

# A LEVEL

## Delivery Guide

H431

# BUSINESS

Theme: Accounting and Finance 2

August 2015



We will inform centres about any changes to the specification. We will also publish changes on our website. The latest version of our specification will always be the one on our website ([www.ocr.org.uk](http://www.ocr.org.uk)) and this may differ from printed versions.

Copyright © 2015 OCR. All rights reserved.

#### Copyright

OCR retains the copyright on all its publications, including the specifications. However, registered centres for OCR are permitted to copy material from this specification booklet for their own internal use.

Oxford Cambridge and RSA Examinations is a Company Limited by Guarantee. Registered in England. Registered company number 3484466.

Registered office: 1 Hills Road  
Cambridge  
CB1 2EU

OCR is an exempt charity.

## CONTENTS

Introduction	Page 4
Curriculum Content <i>Accounting and finance objectives and concepts</i>	Page 5
Thinking Conceptually	Page 6
Thinking Contextually	Page 7
Curriculum Content <i>Costing and cash-flow statements</i>	Page 11
Thinking Conceptually	Page 12
Thinking Contextually	Page 13
Curriculum Content <i>Depreciation, ratios and external influences</i>	Page 18
Thinking Conceptually	Page 19
Thinking Contextually	Page 20



# 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](mailto:resources.feedback@ocr.org.uk).

## KEY



Click to view associated resources within this document.



Click to view external resources



AS Level content only



# Curriculum Content Accounting and finance objectives and concepts

## Concepts

- explain the need for accounts to achieve a 'true and fair' view of the business
- explain the need to comply with Generally Accepted Accounting Practice (GAAP); (knowledge of specific rules and regulations is **not** required)
- explain the accounting conventions of consistency, going concern, accruals (matching), materiality, objectivity, prudence (conservatism) and realisation
- apply accounting conventions to a business
- evaluate the usefulness of accounting conventions to a business and its stakeholders
- evaluate the impact and importance of accounting conventions to a business and its stakeholders.

## Objectives

- explain accounting and finance objectives
- explain how and why accounting and finance objectives are used by a business
- explain the need for a business to have clear accounting and finance objectives
- evaluate the usefulness of accounting and finance objectives to a business and its stakeholders
- evaluate the importance of accounting and finance objectives in the achievement of business objectives
- recommend and justify accounting and finance objectives for a business.



# Thinking Conceptually

## **Approaches to teaching the content**

Students need to understand that a business is required to produce accounts which show a true and fair view of its operations. Various stakeholders, with wide-ranging interests in the business, need to be able to validly and reliably interpret the data for their own use. If every business presented financial information in the way it felt best then the results would be of limited value and, most likely, misleading. In order for valid comparisons to be made – year on year and from one business to another – various accounting concepts and conventions have been developed. Students need to understand the importance of the Generally Accepted Accounting Practice principles and the benefit these can be to stakeholders who use a business's accounts.

Students also need to understand that each business sets itself an array of financial objectives which are individual and distinct for that business. Students need to be able to evaluate the usefulness of setting specific financial objectives and make recommendations on how such important objectives can be achieved. 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.

## **Common misconceptions or difficulties students may have**

Students often have some difficulty understanding basic accounting concepts/conventions and even more difficulty in understanding the importance of these conventions. Wherever possible the topic needs moving from theory to practical, from abstract to concrete, using real business examples with which the students can engage. In contrast, students seem to have far less difficulty understanding the financial objectives which a business might set for itself. The danger here is that students concentrate too much on profit and shareholder returns, forgetting other important objectives such as contribution, cash flow, sales or cost minimisation.

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

One of the most common mistakes made by students is to keep their knowledge of accounting conventions and financial objectives compartmentalised – only referring to it when a specific question on such a topic is asked in the examination. All business decisions have a financial element to them and, therefore, accounting conventions and financial objectives can be mentioned when evaluating any business scenario or making recommendations for change.



# Thinking Contextually

Students 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:

- a new business seeking to portray a true and fair view of its activities
- an existing business needing advice on how to achieve its financial objectives
- a struggling business considering a change in its financial objectives
- a successful business considering a change in its financial objectives
- a consideration of how business accounting practices impact on different stakeholder groups.



