

Cambridge TECHNICALS LEVEL 3

BUSINESS

Cambridge
TECHNICALS
2016

Unit 12 – Financial accounting
DELIVERY GUIDE

Version 1

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INTRODUCTION

This Delivery Guide has been developed to provide practitioners with a variety of creative and practical ideas to support the delivery of this qualification. The Guide is a collection of lesson ideas with associated activities, which you may find helpful as you plan your lessons.

OCR has collaborated with current practitioners to ensure that the ideas put forward in this Delivery Guide are practical, realistic and dynamic. The Guide is structured by learning outcome so you can see how each activity helps you cover the requirements of this unit.

We appreciate that practitioners are knowledgeable in relation to what works for them and their learners. Therefore, the resources we have produced should not restrict or impact on practitioners' creativity to deliver excellent learning opportunities.

Whether you are an experienced practitioner or new to the sector, we hope you find something in this guide which will help you to deliver excellent learning opportunities.

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.

OPPORTUNITIES FOR ENGLISH AND MATHS SKILLS DEVELOPMENT AND WORK EXPERIENCE

We believe that being able to make good progress in English and maths is essential to learners in both of these contexts and on a range of learning programmes. To help you enable your learners to progress in these subjects, we have signposted opportunities for English and maths skills practice within this resource. We have also identified any potential work experience opportunities within the activities. These suggestions are for guidance only. They are not designed to replace your own subject knowledge and expertise in deciding what is most appropriate for your learners.



English



Maths



Work

Please note

The timings for the suggested activities in this Delivery Guide **DO NOT** relate to the Guided Learning Hours (GLHs) for each unit.

Assessment guidance can be found within the Unit document available from www.ocr.org.uk.

The latest version of this Delivery Guide can be downloaded from the OCR website.

UNIT AIM

Profit is a key driver for most business organisations. It is, in fact, the main reason that many businesses are created and continue to trade for many years. This unit will allow you to look at the financial aspects of recording financial transactions and consider the role you might play in ensuring business success.

The role of a financial accountant is to accurately record business transactions and prepare appropriate financial statements from these records. This unit will allow you to understand the impact of legislation and accounting concepts and principles on organisations' accounting policies and procedures.

This unit aims to give you a sound understanding of why financial statements are prepared in the way they are. You will cover the final accounts of a range of business types, such as sole traders, partnerships, private and public limited companies and non-profit making or third sector organisations. You will explore the difference between a cash flow forecast, and a cash flow statement, and understand why a large profit does not necessarily result in an abundance of cash for use by the business.

Whatever business career path you choose to follow, an understanding of business financial statements will give you an insight into the strength and monetary worth of a business.

You can build on your skills by studying the other Accounting units in this qualification.

Unit 12 Financial accounting

L01	Understand the impact of legislation, concepts and principles on accounting processes
L02	Understand the reporting requirements of private limited companies and public limited companies
L03	Be able to prepare final accounts for sole traders
L04	Use ratios to assess the performance of businesses

To find out more about this qualification please go to: <http://www.ocr.org.uk/qualifications/cambridge-technicals-business-level-3-certificate-extended-certificate-foundation-diploma-diploma-05834-05837-2016-suite>

**2016 Suite**

- New suite for first teaching September 2016
- Externally assessed content
- Eligible for Key Stage 5 performance points from 2018
- Designed to meet the DfE technical guidance

RELATED ACTIVITIES

The Suggested Activities in this Delivery Guide listed below have also been related to other Cambridge Technicals in Business units/Learning Outcomes (LOs). This could help with delivery planning and enable learners to cover multiple parts of units.

This unit (Unit 12)	Title of suggested activity	Other units/LOs	
LO1	Impact of legislation on a sole trader	Unit 1 The business environment	LO6 Understand the external influences and constraints on businesses and how businesses could respond
		Unit 11 Accounting concepts	LO1 Understand why businesses keep accurate accounting records
	Accounting concepts and principles jigsaw learning activity	Unit 11 Accounting concepts	LO1 Understand why businesses keep accurate accounting records
	Generally Accepted Accounting Practice (GAAP): businesses that have not complied with GAAP – research	Unit 1 The business environment	LO6 Understand the external influences and constraints on businesses and how businesses could respond
		Unit 11 Accounting concepts	LO1 Understand why businesses keep accurate accounting records
	Introduction to depreciation	Unit 12 Financial accounting	LO3 Be able to prepare final accounts for sole traders
	Introduction to valuation of inventory and non-current assets	Unit 12 Financial accounting	LO3 Be able to prepare final accounts for sole traders
	Introduction to matching concepts	Unit 12 Financial accounting	LO3 Be able to prepare final accounts for sole traders
Introduction to bad and doubtful debts	Unit 12 Financial accounting	LO3 Be able to prepare final accounts for sole traders	
LO2	Introduction to PLC annual accounts – research exercise	Unit 1 The business environment	LO4 Be able to use financial information to check the financial health of businesses
	How reports are used by stakeholders	Unit 1 The business environment	LO4 Be able to use financial information to check the financial health of businesses LO5 Understand the relationship between businesses and stakeholders
	Usefulness of financial statements	Unit 1 The business environment	LO4 Be able to use financial information to check the financial health of businesses
LO3	Introduction to preparing final accounts	Unit 11 Accounting concepts	LO2 Be able to use the accounting equation
	Preparing an income statement and a statement of financial position (balance sheet) from a trial balance	Unit 11 Accounting concepts	LO4 Be able to use basic double entry bookkeeping to prepare a trial balance
	Preparing financial statements after making adjustments to accounting information	Unit 12 Financial accounting	LO1 Understand the impact of legislation, concepts and principles on accounting processes
	Preparing sole trader final accounts after making adjustments to accounting information	Unit 12 Financial accounting	LO1 Understand the impact of legislation, concepts and principles on accounting processes
LO4	Assessing the performance of a business	Unit 1 The business environment	LO4 Be able to use financial information to check the financial health of businesses

