany the OCR resource 'Why Keep Accounts?', which supports the OCR Level 3 Cambridge Technicals in Business Unit 4 – Business Accounting



Associated Files:
 Why Keep Accounts presentation
 Why Keep Accounts worksheet

Expected Duration:
 Task 1: approx. 15 minutes
 Task 2: 45 minutes

Learners should gain an understanding of why it is essential that businesses keep clear records of the monetary transactions going into and out of a business and the potential consequences if these are not kept up to date.

Sample answers are provided below.



Task 1

Working in pairs, write a definition of accounting.

Accounting is the monetary movement within a business during the financial year to show all the profits and losses to date.

Task 2

Now watch the 'Why Keep Accounts?' PowerPoint presentation.

- 1) Now you have seen the 'Why Keep Accounts?' PowerPoint presentation, rewrite your definition of accounting.

Accounts are kept to show if a business is making a profit or loss, how much the business is worth as well as if they owe any money to individuals.

- 2) Explain the reasons why a business must keep accounting records. Consider the consequences of not keeping accurate accounting records. Use examples to illustrate your answer.

It is important that a business maintains accounting records since they provide a record of transactions that a business has carried out. This means that managers can monitor the activities of the business and measure its performance over time. This in turn should help managers make decisions that are better informed, and ensure that other stakeholders are provided with accurate information.

If accurate records are not kept then a number of problems may arise. For example, before paying an invoice from a supplier, a business will normally check that what they received was indeed what they ordered, and that the supplier is charging the right price. If accurate records are not kept, then the business may pay the incorrect amount, which could impact on their profits.



- 3) Select one internal and one external stakeholder who would make use of the final accounts of a business. Explain their interest in the final accounts.

Internal stakeholder:

Managers – Managers are interested in the final accounts of the business so they know their current position within the market. Part of their job is to plan ahead and make provisions when needed for good or bad times within the business. The financial accounts will show the progress the company is making meaning the managers can plan for expansion if appropriate, and move the business forward to compete with competitors to gain more of the market share. Likewise if the business is not doing so well, the managers would make decisions on if they need to diversify, reduce or cease trading.

External stakeholder:

The Bank – If a business was to seek alternative financial means such as a bank loan, the bank would want to view their accounts to see if the business could pay back the loan in full within the agreed timescale. The bank would be able to judge the continued business performance from the past accounts and see if the loan would be appropriate to move the business forward. If the accounts are up to date and are positive, then the business would probably be accepted for a bank loan.



These activities offer an opportunity for English skills development.

LESSON *Elements*

The building blocks you need to construct informative and engaging lessons

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