# Thinking Contextually

Activities	Resources
<p><b>1. The problem with business accounts</b> A problem-based learning exercise which helps students realise that company accounts cannot be all things to all readers. By the end of the activities students should realise the need for basic accounting conventions. This exercise would make a good introduction to GAAP.</p> <p><b>Business Accounting: The Problem (Biz/ed)</b> <a href="http://www.bized.co.uk/current/pbl/2004_05/310105.htm?page=2">http://www.bized.co.uk/current/pbl/2004_05/310105.htm?page=2</a></p>	<p></p>
<p><b>2. GAAP conventions interactive worksheet</b> This worksheet emphasises the need for objectivity and consistency in accounting and explains the concepts of going concern, accruals, prudence, consistency, cost, materiality, business entity, money measurement, realisation and dual aspect.</p> <p><b>Accounting concepts and conventions (Biz/ed)</b> <a href="http://www.bized.co.uk/learn/accounting/infosystems/bait/work06.htm">http://www.bized.co.uk/learn/accounting/infosystems/bait/work06.htm</a></p>	<p></p>
<p><b>3. Accounting concepts video</b> An understanding of accounting concepts can be developed using a short video. There are several suitable ones available on the web. Some are listed below:</p> <p><b>Accounting Concepts and Accounting Principles with Examples (YouTube)</b> <a href="https://www.youtube.com/watch?v=BotMSWO6aj4">https://www.youtube.com/watch?v=BotMSWO6aj4</a></p> <p><b>Basic Accounting Principles (YouTube)</b> <a href="https://www.youtube.com/watch?v=ToSZ9gHM5E4">https://www.youtube.com/watch?v=ToSZ9gHM5E4</a></p> <p><b>Fundamental Accounting Concepts (YouTube)</b> <a href="https://www.youtube.com/watch?v=YDUTiGCwzTw">https://www.youtube.com/watch?v=YDUTiGCwzTw</a></p>	<p></p> <p></p> <p></p>
<p><b>4. GAAP examples</b> This resource contains a useful activity on GAAP practices. It converts the abstract principles into concrete examples to develop understanding.</p> <p><b>Accounting in business – recording (The Guardian)</b> <a href="http://teachers.theguardian.com/teacher-resources/2742/Accounting-in-business-----recording">http://teachers.theguardian.com/teacher-resources/2742/Accounting-in-business-----recording</a></p>	<p></p>



# Thinking Contextually

Activities	Resources
<p><b>5. GAAP applying the concepts worksheet</b> This resource includes a lesson plan, notes and student worksheet to help students move from an abstract understanding of the GAAP principles to a concrete understanding of specific examples and how these impact on stakeholders.</p> <p><b>Lesson Plan: Fundamental concepts of accounting (Money Instructor)</b> <a href="http://www.moneyinstructor.com/lesson/accountingconcepts1p.asp">http://www.moneyinstructor.com/lesson/accountingconcepts1p.asp</a></p>	<p></p>
<p><b>6. The importance of accounting standards</b> This resource encourages students to investigate the importance of accounting standards. It is detailed and thorough and could be used as a stretch and challenge exercise to develop student understanding of the benefit of GAAP principles to a wide range of differing stakeholders.</p> <p><b>A PricewaterhouseCoopers case study (Business Case Studies)</b> <a href="http://businesscasestudies.co.uk/pricewaterhousecoopers/the-importance-of-accounting-standards/introduction.html#axzz3OWAfXTmE">http://businesscasestudies.co.uk/pricewaterhousecoopers/the-importance-of-accounting-standards/introduction.html#axzz3OWAfXTmE</a></p>	<p></p>
<p><b>7. Accounting concepts quiz</b> Detailed notes on accounting conventions including an interactive quiz with 'test yourself' feature which could be used as a whole class plenary.</p> <p><b>Accounting concepts and conventions (Get Revising)</b> <a href="http://getrevising.co.uk/revision-cards/financial_reporting#">http://getrevising.co.uk/revision-cards/financial_reporting#</a></p>	<p></p>
<p><b>8. Financial objectives mind map</b> When answering financial objective questions it is important that students do not think too narrowly – possibly just considering profit or returns on investment. This activity encourages students to think of a wide range of possible financial objectives before applying their knowledge to specific businesses. Working in groups students would be asked to produce a mind map showing as many as possible financial objectives which a firm may set. These could then be displayed to see which group has thought of the greatest number of objectives. An example of a typical mind map that students may produce can be found at: <a href="http://getrevising.co.uk/diagrams/financial_objectives">http://getrevising.co.uk/diagrams/financial_objectives</a></p>	<p></p>