KEY TERMS

Explanations of the key terms used within this unit, in the context of this unit	
Key term	Explanation
Accounting concepts	The principles that businesses must follow when preparing their accounting information. Accounting concepts include prudence, consistency, matching/accruals, materiality and going concern.
Accounting principles	The rules that businesses must follow when reporting financial data; for example, the generally accepted accounting principles (GAAP).
Accruals concept	The accruals concept states that revenue and costs must be credited or charged to the income statement for the year in which they are earned, not when the cash is received or paid. For example, if a bakery sells some cakes on credit in the current financial year but the payment is made next year, the sale will be recorded as income in the current year. Furthermore, if the bakery incurs a cost during the year (e.g. electricity) but does not pay until the next financial year, it will record the expense as having taken place in the current year.
Auditor	A person who independently checks a company's financial statements to make sure they have been prepared in accordance with current legislation and that the information is a true reflection of the company's financial situation.
Bad debt	A debt owed to a business that the business does not expect to receive. For example, a business may have supplied stock to a customer who has since gone bankrupt. The bad debt will usually be written off by the company's accountants.
Consistency concept	The consistency concept states that there should be uniformity from one accounting period to the next in the treatment of financial information. This is so that a set of accounts from one year can be compared with a set from previous years.
Current assets	Things of value that are owned by the business and are likely to be converted into cash within the year. An example of a current asset would be stocks.
Current liabilities	Money that is owed by a business to others and due to be paid back within the year. An example of a current liability would be the money that a business owes to its suppliers for stock delivered; this will usually need to be paid back within 30 to 90 days, depending on the amount of trade credit given.
Depreciation	Fixed assets (e.g. vehicles and machinery) lose value (depreciate) over their lifetime. This depreciation is charged to the income statement and is treated as a cost to the business. Depreciation can be calculated by the straight-line and reducing balance methods.
Efficiency ratio	Efficiency ratios calculate how well a company uses its assets and liabilities within the business. Efficiency ratios can calculate stock/inventory turnover, how quickly the company settles its debts/liabilities and how quickly debtors settle their accounts with the business. For example, if the business is settling its debts with its suppliers (trade payables) before receiving payment from its customers (trade receivables), then it will need to take action or it may face a shortage of liquidity.
Gearing ratio	The gearing ratio measures the level of debt finance a business has raised relative to the capital employed. The higher the percentage the more highly geared a business is and thus the greater the risk of running into debt problems later on. However, a highly geared business may also be a positive sign that the company is borrowing to invest/expand leading to future profitability.
Going concern concept	The going concern concept is the assumption that the company will remain in business for the foreseeable future or at least twelve months. If the business is not a going concern then it would effectively be bankrupt and its assets would be valued at their disposal value.
Income statement	A financial statement that measures a company's financial performance over a specific accounting period, usually one year. The income statement measures the business's revenues and its direct and indirect costs. This shows whether the business has made a profit or loss over the accounting period. Income statements can also be referred to as profit and loss accounts and you may come across this term in older textbooks and on some websites.
Inventory	Another name for stock. Inventory refers to the finished and semi-finished goods and raw materials that a business holds at any point in time.

Explanations of the key terms used within this unit, in the context of this unit

Key term	Explanation
Liquidity ratio	Liquidity refers to the ease with which a business can pay its bills and cover its short term debts – i.e. does it have enough working capital? Liquidity ratios help to monitor a business's cash position. The two main measures of liquidity are the current ratio and the acid test ratio; these measure the relationship between current assets and current liabilities.
Matching concept	Another term for the accruals concept. See entry for the accruals concept.
Materiality concept	The concept that allows the producer of the accounts to omit following certain accounting principles if by doing so they will not mislead the end user of the accounts. For example, suppose a business buys two office staplers for £20 with a useful life of 10 years. Usually fixed assets should be depreciated over the useful life of the asset and thus recorded as an ongoing expense. Materiality, in this case, could be used to ignore the need for depreciation and count the £20 as a one-off expense as such a small amount will have little impact on the overall financial position of the firm and will not mislead stakeholders.
Non-current assets	An asset that is not likely to turn to cash within the coming year. A non-current asset is also referred to as a long-term asset and can include tangible fixed assets such as machinery, vehicles and intangible assets such as goodwill, and the value of the brand. Non-current assets can also be referred to as fixed assets and you may come across this term in older textbooks and on some websites.
Prepayments	Prepayments include prepaid expenses for services not yet used. For example rent paid three months in advance.
Operating profit	Operating profit is equal to gross profit minus operating expenses before the deduction of interest and taxes.
Net profit	Net profit is equal to operating profit minus interest and taxes.
Gross profit	Gross profit is equal to total sales revenue minus the cost of goods sold.
Profitability ratio	A way of measuring a company's performance over a period of time and how well it is using the capital invested in the business. Profitability ratios include the gross profit margin, net profit margin and return on capital employed.
Prudence concept	The prudence concept states that financial statements should be prepared on a prudent basis. For example, a business should not overestimate the amount of revenues it is likely to receive or underestimate the amount of expenses it will need to pay. Assets should also be conservatively valued and liabilities not underestimated. As with the other accounting concepts, prudence is likely to result in a more accurate reflection of the business's finances.
Statement of financial position	The statement of financial position records the assets and liabilities of a business at a point in time, thus illustrating how much the business is valued at that point in time. The statement of financial position can also be referred to as a balance sheet and you may come across this term in older textbooks and on some websites.

