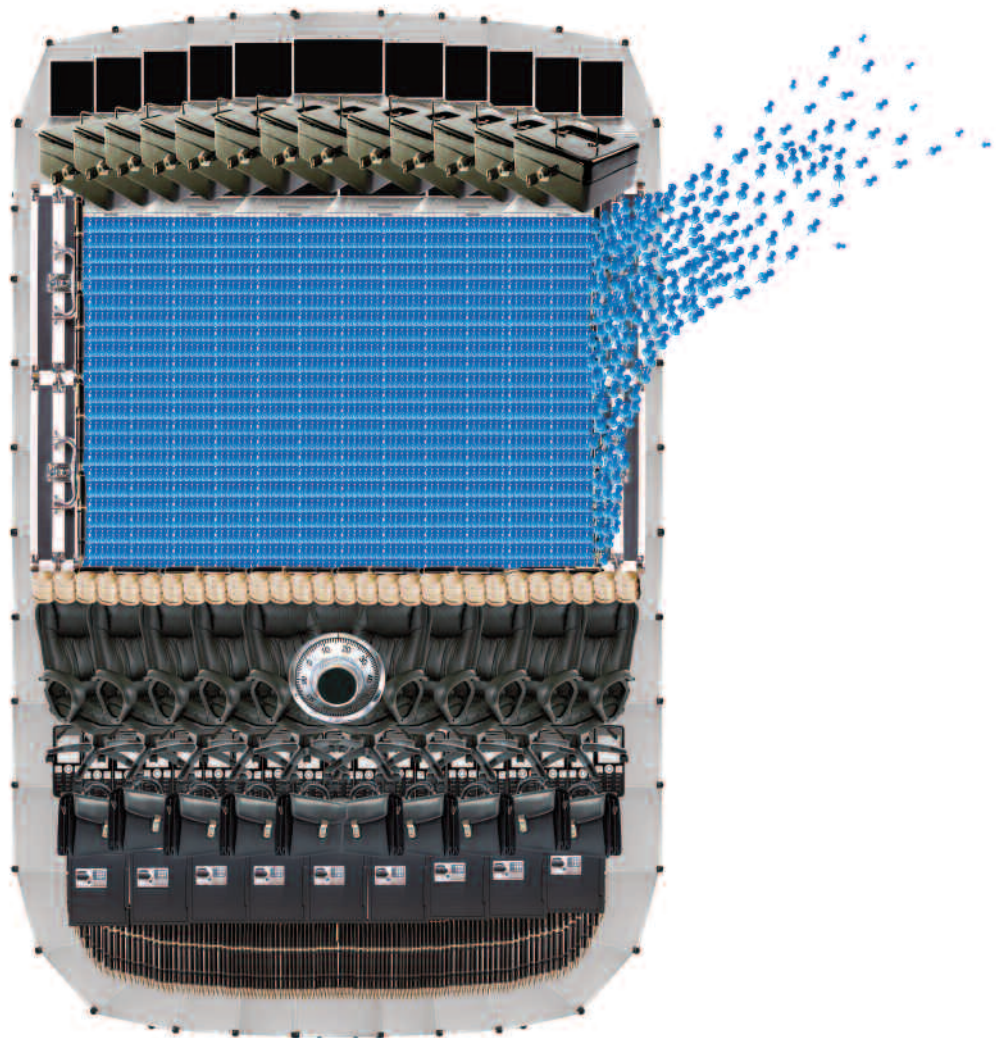


BUSINESS, ADMINISTRATION AND FINANCE

Unit 3: Business finance and accounting



Business, Administration and Finance

Level 3 Unit 3: Business finance and accounting

Sample scheme of work

This is an example of a possible scheme of work. You can use it as it is, adjust it or extract content to create a scheme of work to suit your delivery needs. It can also be adjusted by adding theory workshops to support learners who have/need additional learning time.

This unit is assessed by means of a two-hour written examination. It is important that some time is made available for learners to practise the type of questions asked in the examination paper.