# Thinking Contextually

Activities	Resources
<p><b>9. Financial objectives video clips</b> Video clips can be used to show the financial objectives selected by a range of businesses. The use of video can help students realise that every business's financial objectives are different. Some video clips are listed below. Others may be found by searching YouTube.</p> <p><b>Clip 28: Financial Objectives (TV Choice)</b> <a href="http://www.tvchoice.uk.com/product_p/328.htm">http://www.tvchoice.uk.com/product_p/328.htm</a></p> <p><b>Clip 29: Financial Objectives in conflict (TV Choice)</b> <a href="http://www.tvchoice.uk.com/product_p/329.htm">http://www.tvchoice.uk.com/product_p/329.htm</a></p> <p><b>Clip 30: Financial Objectives at ACME Whistles (TV Choice)</b> <a href="http://www.tvchoice.uk.com/product_p/330.htm">http://www.tvchoice.uk.com/product_p/330.htm</a></p>	<p><a href="#">▶ Click here</a></p> <p><a href="#">▶ Click here</a></p> <p><a href="#">▶ Click here</a></p>
<p><b>10. Financial objectives and exam technique</b> A useful handout which could be issued towards the end of a consideration of financial objectives. The handout contains useful advice on handling exam questions and could be followed by the use of past question papers to develop these skills.</p> <p><b>Financial objectives revision notes (TES Connect)</b> <a href="https://www.tes.co.uk/teaching-resource/Financial-Objectives-Revision-Notes-6056636/">https://www.tes.co.uk/teaching-resource/Financial-Objectives-Revision-Notes-6056636/</a></p>	<p><a href="#">▶ Click here</a></p>



# Curriculum Content Costing and cash-flow statements

## **Costing**

- evaluate the usefulness of cost centres and profit centres to a business and its stakeholders
- calculate and interpret how costs may be allocated: full, absorption and marginal
- evaluate the usefulness of different costing methods to a business and its stakeholders
- evaluate how the allocation of costs can affect a business and its stakeholders
- explain what is meant by a 'stepped fixed cost'
- evaluate special order decisions.

## **Cash-flow statements**

- distinguish between a cash-flow forecast and a cash-flow statement
- explain the purpose of a cash-flow statement
- calculate, interpret and analyse cash-flow statements
- evaluate the impact of a cash-flow statement on a business and its stakeholders
- evaluate the usefulness of cash-flow statements for a business and its stakeholders.



# Thinking Conceptually

## **Approaches to teaching the content**

Stepped fixed costs and special order decisions both build upon basic break-even analysis. Once students are familiar with the classifications of fixed and variable costs it is quite easy to introduce stepped fixed costs. Ask them to consider what happens to a business which needs to expand in order to increase its output – there is likely to be a need for a bigger building or improved machines. Such changes would increase fixed costs over a particular output range and this can be modelled on a break-even chart as a stepped line. Likewise, once students are familiar with the concept of contribution then special order decision-making is a natural progression.

## **Common misconceptions or difficulties students may have**

Introducing costing methods is difficult because up until now students are likely only to have ever considered full costing where the entire costs of a business's operation are calculated. Students need to understand that for management accounting and control purposes a business (especially one which operates in multiple or global markets) is likely to need more information for decision-making purposes. Costs may be apportioned to any distinct product centre. Marginal

costing apportions all costs except overheads to appropriate product centres whereas absorption costing apportions all costs including overheads to product centres. A frequent area of confusion among students is the difference between a cost centre and a profit centre. It is important, therefore, to be clear from the outset that a profit centre is one where costs and revenues can be calculated and managed whereas in a cost centre only costs can be calculated and controlled.

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

Cash flow statements are the same in format and method of calculation as cash flow forecasts – as such there is a direct link with this area of the specification. The difference however is in purpose – whereas a cash flow forecast is a prediction of expected cash flow, a cash flow statement shows the actual cash inflows and outflows of the business over a specific period of time. The use to which a cash flow statement is put, therefore, is fundamentally different to that of a cash flow forecast. In an examination situation, where a cash flow is given, it is very important that students check whether they are reading a forecast or statement.



# Thinking Contextually

Students 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:

- a business considering accepting a special order
- a business considering changing its costing methods
- an expanding business seeking to obtain better management accounting information
- a struggling business seeking to better control costs
- a stakeholder seeking to analyse a business's cash flow statement.