MISCONCEPTIONS

Some common misconceptions and guidance on how they could be overcome		
What is the misconception?	How can this be overcome?	Resources which could help
The difference between a cash flow forecast and a cash flow statement	A cash flow forecast is a prediction of future cash flows and a cash flow statement is a record of actual cash flows. Therefore, teaching this topic through the analogy of the nightly weather report might be a good idea – i.e. the weather report usually explains what has happened during the day (e.g. highest and lowest temperatures) and looks forward to the next few days.	
The different terms for income statement (profit and loss account) and statement of financial position (balance sheet)	As the internationally agreed terms for these financial statements have only recently changed, many textbooks and websites will still refer to the income statement as the profit and loss account and the statement of financial position as the balance sheet. Therefore, it is advisable that all resources such as worksheets and PowerPoint presentations produced by the tutor have the old titles in brackets so that learners come to see these terms as interchangeable.	
Liquidity and profit margin ratios	Learners can mix up liquidity with profit and will often interpret poor liquidity as a low level of profit and vice versa. It is worth going back over the difference between cash and profit when introducing liquidity ratios and reminding learners that cash is essential to the day-to-day running of a business and that profit is essential for its long-term survival.	Difference Between Profit And Cash Flow Acumen Learning http://acumenlearning.com/the-difference-between-profit-and-cash-flow/ This web page explains the difference between cash flow and profit and makes useful reference to the accrual concept of accounting.
Interpreting ratios	Learners can often take a very literal approach to interpreting ratios. For example, if the quick ratio is just below 0.75:1 they may interpret the business as having a very low level of liquidity without any reference to context. To achieve the best quality answers it is important to guide learners to examine the context within which the business operates. For example, a food retailer could operate with a lower liquidity ratio than a furniture retailer as the stock is likely to have a much higher rate of turnover and is thus more easily convertible into cash.	When introducing liquidity ratios, tutors could give learners a variety of different firms operating in different markets – each with a similar liquidity ratio below the 'ideal'. Learners could be asked to justify why this may be of more concern to some businesses than others. Examples of businesses/markets to use could be a high-volume food retailer, mid-range furniture retailer, car dealership, manufacturing firm with a high level of overheads, a construction company, etc.

SUGGESTED ACTIVITIES

LO No:	1		
LO Title:	Understand the impact of legislation, concepts and principles on accounting processes		
Title of suggested activity	Suggested activities	Suggested timings	Also related to
<p>Impact of legislation on a sole trader</p>  	<p>Learners could be told that they have been approached by a friend who is going to start their own business and needs some advice on the accounting requirements they need to follow. They could be required to write a short report that explains to their friend what they need to do to comply with the relevant legislation.</p> <p><i>Practical Accounts and Bookkeeping</i>, by Alex Byrne In Easy Steps (2012) Chapter 1 (pages 136–153) provides a good overview of the legal requirements for company accounts with reference to the Companies Act 2006.</p>	1 hour	Unit 1 LO6 Unit 11 LO1
<p>Accounting concepts and principles jigsaw learning activity</p>	<p>Learners could be split into groups of up to four. Each group could be given one concept and one principle to look at in detail. Tutors could issue these groups with fact sheets derived from the links below to help learners to do this.</p> <p>Once the groups have discussed and understood the concept and principle they have been allocated they could write this up in a way that other learners will be able to understand, and add this to a grid-style worksheet that includes spaces for learners to write up their findings for each principle/concept.</p> <p>Tutors could then reallocate learners into new groups so that each group has someone who is able to feed back to the other group members on a particular concept/principle. The idea is that learners teach each other the main accounting concepts and principles. Tutors should advise learners to do this activity to a high standard as this information will be needed for activities in future lessons.</p> <p>Accounting Concepts and Conventions tutor2u http://www.tutor2u.net/business/reference/accounting-concepts-and-conventions This tutor2u fact sheet outlines the main accounting concepts and principles.</p> <p>Accounting Concepts and Principles Accounting Simplified http://accounting-simplified.com/financial-accounting/accounting-concepts-and-principles/ This web page lists links to the main accounting principles and concepts (this provides an extension to the tutor2u fact sheet above).</p>	1.5 hours	Unit 11 LO1