Total GLH	60
Delivery model	<p>This scheme of work is divided into topics and each topic is assigned an approximate number of hours. The topics can then be split according to the duration of sessions and the period of delivery.</p> <p>The scheme of work is based on 10 hours' contact time each week and a 32-week teaching year.</p> <p>A list of resources is provided at the end of this document.</p>
Aim	<p>To introduce learners to the crucial importance of finance and accounting in business. Learners will</p> <ul style="list-style-type: none"> investigate the role that finance and accounting play in the survival and success of all types of enterprises discover the basic financial techniques used in business.
Notes	<p>The assessment for this unit may be included as part of another unit assessment. This unit has close links with the rest of the qualification particularly Unit 1. It is suggested that learners are introduced to this topic at the start of the learning programme and that it is taught concurrently with Unit 1.</p> <p>Under FS (functional skills):</p> <p>* indicates opportunities for assessment in English of speaking and listening and/or written communication + indicates opportunities for use of mathematics in analysing, interpreting and presenting information ☞ indicates opportunities for assessment in ICT.</p>

Topic	Activities, assignments, assessments	LO and AC	PLTS	FS	GLH	Other comments
<p>1 Accounting in a business</p> <p>The main activities involved in bookkeeping, accounting and auditing</p> <p>Stakeholders in business and identifying their interests</p> <p>How financial software can support business finance and accounting</p>	<p>From a random list of activities, learners should distinguish those that are likely to be undertaken by a bookkeeper, an accountant and an auditor.</p> <p>The following activity should take about three hours. Working in pairs or groups, learners should prepare job descriptions for a bookkeeper and/or accountant and/or auditor for a range of businesses (eg service, retail, manufacturing, small-scale, large-scale). Learners should present (or email) their ideas.</p> <p>Advertisements for bookkeepers, accountants and auditors that describe the main tasks the successful candidates will be expected to undertake could be found in local or national papers. Job descriptions for these roles could also be obtained from local businesses.</p> <p>Visiting speakers (ex-learners perhaps) who are now training to be bookkeepers and/or accountants and/or auditors, or who are actually in those roles could explain a typical day's work.</p> <p>Spend about two hours on the following activity. Using financial sections of newspapers, learners must work in groups to identify the different stakeholders involved in a business. They should discuss the stakeholders' different needs. This could be extended to consider a variety of businesses (eg in the retail, manufacturing, service sectors). Each group member could select a different stakeholder and role play the importance of that stakeholder in the business. They should try to persuade the audience that their stakeholder is the most important in that business. At the end of the presentation the audience must vote on whom they consider to be most important from the presentation given, followed by a discussion of the results.</p> <p>This topic naturally links to Unit 1 where learners will be running a business and where recording of financial information will be a vital part of the exercise. Learners should consider how a range of simple financial transactions could be recorded manually and then compare</p>	AC1a-c		* u	8	<p>These exercises could be</p>

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	<p>them with a demonstration of how the same transactions could be recorded using an accounting software package. Learners could also use an accounting package to do marginal costing, break-even analysis and budgeting. This activity should take about three hours.</p> <p>Computers will be needed so that spreadsheets, databases, accounting software packages, etc can be viewed, demonstrated and used.</p> <p>Learners should discuss the implications of the purchase of an accounting software package and its use in different types of businesses. They should compare the two methods (manual versus software package) and point out key differences.</p>					<p>integrated into the financial activities for the Unit 1 assignment eg pricing a product, budgeting, etc.</p>