# Thinking Contextually

Activities	Resources
<p><b>1. Introducing stepped costs</b> Students could be given a sheet of paper and be asked to draw a rough sketch on a break-even diagram of a fixed cost and a variable cost. They could then be asked to consider a stepped cost. For example a small primary school with 20 pupils has 2 teachers but if its intake increases to 30 pupils it will need 3 teachers; assuming an average salary of £30,000 per teacher, show the stepped cost on a diagram. Or a business is operating at full capacity; assuming that it wishes to increase output beyond 15,000 units it must lease a second factory unit, increasing fixed costs from £50,000 to £75,000.</p>	
<p><b>2. Cost behaviour video clip</b> A 9-minute video clip which shows different types of costs drawn on a break-even graph. It emphasises the importance of valid range on fixed costs and gives detailed examples of stepped fixed costs.</p> <p><b>Cost Behavior: Fixed, Variable, Mixed, and Step Costs (YouTube)</b> <a href="https://www.youtube.com/watch?v=4djhi7bGKI">https://www.youtube.com/watch?v=4djhi7bGKI</a></p>	<p>▶ Click here</p>
<p><b>3. Give me stepped costs</b> Students could be asked to search the Internet for an example of stepped costs which a business might experience. A time element could be added – the first group to find five examples. Examples include buildings, staff, machinery, maintenance contracts and insurance cover.</p>	
<p><b>4. Contribution and special order video</b> CLIP 3 (10 minutes) shows the benefits of calculating business contribution. CLIP 4 (6 minutes) then shows how a print shop uses the concept of contribution to decide whether or not to take on a particular print job.</p> <p><b>Accounting &amp; Finance Clips 5: Investment Decisions &amp; Contribution (TV Choice)</b> <a href="http://www.tvchoice.uk.com/Clips_5_Investment_Decisions_Contribution_p/105.htm">http://www.tvchoice.uk.com/Clips_5_Investment_Decisions_Contribution_p/105.htm</a></p>	<p>▶ Click here</p>



# Thinking Contextually

Activities	Resources
<p><b>5. Rochester Travel Products</b></p> <p>A series of short videos which carefully consider special order decisions at RTP. The first video (14 minutes) considers a discounted deal, the second video (9 minutes) introduces the concept of capacity and the third video (8 minutes) considers additional factors such as the effect on competition and the business's other sales. Being case study based, with detailed worked numerical examples throughout, these videos are particularly useful for developing good exam technique. Worksheets to accompany these videos are available in a zip file from <a href="http://www.evideolearner.com/">http://www.evideolearner.com/</a>.</p> <p><b>Lesson FA-20-060 - Clip 02 - Example 1 - Special Order Decision - RTP - Case 1 (YouTube)</b> <a href="https://www.youtube.com/watch?v=WPIqmcVO2Sc">https://www.youtube.com/watch?v=WPIqmcVO2Sc</a></p> <p><b>Lesson FA-20-060 - Clip 03 - Example 2 - Special Order Decision - RTP - Case 2 (YouTube)</b> <a href="https://www.youtube.com/watch?v=YU4QGF9Z1J4">https://www.youtube.com/watch?v=YU4QGF9Z1J4</a></p> <p><b>Lesson FA-20-060 - Clip 04 - Example 3 - ASpecial Order Decision - RTP - Case 3 (YouTube)</b> <a href="https://www.youtube.com/watch?v=rnlvBE6fQMg">https://www.youtube.com/watch?v=rnlvBE6fQMg</a></p>	<p> Click here</p> <p> Click here</p> <p> Click here</p> <p> Click here</p>
<p><b>6. Special order decision video</b></p> <p>An 11-minute video which clearly explains what special order decisions are and what factors need to be taken into account when making special order decisions. This video would work well as a lead-in to students attempting a Level 4 special order evaluative question – several can be found in past exam papers.</p> <p><b>Video 3 - Special Order Decisions (YouTube)</b> <a href="https://www.youtube.com/watch?v=pXv-OY4RJeQ">https://www.youtube.com/watch?v=pXv-OY4RJeQ</a></p>	<p> Click here</p>
<p><b>7. Special order case study question</b></p> <p>Kaatz company manufactures Tings. It has been offered a special order. Students are asked to calculate the effect on the company if the special order is accepted. Students can attempt a detailed answer to the question for themselves before seeing a worked-through variant of the answer on video. This can be done via the 'link to problem' given below the YouTube clip.</p> <p><b>Relevant Costs for Decision Making - Special Order (YouTube)</b> <a href="https://www.youtube.com/watch?v=O07hoSbQAsw">https://www.youtube.com/watch?v=O07hoSbQAsw</a></p>	<p> Click here</p>