Title of suggested activity	Suggested activities	Suggested timings	Also related to
Accounting concepts and principles jigsaw learning activity (continued) 	<p>Accounting concepts and principles SlideShare http://www.slideshare.net/PoojaAdake/accounting-concept-10751009 This link includes a 50-slide PowerPoint presentation on accounting and concepts, which could be downloaded and edited.</p> <p>Fundamental Concepts of Accounting Money Instructor http://www.moneyinstructor.com/lesson/accountingconcepts1p.asp#LESSON_PRINTABLE_MATERIALS_-_WORKSHEETS This website provides a link to downloadable lesson materials including a lesson plan for teaching this topic. You will need to register and sign in to download the materials.</p> <p>A check on learning could be arranged by performing a quick test on accounting concepts and principles.</p>		
Generally Accepted Accounting Practice (GAAP): businesses that have not complied with GAAP – research	<p>Learners could be asked to research GAAP prior to the lesson and be prepared to feed back to a Q&A discussion.</p> <p>Learners could then be asked to research an incidence of a business not complying with GAAP. This could also be arranged as a ‘flip learning’ activity, with learners doing the research outside of class and bringing their findings to subsequent lessons.</p> <p>Generally Accepted Accounting Practice (UK) Wikipedia https://en.wikipedia.org/wiki/Generally_Accepted_Accounting_Practice_(UK) Brief summary of GAAP in the UK and a link to the Companies Act 2006.</p> <p><i>OCR Business for A Level</i>, by Andy Mottershead, Alex Grant and Judith Kelt Hodder Education (2015 edition) Chapter 25 on accounting concepts (pages 192–195) provides a short explanation of GAAP and a case study on the FCA’s investigation into financial irregularities at Tesco in 2014 together with three short questions (20 minutes approximately for the case study exercise).</p> <p>Serious Fraud Office starts Tesco criminal investigation BBC News http://www.bbc.co.uk/news/business-29821061 This is a further article on the financial irregularities at Tesco.</p>	1 hour	Unit 1 LO6 Unit 11 LO1

Title of suggested activity	Suggested activities	Suggested timings	Also related to
Introduction to depreciation	<p>For this introduction to depreciation learners could be asked to brainstorm answers to these questions and feed back to a general Q&A/discussion:</p> <ul style="list-style-type: none"> • Identify all the non-current assets that a medium-sized bakery would own (or another business of your/their choice). • Why do assets depreciate over time? (Hopefully they would come up with wear and tear, obsolescence, new technology, declining productivity of the factor.) • How do they think depreciation is calculated? (Hopefully learners may come up with some idea – even if not explicit – of the straight-line method.) • How do they think depreciation should be recorded? (Link to previous learning from Unit 11 and double-entry bookkeeping.) <p>Learners would be required to feed back their ideas to a class discussion. Tutors could use ideas generated to introduce the two methods of calculating depreciation: straight-line method and reducing balance method.</p> <p>Depreciation AccountingCoach http://www.accountingcoach.com/depreciation/explanation This web page explains the straight-line method of calculating depreciation with a worked example.</p> <p><i>OCR Business for A Level</i>, by Andy Mottershead, Alex Grant and Judith Kelt Hodder Education (2015 edition) Chapter 35 on depreciation (pages 258–261) provides an explanation of both methods of calculating depreciation and a series of short questions to check learning (about 20 minutes for the exercises).</p>	1.5 hours	Unit 12 LO3

Title of suggested activity	Suggested activities	Suggested timings	Also related to
Introduction to valuation of inventory and non-current assets	<p>This is a topic which will suit a traditional approach to delivery: introduce – demonstrate – tasks for learners to check understanding – feedback.</p> <p>The resources listed below include an explanation of the concept/principle and worked examples that could be adapted into worksheets and assessment activities.</p> <p>What is the net book value of a non-current asset? AccountingCoach http://www.accountingcoach.com/blog/what-is-the-net-book-value-of-a-non-current-asset Short web page with explanation and worked example of valuing a non-current asset.</p> <p>What is inventory valuation? AccountingCoach http://www.accountingcoach.com/blog/what-is-inventory-valuation Short web page with explanation of inventory valuation.</p> <p><i>AS Accounting for AQA Question Bank</i>, by David Cox and Michael Fardon Osborne Books (2012 edition) Chapter 14 Question 2 (page 52) asks learners to value inventory for a sole trader (answers provided).</p>	1 hour	Unit 12 LO3
Introduction to matching concepts	<p>This is a topic which will suit a traditional approach to delivery: introduce – demonstrate – tasks for learners to check understanding – feedback.</p> <p>The resources listed below include an explanation of the concept/principle and worked examples that could be adapted into worksheets and assessment activities.</p> <p>What is the matching principle? AccountingCoach http://www.accountingcoach.com/blog/what-is-the-matching-principle This web page explains the matching concept with a worked example of an accrual.</p> <p>The Matching Principle Accounting Tools http://www.accountingtools.com/matching-principle This web page explains the matching concept with a worked example.</p>	1 hour	Unit 12 LO3