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<p>2 Using accounting records to provide financial information and calculate corporation taxation liabilities</p>	<p>Learners should pool their knowledge about taxes from businesses with which they are already familiar (through work experience, part-time employment, family owned businesses, etc). Learners could use examples of business's final accounts (including published accounts) to widen their knowledge. Learners should use the internet to research taxes and undertake some straightforward tax calculations (VAT and corporation tax) using current tax rates. This activity should take about two hours.</p> <p>Learners can use annual reports and financial statements for companies with which they are familiar, eg John Lewis, Manchester United, Marks and Spencer, Tesco, Pizza Hut, etc. Many published company accounts can be downloaded for free from the Financial Times website: http://markets.ft.com/markets/investorRelations.asp?segid=90058</p> <p>However, as these documents contain much complex information, it is recommended that learners focus their attention on some key facts about each company that they can find relatively easily, eg trends in turnover; gross or net profit, remuneration of highest paid director, etc.</p> <p>The following activity should take about 12 hours. Learners must prepare income statements and balance sheets using manual and electronic templates. They should do calculations of gross profit and profit, and practise preparing simple income statements.</p> <p>Learners should then go on to practise preparing simple balance sheets to show non-current assets, current assets, current liabilities and non-current liabilities.</p> <p>Finally, learners must practise preparing simple statements of cash flow.</p> <p>Learners should use peer and/or self-assessment to check work and consider the implications of making errors.</p> <p>Case studies showing completed profit calculations and income statements with practice materials and model answers will be useful for learners. Where possible a range of real financial statements should be used.</p>	AC2a-b		+	14	<p>These exercises can be linked to the Unit 1 assignment.</p>

Topic	Activities, assignments, assessments	LO and AC	PLTS	FS	GLH	Other comments
<p>3 Understand how a business can finance its activities</p>	<p>Learners should consider case studies of businesses using different sources of finance. Useful case studies can be found on the Times 100 website: www.thetimes100.co.uk/company_list.php</p> <p>It might be possible to use local examples of businesses that needed finance and how they obtained it. Speakers from a local bank, Business Link or Chamber of Commerce will be able to give an insight into the ways businesses can raise finance.</p> <p>Learners could prepare 'graphic organisers' to analyse the case studies and derive a record of benefits and shortcomings of each potential source of finance. (Graphic organisers could take the form of a table for each source of finance split in two; one column headed benefits, and the other column headed shortcomings). Learners could record the key matters as bullet points in the tables.</p> <p>Learners should consider a range of examples of businesses requiring finance, and working in pairs/groups, make recommendations as to which source of finance to use. They should then present their ideas to the whole group for further discussion.</p> <p>Case studies that describe various situations in which businesses have used a range of sources of finance, and that include reference to the benefits obtained and any problems that have arisen would be useful here.</p>	AC3a, b	IE4	*	3	

Topic	Activities, assignments, assessments	LO and AC	PLTS	FS	GLH	Other comments
<p>4 Use marginal costing and break-even analysis as an aid to short-term financial decision making</p>	<p>Working in pairs, learners should produce financial data on a local business known to them, from a case study, or from their own enterprise they are setting up in Unit 1.</p> <p>Spend about six hours on the following activity. Learners should identify or estimate the fixed and variable costs of producing a product. They must then calculate a selling price using a mark up on cost. From this, learners can go on to draw a break-even graph and calculate the break-even point. Discussions should follow as to whether it is viable for the chosen business to produce this product. The effect on break even should be discussed within various ‘what if’ scenarios, eg an increase in the materials of 20 per cent, or a new competitor, which means a decrease in the selling price of 15 per cent in order to compete.</p> <p>Much of this work could be done using a spreadsheet. Learners should discuss solutions for any problems in achieving the break even within the various scenarios. They should also investigate how changes in costs and sales revenue will affect the level of profit.</p> <p>Learners should use case studies to learn how to make decisions using break-even analysis, eg the difference between marginal and average costs, and abandonment decisions. Different scenarios should be presented to a group of learners to investigate, eg whether there is a positive contribution with a special contract decision or whether it is more profitable to make or buy a product. Their findings can either be presented to the class in the form of a presentation or a report. During discussions on these decisions it is natural that other external non-financial factors will be considered, such as continuing production of the product even though it has a lower contribution than buying in, as it enables the workforce to continue to be employed and avoids redundancies, which could bring adverse publicity to the business. This activity should take about five hours.</p>	AC4a, b	IE6	+ * 	11	