# Thinking Contextually

Activities	Resources
<p><b>8. Costing video</b> This 14-minute video looks at absorption and marginal costing methods. It includes step-by-step costing calculations, explains how gross profit differs for each of the two methods, explains how costing affects decision-making and gives a detailed consideration of the advantages and disadvantages of both methods.</p> <p><b>Accounting Marginal and Absorption Costing (YouTube)</b> <a href="https://www.youtube.com/watch?v=hZUS2PrwIUY">https://www.youtube.com/watch?v=hZUS2PrwIUY</a></p>	
<p><b>9. Cameron Balloons' costings</b> A printed or interactive online worksheet which works through the costing for Cameron's virtual balloon factory. The worksheet encourages students to consider full, absorption and marginal costing and evaluate the suitability to Cameron's of each method.</p> <p><b>Costs Worksheet: Virtual Factory Production Department (Biz/ed)</b> <a href="http://www.bized.co.uk/virtual/cb/factory/production/worksheets5.htm">http://www.bized.co.uk/virtual/cb/factory/production/worksheets5.htm</a></p>	
<p><b>10. Cost and profit centre video</b> A 6-minute video that clearly explains the difference between a cost centre and a profit centre and the advantages and disadvantages of both. It contains some good examination tips and considers how to answer evaluative questions on this topic.</p> <p><b>Accounting and Finance - Cost and Profit Centres (YouTube)</b> <a href="https://www.youtube.com/watch?v=8XcGPYc7JEw">https://www.youtube.com/watch?v=8XcGPYc7JEw</a></p>	
<p><b>11. Profit centre discussion</b> Ask the class to consider whether their Sixth Form should be modelled and run along profit centre principles. Give each student two Post-it notes and ask them to write down one reason for and one reason against this proposal. Ask the class to stick their Post-its on two boards – one yes, one no – then begin a class discussion.</p>	
<p><b>12. Football cash-flow statement</b> An Excel spreadsheet using data from Burnley Football Club's annual accounts to produce a cash-flow statement. Students are required to fill in the missing figures to practice completing cash-flow statements. As the mechanics of completing a cash-flow statement are exactly the same as completing a cash-flow forecast this exercise is a good link to transition between the two documents. The spreadsheet could easily be adapted to other clubs if so desired.</p> <p><b>Cash Flow statement for football club (TES Connect)</b> <a href="https://www.tes.co.uk/teaching-resource/Cash-Flow-statement-for-football-club-6453205/">https://www.tes.co.uk/teaching-resource/Cash-Flow-statement-for-football-club-6453205/</a></p>	



# Thinking Contextually

Activities	Resources
<p><b>13. Cash-flow statement resource pack</b> A comprehensive resource which includes a PowerPoint presentation, worksheets and extension exercises. The resource emphasises the purpose of a cash flow statement (as distinct from a cash-flow forecast) as well as requiring students to make the necessary calculations and resultant analyses.</p> <p><b>Cash Flow Statements (TES Connect)</b> <a href="https://www.tes.co.uk/teaching-resource/CASH-FLOW-STATEMENTS-6398079/">https://www.tes.co.uk/teaching-resource/CASH-FLOW-STATEMENTS-6398079/</a></p>	
<p><b>14. Cash-flow statement evaluation podcast</b> Students are to complete an evaluation of a business's published cash-flow statement, recording their findings as a 60-second podcast business news broadcast. To make the assessment easier, all students could use the same company's financial data and criteria-based peer assessment be used to determine the best podcast. Criteria such as clarity, detail, interest factor could be used. Alternatively each student could produce a podcast for a leading company, e.g. Kelloggs, Coca-Cola, Tesco, Innocent, Apple etc, and the podcasts listened to as starters at the beginning of each of a series of lessons.</p>	



# Curriculum Content Depreciation, ratios and external influences

## Depreciation

- explain what is meant by depreciation
- explain the need for the provision of depreciation
- calculate and interpret methods of depreciation: straight line and reducing balance
- evaluate the impact of depreciation on a business.