Title of suggested activity	Suggested activities	Suggested timings	Also related to
<p>Introduction to bad and doubtful debts</p>	<p>This is a topic which will suit a traditional approach to delivery: introduce – demonstrate – tasks for learners to check understanding – feedback.</p> <p>The resources listed below include an explanation of the concept/principle and worked examples which could be adapted into worksheets and assessment activities.</p> <p>What [are] bad debts? AccountingCoach http://www.accountingcoach.com/blog/what-is-bad-debts This web page gives a very brief overview of bad debts.</p> <p>Bad Debts/Irrecoverable Debts Accounting Simplified http://accounting-simplified.com/accounting-for-bad-debts.html This web page gives a detailed overview of bad debts including a worked example.</p> <p>What is the difference between bad debt and doubtful debt? AccountingTools http://www.accountingtools.com/questions-and-answers/what-is-the-difference-between-bad-debt-and-doubtful-debt.html This web page gives a detailed overview of the difference between bad debts and doubtful debts including worked examples.</p> <p>Provision/Allowance for doubtful debts and Accounting for Doubtful Debts Accounting Simplified http://accounting-simplified.com/provision-for-doubtful-debts.html http://accounting-simplified.com/accounting-for-doubtful-debts.html These web pages give detailed overviews of the provision for doubtful debts including worked examples.</p> <p><i>AS Accounting for AQA Question Bank</i>, by David Cox and Michael Fardon Osborne Books (2012 edition) Chapter 14 Question 3 (page 53) asks learners to state the accountancy concept used in a variety of scenarios and the effect on profit (answers provided).</p>	1.5 hours	Unit 12 LO3

SUGGESTED ACTIVITIES

LO No:	2		
LO Title:	Understand the reporting requirements of private limited companies and public limited companies		
Title of suggested activity	Suggested activities	Suggested timings	Also related to
Introduction to PLC annual accounts – research exercise	<p>For this activity, learners could be paired up or allocated into groups of three and asked to research the financial accounts of UK public limited companies.</p> <p>As company accounts can be very long and difficult to interpret, learners could be directed towards the London South East (LSE) website.</p> <p>London South East http://www.lse.co.uk/ This website provides share prices and also has financial news and data.</p> <p>By typing a UK plc – e.g. Marks and Spencer – into the ‘share price search’ it is possible to get a full financial profile of that particular company:</p> <p>Marks & Spencer Share Price (MKS) London South East http://www.lse.co.uk/shareprice.asp?shareprice=MKS&share=marks_and_spencer_group_plc_ord_25p</p> <p>Clicking on the ‘fundamentals’ icon opens up simplified versions of the plc’s income statement and statement of financial position:</p> <p>Marks & Spencer Fundamentals London South East http://www.lse.co.uk/share-fundamentals.asp?shareprice=MKS&share=marks_and_sp</p> <p>Pairs of learners could be asked to look at different plcs and find out information for a short presentation. Learners could be asked to present findings on:</p> <ul style="list-style-type: none"> • The most recent profit/loss incurred by the firm • Profit trends over the last five years • Value of the company’s assets from the statement of financial position, and trends for the last five years. <p>They could conclude by presenting research into reasons for any of their findings.</p>	2 hours	Unit 1 LO4

Title of suggested activity	Suggested activities	Suggested timings	Also related to
<p>Introduction to PLC annual accounts – research exercise (continued)</p> 	<p>These are useful resources for understanding the accounts of public limited companies:</p> <p>Income Statement – Introduction tutor2u http://www.tutor2u.net/business/reference/income-statement-introduction This tutor2u fact sheet outlines how an income statement is constructed with a worked example and explanation of key terms.</p> <p>Balance Sheet – Introduction tutor2u http://www.tutor2u.net/business/reference/balance-sheet-introduction Very brief overview of the balance sheet (statement of financial position).</p> <p>What is the statement of financial position? AccountingTools http://www.accountingtools.com/questions-and-answers/what-is-the-statement-of-financial-position.html This web page gives an overview of how the statement of financial position is constructed.</p> <p>These further two resources include useful downloadable Excel spreadsheets if tutors should wish to construct their own statements or simplify real company accounts:</p> <p>Income Statement [Profit & Loss Account] Accounting Simplified http://accounting-simplified.com/financial/statements/income-statement-profit-and-loss.html This web page gives a detailed overview of the construction of the income statement including a free downloadable Excel spreadsheet template.</p> <p>Statement of Financial Position [Balance Sheet] Accounting Simplified http://accounting-simplified.com/financial/statements/statement-of-financial-position.html This web page gives a detailed overview of the construction of the statement of financial position including a free downloadable Excel spreadsheet template.</p>		