Topic	Activities, assignments, assessments	LO and AC	PLTS	FS	GLH	Other comments
<p>5 Understand the role of budgets and budgetary control in the management of an organisation</p>	<p>The following activity should take about eight hours. Learners should use examples of simple forecasts and budgets (cash budgets, forecast income statements, forecast balance sheets) to develop an understanding of their value in managing a business and preventing or overcoming problems, such as a deficit cash flow. Case studies of prepared internal budgets should be analysed to ascertain the reasons for such a deficit, eg can a deficit be avoided by rescheduling payments? Further analysis can be made by comparing the budgeted results with the actual results. Any variance calculated must then be fully understood, especially the effect of both adverse and favourable variances and their effect on budgeted profit and budgeted costs.</p> <p>Learners should use these examples to understand the use and preparation of zero-based and incremental budgets as well as how to prepare revised forecasts and budgets where businesses use a range of techniques to improve financial viability by planning and controlling resources within a business. This can be demonstrated by using an illustration from a software package and showing the effect of a change in one variable and its subsequent effect on the other sections of the budget. This activity should take about eight hours.</p> <p>It is important that learners can prepare these budgets as well as interpret them.</p>	AC5a, b		+	16	<p>There are important links here with the Unit 1 assignment.</p>

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<p>6 Assess the financial performance of a business using financial ratios</p>	<p>Learners need to be aware of the uses of financial information and accounting records. Learners should consider a number of cases of successful and failing businesses that demonstrate aspects of profitability (including operating at a loss), solvency and efficiency of the business. The financial performance of these cases should be assessed using ratio analysis.</p> <p>Income statements and balance sheets can be prepared to show businesses with excellent results, satisfactory results and poor results. These could be obtained from published accounts of well-known public companies. Working in groups, learners must consider the value of financial ratios in analysing these financial statements for the owner(s) of the business(es), and as a tool for devising strategies to overcome problems. They could recommend solutions to the problems and consider the impact of their recommendations on profitability, solvency and efficiency as shown by a balance sheet in the future.</p>	AC6a, b		+	8	

RESOURCES

Topic 1

Books

Austen, D. and Hailstone, P. (2008) *AQA Accounting for AS Student Book*. Nelson Thornes.

Cox, D. and Fardon, M. (2008) *AS Accounting for AQA*. Osborne Books.

Topic 2

Websites

HM Revenue & Customs: www.hmrc.gov.uk/index.htm (provides some introductory information about corporation tax, income tax and VAT)

UK Budget: www.ukbudget.com/UKBudget2009/attachments/Taxrates2009-10.pdf (current tax rates)

Books

Austen, D. and Hailstone, P. (2008) *AQA Accounting for AS Student Book*. Nelson Thornes. (especially useful for information about sole trader businesses)

Halls-Bryan, J. and Merrills, C. (2009) *AQA Accounting for A2 Student Book*. Nelson Thornes. (a useful source of information about income statements, balance sheets and statements of cash flow)

Topic 3

Website

The Times100: www.thetimes100.co.uk/company_list.php

Books

Austen, D. and Hailstone, P. (2008) *AQA Accounting for AS Student Book*. Nelson Thornes.

Cox, D. and Fardon, M. (2008) *AS Accounting for AQA*. Osborne Books.

Topic 4

Book

Halls-Bryan, J. and Merrills, C. (2009) *AQA Accounting for A2 Student Book*. Nelson Thornes. (includes management accounting)

Topic 5

Book

Halls-Bryan, J. and Merrills, C. (2009) *AQA Accounting for A2 Student Book*. Nelson Thornes. (includes management accounting)

Topic 6

Book

Austen, D. and Hailstone, P. (2008) *AQA Accounting for AS Student Book*. Nelson Thornes.