## Ratios

- calculate and interpret solvency ratios: gearing and interest cover
- calculate and interpret efficiency ratios: creditor turnover, debtor turnover, non-current assets turnover and stock turnover
- calculate and interpret shareholder ratios: dividend per share, dividend yield, earnings per share and price/earnings ratio
- evaluate the financial position of a business.

## External influences

- evaluate the following influences on accounting and finance:
  - social
  - legal
  - ethical
  - environmental
  - economic
  - political
  - technological
  - international.



# Thinking Conceptually

## **Approaches to teaching the content**

In relation to depreciation students need to know what depreciation is, how it can be calculated, how it affects profit but not cash-flow and how it is posted in the final accounts. With regards to gearing, students need to be able to make the necessary calculations and understand its link to risk. In addition, students need to be able to calculate and interpret and evaluate shareholder ratios. They also need to be able to calculate and interpret efficiency ratios. Efficiency ratios need to be evaluated from a range of stakeholder perspectives.

## **Common misconceptions or difficulties students may have**

Students understand the concept of depreciation (they understand that a new car loses value as soon as it is driven out of a showroom). Nevertheless students seem to have a great deal of difficulty understanding how a provision for depreciation should be handled in a business's final accounts. The provision for the current period is recognised as a cost

on the income statement yet it does not involve a cash flow. The total depreciation to date is shown in the statement of financial position.

## **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 concept of depreciation clearly links directly with profit, cash-flow and final accounts. The way in which depreciation is charged is likely to window dress a business's accounts and, therefore, also provide further opportunity to consider stakeholder objectives and the usefulness of business accounts. A consideration of solvency, efficiency and shareholder ratios provides further opportunities to link accounting practice and stakeholder impact. A consideration of external influences on accounting and finance should ideally be linked back to financial objectives – including the financial objectives which a business sets itself and its ability to meet those objectives.



# Thinking Contextually

Students 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:

- a business seeking to decide on its depreciation policy for a new fixed asset
- an existing company applying to Companies House to change the way depreciation is charged on a particular fixed asset
- a struggling business wishing to evaluate its operational efficiency
- prospective investors seeking to evaluate a company's performance
- a forward-looking company which wishes to assess the opportunities and threats to its financial position of current external influences
- a finance director wishing to decide whether the financial objectives of the company need to be updated.



# Thinking Contextually

Activities	Resources
<p><b>1. Depreciation video clip</b> This video clip would make a good introduction to the topic of depreciation. A company has bought an expensive piece of machinery for manufacturing printed circuit boards. This 3-minute video clip explains the two main ways of charging for depreciation on this expensive fixed asset.</p> <p><b>Clip 32 Depreciation (TV Choice)</b> <a href="http://www.tvchoice.uk.com/product_p/332.htm">http://www.tvchoice.uk.com/product_p/332.htm</a></p>	<p></p>
<p><b>2. Depreciation video</b> A 6-minute video which clearly explains the concept of depreciation, gives examples of assets which depreciate, shows how to calculate a provision for depreciation using both the straight line and reducing balance method and considers the suitability of each method for a range of assets and scenarios.</p> <p><b>Bookkeeping Lesson 2: Straight Line vs. Reducing Balance Depreciation (YouTube)</b> <a href="https://www.youtube.com/watch?v=n86exyWN6ik">https://www.youtube.com/watch?v=n86exyWN6ik</a></p>	<p></p>
<p><b>3. Depreciation worked example and worksheet</b> A clear worksheet which explains the concept of depreciation and the different methods of calculation. The worksheet contains detailed worked numerical examples of both methods, some calculation practice and some thought-provoking questions on the effects of providing for depreciation.</p> <p><b>Straight Line and Reducing Balance Depreciation (TES Connect)</b> <a href="https://www.tes.co.uk/teaching-resource/Straight-Line-and-Reducing-Balance-Depreciation-6432014/">https://www.tes.co.uk/teaching-resource/Straight-Line-and-Reducing-Balance-Depreciation-6432014/</a></p>	<p></p>
<p><b>4. Depreciation worksheet</b> Another worksheet to enhance understanding of depreciation with more practice calculations. The worksheet includes an extension exercise using Sainsbury's published accounts.</p> <p><b>Worksheet on depreciation (Biz/ed)</b> <a href="http://www.bized.co.uk/learn/business/accounting/busaccounts/deprec.htm">http://www.bized.co.uk/learn/business/accounting/busaccounts/deprec.htm</a></p>	<p></p>