Title of suggested activity	Suggested activities	Suggested timings	Also related to
<p>How reports are used by stakeholders</p>  	<p>This activity could be used as a follow-up to the last activity or used as a stand-alone resource. Learners could be allocated into groups of three or four and asked to consider a set of company accounts. All groups could do the same company or different groups could consider different companies. Once again, the simplified accounts available on the LSE website (as in the last activity) would be suitable.</p> <p>Groups of learners could be required to:</p> <ul style="list-style-type: none"> • Summarise the financial position of their chosen business. • Brainstorm the impact of the current financial position on various stakeholders within the business. • Explain why stakeholders would find this information useful. • Illustrate the findings in a poster. • Present their findings back to the rest of the group. <p>As a follow-up activity, learners could be required to individually write up a report explaining how different stakeholders use accounting information with reference to one company and four different stakeholder groups.</p> <p><i>AQA A Level Business 2</i>, by John Wolinski and Gwen Coates Hodder Education (2015 edition) Brief outline of the purpose and users of company accounts (page 17).</p>	<p>1.5 hours (group activity)</p> <p>1 hour (written report)</p>	<p>Unit 1 LO4, LO5</p>
<p>Usefulness of financial statements</p> 	<p>Two chapters in the OCR textbook provide a good introduction to income statements and statements of financial position. Both chapters finish with a summary of the usefulness of the respective statements and will thus consolidate the learning from the previous two activities.</p> <p>Learners could be asked to read the two chapters and provide a synopsis of the usefulness of the income statement and the statement of financial position. A grid-style worksheet could be provided for this purpose. Learners could then be asked to answer the mini case study questions at the end of each chapter.</p> <p><i>Edexcel AS/A Level Business</i>, by Dave Hall and others Pearson (2015, 5th edition) Good outline of the income statement and the statement of financial position (pages 367–372) including how stakeholders have an interest in these two accounts.</p> <p><i>OCR Business for A Level</i>, by Andy Mottershead, Alex Grant and Judith Kelt Hodder Education (2015 edition) Chapter 33, Income statements (pages 245–250) including short case study on Mulberry Handbags. Chapter 34, Statement of financial position (pages 251–257) including short case study on easyJet.</p>	<p>1 hour</p>	<p>Unit 1 LO4</p>

Title of suggested activity	Suggested activities	Suggested timings	Also related to
Financial statements quizzes	<p>These resources from tutor2u could be uploaded onto the centre's VLE or adapted into a worksheet. They provide a quick check on learning for income statements and statement of financial position.</p> <p>Income Statement revision quiz tutor2u http://www.tutor2u.net/business/reference/income-statement-revision-quiz Ten-question quiz on the income statement.</p> <p>Balance Sheet revision quiz tutor2u http://www.tutor2u.net/business/reference/balance-sheet-revision-quiz Ten-question quiz on the balance sheet (statement of financial position).</p>	30 minutes	
Statement of cash flows	<p>The link below could help with coverage of this topic and opens a series of web pages which give a very detailed overview of the cash flow statement. These are too detailed for the purposes of the Cambridge Technicals course. The most useful pages are Parts 1 and 2.</p> <p>Cash Flow Statement AccountingCoach http://www.accountingcoach.com/cash-flow-statement/explanation/1 Part 1 outlines the purpose of a statement of cash flows. On the second page (Part 2) there are some interactive questions and answers regarding the recording of cash flow which could be made into an interactive worksheet and used in Q&A.</p>	30 minutes	



Title of suggested activity	Suggested activities	Suggested timings	Also related to
<p>Roles and responsibilities of auditors</p> 	<p>Learners could be asked to research the role of auditors from the links below. The KPMG website is particularly informative. Learners could also research the school-leaver and graduate opportunities and feed back to a general group discussion. Learners could be asked to indicate who might be interested in such a career. If there was enough interest it might be worth considering inviting a local employer along to give a talk. The Big 4 accounting firms are usually very willing if the school or college is located near a regional office.</p> <p>The purpose of this task is to inform learners about the role of auditors as well as raising aspirations and contextualising learning.</p> <p>What is Audit? KPMG https://www.kpmgcareers.co.uk/graduates/graduate-programmes/audit This web page from KPMG explains the purpose of audit and the role of auditor.</p> <p>These links outline various school-leaver programmes in the big accountancy firms – including audit – which may be interesting for learners thinking of progressing into this field after study:</p> <p>KPMG https://www.kpmgcareers.co.uk/school-leavers</p> <p>Deloitte http://www2.deloitte.com/uk/en/pages/careers/articles/brightstart-school-leavers.html</p> <p>PwC http://www.pwc.co.uk/careers/schools/careers/what-are-apprenticeships.html</p> <p>EY http://www.ey.com/UK/en/Careers/Students/Schools---EY-School-Leaver-programme</p>	1 hour	

SUGGESTED ACTIVITIES

LO No:	3		
LO Title:	Be able to prepare final accounts for sole traders		
Title of suggested activity	Suggested activities	Suggested timings	Also related to
Introduction to preparing final accounts	<p>This is a topic which will suit a traditional approach to delivery: introduce – demonstrate – tasks for learners – feedback. The resources listed below are designed to introduce this topic in a reasonably gentle way and include a variety of activities designed for all levels.</p> <p>Accounting Example Financial Statements Sole Trader YouTube https://www.youtube.com/watch?v=XGnMT7206wo Video (6:32 minutes) on constructing sole trader accounts.</p> <p>Preparation of final accounts for a sole trader AAT http://www.aat-interactive.org.uk/elearning/level4/APII%20-%20preparatio%20of%20final%20accounts.pdf This interactive PDF resource is a worksheet on preparing final accounts from a trial balance. This can be printed for learners. Pages 1–3 include basic checking of knowledge questions, which could be used immediately after exposition of this topic. Pages 4–8 include a preprepared trial balance which learners could use to construct an income statement and statement of financial position. Answers to all of these exercises can be revealed by clicking on an icon after each exercise.</p> <p>Sole trader final accounts and Sole trader financial statements Osborne Books http://www.osbornebooks.co.uk/files/active_accounting_06.pdf http://www.osbornebooksshop.co.uk/files/fast_03.pdf The resources are PDF versions of chapters from Osborne Books on preparing final accounts for a sole trader. There are full worked examples throughout and four pages of activities to complete (answers not included). These four pages include basic questions such as calculating the missing answer, allocating an entry to a specific statement, and preparing a basic set of statements from a trial balance.</p> <p>Final accounts Osborne Books http://www.osbornebooksshop.co.uk/files/final_accounts.pdf This resource is a PDF version of a chapter from Osborne Books on preparing final accounts from a trial balance and will support the above resources.</p>	3 hours	Unit 11, LO2



Title of suggested activity	Suggested activities	Suggested timings	Also related to
<p>Preparing an income statement and a statement of financial position (balance sheet) from a trial balance</p> 	<p>Resources for the next few activities draw upon the book below by David Cox and Michael Fardon, which is pitched at the Level 3 learner.</p> <p><i>AS Accounting for AQA Question Bank</i>, by David Cox and Michael Fardon Osborne Books (2012 edition) Chapter 9 Question 1 (pages 20–22) asks learners to prepare an income statement and balance sheet (statement of financial position) for a sole trader (answers provided).</p>	1 hour	Unit 11 LO4
<p>Preparing financial statements after making adjustments to accounting information</p> 	<p><i>AS Accounting for AQA Question Bank</i>, by David Cox and Michael Fardon Osborne Books (2012 edition) Chapter 12 Question 2 (pages 37–38) asks learners to prepare an income statement for a sole trader after making adjustments for value of inventory, depreciation (using straight-line method), accruals and prepayments (answers provided) (<i>45 minutes approximately</i>).</p> <p>Chapter 12 Question 3 (pages 39–41) asks learners to prepare an income statement and balance sheet (statement of financial position) for a sole trader after making six adjustments which include bad debts (<i>1 hour approximately</i>).</p> <p>Chapter 12 Question 5 (pages 44–46) asks learners to prepare a balance sheet (statement of financial position) for a sole trader after making seven adjustments, and to comment on the effect of each adjustment on profit (<i>1 hour approximately</i>).</p>	2.75 hours	Unit 12 LO1
<p>Preparing sole trader final accounts after making adjustments to accounting information</p> 	<p><i>AS Accounting for AQA Question Bank</i>, by David Cox and Michael Fardon Osborne Books (2012 edition) Chapter 16 Question 1 (pages 61–63) asks learners to prepare an income statement and balance sheet (statement of financial position) for a sole trader after making five adjustments (<i>1 hour approximately</i>).</p> <p>Chapter 16 Question 2 (pages 64–65) asks learners to prepare an income statement and the capital section only of the balance sheet (statement of financial position) for a sole trader after making six adjustments including both depreciation calculations (<i>1 hour approximately</i>).</p> <p>Chapter 16 Question 4 (pages 68–70) asks learners to prepare an income statement and balance sheet (statement of financial position) for a sole trader after making seven adjustments including both depreciation calculations (<i>1 hour approximately</i>).</p>	3 hours	Unit 12 LO1

Title of suggested activity	Suggested activities	Suggested timings	Also related to
<p>Making financial statements – group exercise and peer mentoring</p> 	<p>For this activity learners could be asked to work in pairs or threes to devise their own set of financial accounts exercises. This could be a useful revision activity and consolidate understanding of a potentially difficult topic.</p> <p>Each pair/group could be asked to:</p> <ul style="list-style-type: none"> • Make up a fictional business • Devise a trial balance with reasonably realistic figures • Make up a set of six or seven adjustments that need to be made • Work out the answer to their set question. <p>In the following lesson, each exercise could be put to the rest of the group to solve. The learners who made the exercise being completed could act as mentors and support other learners.</p>	2 hours	

SUGGESTED ACTIVITIES

LO No:	4		
LO Title:	Use ratios to assess the performance of businesses		
Title of suggested activity	Suggested activities	Suggested timings	Also related to
Liquidity ratios	<p>Learners could be introduced to this topic through a combination of explanation, demonstration and worked examples.</p> <p>Learners could be asked to discuss the importance of cash and profit to a business and asked to feed back to a general discussion; the idea being that learners will realise that cash is more important to the business in the short term as working capital to finance day-to-day expenses. This should make the introduction of liquidity ratios easier.</p> <p>Liquidity Ratios (Revision Presentation) tutor2u http://www.tutor2u.net/business/reference/liquidity-ratios-revision-presentation PowerPoint presentation (12 slides) on calculating and interpreting current, acid test and gearing ratios.</p> <p><i>OCR Business for A Level</i>, by Andy Mottershead, Alex Grant and Judith Kelt Hodder Education (2015 edition) Chapter 36, Introduction to ratio analysis and liquidity ratios (pages 262–265), introduces this topic including short questions (<i>15 minutes approximately for questions</i>).</p> <p><i>AS Accounting for AQA Question Bank</i>, by David Cox and Michael Fardon Osborne Books (2012 edition) Chapter 18 Question 2 (pages 80–81) asks learners to calculate current and acid test ratios and comment on the results (<i>40 minutes approximately for questions; answers provided</i>).</p>	1.5 hours	