# Thinking Contextually

Activities	Resources
<p><b>5. Gearing game</b> A competitive simulation 'risk and reward' game best done in teams. The simulation covers 4 years of investment and provides excellent debriefing questions on the importance of company gearing to investors and potential investors.</p> <p><b>Gearing Game (EBEA)</b> <a href="http://www.ebea.org.uk/teaching_resources/lesson_ideas_and_resources/a_level_business_studies/some_great_lessons_plans_and_resources/">http://www.ebea.org.uk/teaching_resources/lesson_ideas_and_resources/a_level_business_studies/some_great_lessons_plans_and_resources/</a></p>	<p></p>
<p><b>6. Gearing and shareholder ratio video</b> A 9-minute video on gearing and investment ratios. The video shows formulae and worked examples as well as showing where to find the data in company accounts. The video could be used as an introduction to an exercise whereby students have to do their own investor-centric research on a chosen company's accounts.</p> <p><b>Accounting Ratios 3 (YouTube)</b> <a href="https://www.youtube.com/watch?v=u6FP81c-ONw">https://www.youtube.com/watch?v=u6FP81c-ONw</a></p>	<p></p>
<p><b>7. Big Tasty Burger Plc</b> A clearly presented income statement and statement of financial position for the fictitious Big Tasty Burger Plc with grid for students to calculate, compare and analyse the company's gearing and investor ratios.</p> <p><b>Ratio Analysis Activity #3 of 3 (TES Connect)</b> <a href="https://www.tes.co.uk/teaching-resource/Ratio-Analysis-Activity-3-of-3-6334365/">https://www.tes.co.uk/teaching-resource/Ratio-Analysis-Activity-3-of-3-6334365/</a></p>	<p></p>
<p><b>8. Vodafone investigated</b> This extensive case study based ratio analysis interactive resource encourages students to investigate Vodafone. Focus on Ratio analysis 6 – Gearing and Ratio analysis 7 – Investor.</p> <p><b>Financial Ratio Analysis - Index (Biz/ed)</b> <a href="http://www.bized.co.uk/compfact/ratios/index.htm">http://www.bized.co.uk/compfact/ratios/index.htm</a></p>	<p></p>



# Thinking Contextually

Activities	Resources
<p><b>9. Share ownership – which investment?</b> Students love the idea of owning shares. Working in small groups, ask each team to come up with a type of business they would like to own £500 worth of shares in. Oligopoly industries such as supermarkets, petrol stations, fashion houses, banks, technology or car manufacturers work particularly well since the largest businesses in these industries tend to be well known. Having declared their industry each member of the team is to find financial data for one company within the industry and produce an analysis of relevant gearing and investor ratios. So for example, if the team chose to buy shares in banks, each member of the team would research an individual bank, e.g. HSBC, Halifax, Lloyds and The Cooperative Bank. The team should then hold a meeting to decide which of its researched companies to buy shares in. They should then explain their decision to the full class. Interest can be further developed by plotting the share prices/dividends of their chosen companies over time to see which team would have made the most lucrative investment.</p>	
<p><b>10. Efficiency ratio quiz</b> An online multiple-choice quiz covering efficiency ratios such as stock, debtor and creditor turnover. It would make a good plenary to a lesson on efficiency ratios or a starter to recap the topic in a subsequent lesson.</p> <p><b>Financial efficiency ratios – stock, debtor creditor quiz</b> <a href="http://www.tutor2u.net/business/quiz/financiaefficiency/quiz.html">http://www.tutor2u.net/business/quiz/financiaefficiency/quiz.html</a></p>	<p>▶ Click here</p>
<p><b>11. Dragons' Den potential stockist</b> Working in teams as entrepreneurs, students are given a product for which they must find a potential stockist. Good examples are the types of inventive products frequently found on Dragons' Den and would include a fancy watering can, a new range of sun creams, designer jewellery or children's furniture. An episode of Dragons' Den could even be shown to allow students to select a product. Once a product has been selected ask students to identify 4 different businesses who might stock their product, e.g. for the watering can – B&amp;Q, Argos, Debenhams and online retailer Very.co.uk. The company initially buys 100 items from them. Ask the students to estimate the approximate length of time each company is likely to take to pay for the 100 items (creditor/payables turnover) using data taken from each company's published accounts. Are they shocked by the figures? If the students were the entrepreneurs could they afford to wait that long to be paid?</p>	
<p><b>12. Ratio crossword</b> A crossword which tests students' knowledge of financial ratios (including efficiency, gearing and shareholder ratios). The crossword can be printed off or done online. Online the crossword includes a timer to add a competitive edge.</p> <p><b>BUSS3 ratios (Get Revising)</b> <a href="http://getrevising.co.uk/revision-tests/buss3_ratios?game_type=crossword">http://getrevising.co.uk/revision-tests/buss3_ratios?game_type=crossword</a></p>	<p>▶ Click here</p>



# Thinking Contextually

Activities	Resources
<p><b>13. External influences spider diagram</b> Give students a spider diagram blank (either on paper or as an electronic document) with the 8 legs labelled 'social', 'legal', 'ethical', 'environmental', 'economic', 'political', 'technological' and 'international'. Working in pairs, and using the Internet for research, students should insert the logo of their chosen company into the body of the spider and make notes on the spider's legs on the specific external influences on this company and their likely effects: e.g. Coca Cola logo, legal – possible restriction of sugary drinks – reduction of profits.</p>	
<p><b>14. Finance and external influences presentation</b> A PowerPoint presentation which considers external influences on financial objectives. The presentation could be used as the basis for a lesson where students produce a leaflet or poster for a well known business showing how at least 4 of the 8 external influences (social, legal, ethical, environmental, economic, political, technological, international) impact on its finance function.</p> <p><b>BUSS3 Understanding financial objectives PowerPoint (Get Revising)</b> <a href="http://getrevising.co.uk/resources/buss3_understanding_financial_objectives_powerpoint">http://getrevising.co.uk/resources/buss3_understanding_financial_objectives_powerpoint</a></p>	<p>▶ Click here</p>
<p><b>15. Experian case study</b> Using the Experian case study, ask students to 'Evaluate possible external influences on Experian'. Explain that the question will be level of response marked using 4 levels. Explain that for the top level a detailed evaluation will be required. Students need to select two or three external factors which will influence the business, analyse the impact of each factor and make a reasoned judgement as to which influence is likely to have the greatest impact on the business. For top Level 4 marks students should differentiate their answer by giving consideration to short-term and long-term impacts. Mark the response using a level of response mark scheme taken from a sample or past paper. Give feedback on level of response technique as well as on content. Where students do not achieve Level 4, explain what would be needed to move them on to the next level. This activity can easily be adapted for any business case study.</p> <p><b>Strategic planning - responding to external influences (Business Case Studies)</b> <a href="http://businesscasestudies.co.uk/experian/strategic-planning-responding-to-external-influences/#axzz3OWAfXTmE">http://businesscasestudies.co.uk/experian/strategic-planning-responding-to-external-influences/#axzz3OWAfXTmE</a></p>	<p>▶ Click here</p>





We'd like to know your view on the resources we produce. By clicking on the 'Like' or 'Dislike' button you can help us to ensure that our resources work for you. When the email template pops up please add additional comments if you wish and then just click 'Send'. Thank you.

If you do not currently offer this OCR qualification but would like to do so, please complete the Expression of Interest Form which can be found here:

<http://www.ocr.org.uk/qualifications/expression-of-interest/>

**OCR Resources:** *the small print*

OCR's resources are provided to support the teaching of OCR specifications, but in no way constitute an endorsed teaching method that is required by the Board and the decision to use them lies with the individual teacher. Whilst every effort is made to ensure the accuracy of the content, OCR cannot be held responsible for any errors or omissions within these resources. We update our resources on a regular basis, so please check the OCR website to ensure you have the most up to date version.

© OCR 2015 - This resource may be freely copied and distributed, as long as the OCR logo and this message remain intact and OCR is acknowledged as the originator of this work.

Please get in touch if you want to discuss the accessibility of resources we offer to support delivery of our qualifications: [resources.feedback@ocr.org.uk](mailto:resources.feedback@ocr.org.uk)

## OCR customer contact centre

General qualifications

Telephone 01223 553998

Facsimile 01223 552627

Email [general.qualifications@ocr.org.uk](mailto:general.qualifications@ocr.org.uk)



For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored.

©OCR 2015 Oxford Cambridge and RSA Examinations is a Company Limited by Guarantee, Registered in England.  
Registered office 1 Hills Road, Cambridge CB1 2EU. Registered company number 3484466. OCR is an exempt charity.