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Title of suggested activity	Suggested activities	Suggested timings	Also related to
Profitability ratios	<p>Learners could be introduced to this topic through a combination of explanation, demonstration and worked examples.</p> <p>Profitability Ratios (Revision Presentation) tutor2u http://www.tutor2u.net/business/reference/profitability-ratios-revision-presentation PowerPoint presentation (23 slides) on calculating and interpreting gross and net profit margins and return on capital employed (ROCE).</p> <p><i>OCR Business for A Level</i>, by Andy Mottershead, Alex Grant and Judith Kelt Hodder Education (2015 edition) Chapter 39, Profitability ratios (pages 273–275) introduces this topic including short questions (15 minutes approximately for questions).</p> <p><i>AS Accounting for AQA Question Bank</i>, by David Cox and Michael Fardon Osborne Books (2012 edition) Chapter 18 Question 3 (pages 82–84) asks learners to calculate gross and net profit margins and comment on how these ratios may be improved (30 minutes approximately; answers provided).</p> 	1 hour	
Efficiency ratios	<p>Learners could be introduced to this topic through a combination of exposition, demonstration and worked examples.</p> <p><i>OCR Business for A Level</i>, by Andy Mottershead, Alex Grant and Judith Kelt Hodder Education (2015 edition) Chapter 38, Efficiency ratios (pages 269–272) introduces this topic including short questions (15 minutes approximately for questions).</p> <p><i>AS Accounting for AQA Question Bank</i>, by David Cox and Michael Fardon Osborne Books (2012 edition) Chapter 18 Question 1 (pages 78–79) asks learners to calculate and comment on inventory turnover (15 minutes approximately; answers provided). Chapter 18 Question 4 (pages 85–86) asks learners to calculate trade receivable days and trade payable days and evaluate the liquidity of the business in light of the results (30 minutes approximately; answers provided).</p> 	1.25 hours	
Gearing ratios	<p>Learners could be introduced to this topic through a combination of exposition, demonstration and worked examples.</p> <p><i>OCR Business for A Level</i>, by Andy Mottershead, Alex Grant and Judith Kelt Hodder Education (2015 edition) Chapter 37, Gearing ratios (pages 266–268) introduces this topic including questions (30 minutes).</p> 	45 minutes	

Title of suggested activity	Suggested activities	Suggested timings	Also related to
<p>Usefulness of ratios and case studies from real businesses</p>	<p>For this activity learners could be given a factsheet outlining the limitations of ratio analysis and then be asked to consider the performance of a business in the context of these limitations. Alternatively, they could be provided with a grid-style worksheet for them to research and find out which stakeholders would be interested in which ratio and why.</p> <p>The resources below might be useful in planning these activities.</p> <p><i>OCR Business for A Level</i>, by Andy Mottershead, Alex Grant and Judith Kelt Hodder Education (2015 edition) Page 268 has a table that could be adapted into a grid-style worksheet on ratios and stakeholders.</p> <p>Value and Limitations of Ratio Analysis tutor2u http://www.tutor2u.net/business/reference/value-and-limitations-of-ratio-analysis This short fact sheet explains the limitations of ratio analysis.</p> <p><i>Edexcel AS/A Level Business</i>, by Dave Hall and others Pearson (2015, 5th edition) Short case study on JD Sports (page 378) including questions on ROCE, gearing, performance ratios and the usefulness of ratios (30 minutes approximately).</p> <p><i>AQA A Level Business 2</i>, by John Wolinski and Gwen Coates Hodder Education (2015 edition) Long case study on Dunelm and the homewares market (pages 54–56) including questions on all six ratios and an assessment of the financial performance of Dunelm between two years (1 hour approximately).</p>	1.5 hours	
<p>Assessing the performance of a business</p> 	<p>For this activity learners could be told to revisit the first two activities suggested for Learning Outcome 2. In groups learners could be asked to go back over the accounts of their chosen company and be required to:</p> <ul style="list-style-type: none"> • Summarise the financial position of their chosen business by calculating the profitability, liquidity and gearing ratios over at least a two year period. • Explain which stakeholders would be interested in each ratio and why. • Evaluate their findings by considering the limitations of ratio analysis in the context of this particular business. • Present an overall summary of the company's financial performance to the rest of the group (5 minutes in total). <p>...As a follow-up activity, learners could be required to individually write up a report summarising the first three points above.</p>	<p>1.5 hours (group activity)</p> <p>1 hour (written report)</p>	Unit 1 LO4

Title of suggested activity	Suggested activities	Suggested timings	Also related to
<p>Using ratios to secure funding for expansion – group activity</p>  	<p>The resource below might be a good way to draw together the teaching of ratios with a chance for learners to apply their knowledge of financial accounting to a business context.</p> <p>Case Study – Run for Your Life PLC (Ratios) TES https://www.tes.com/teaching-resource/case-study-run-for-your-life-plc-ratios-6440298</p> <p>In groups of three or four, learners are required to calculate ratios from balance sheet and income statement and prepare for a meeting with their bank manager to secure funds for further expansion. Groups are then required to present their case in a 10-minute presentation.</p>	1.5 hours	
<p>Ratio revision game</p>	<p>Revision game – basic ratio analysis tutor2u http://www.tutor2u.net/business/blog/revision-game-basic-ratio-analysis</p> <p>This is an interactive and fun exercise from the tutor2u website. Learners have to answer questions and then get the chance to play a fishing game or javelin game. Probably best to use as an out of class revision activity.</p>	30 minutes	



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