**SESSION PLAN**

**COURSE:** ABE Level 4 Finance for Managers

**ELEMENT:** Element 2 – Financial statements

**LEARNING OUTCOME 2**

**Interpret financial statements to review the performance of business organisations and report to stakeholders (Weighting 25%)**

2.1 Assess the contents of financial statements to review the performance of business organisations

2.2 Calculate financial ratios to assess the financial performance of a business organisation

2.3 Make justified recommendations for business improvements based on the results of financial analysis

**NUMBER OF SESSIONS:** Three - approximately ten hours in total. E2 Tutor Presentation; Activities 1-5

**SESSION TOPICS:** Session 4: Financial statements

Session 5: Ratio calculations

Session 6: Ratio analysis

**Note to tutors: These are the recommended session outlines for Learning Outcome 2 of the ABE Level 4 Finance for Managers. You should follow the plan, using the resources (referenced as ‘slides’) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

### SESSION 4: Interpret financial statements to review the performance of business organisations and report to stakeholders (3-4 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** | |
| Introduction to session and learning outcomes | Assessment Criterion 2.1: Assess the contents of financial statements to review the performance of business organisations.  **Use E2 Tutor Presentation.pptx** | 1 -4 | Listen |  | |
| Accounting equation | Facilitate feedback on **Homework - LO1 Activity 5: Accounting equation** |  | Contribute to discussion  Listen, ask questions and make notes |  | |
| Business organisations | Outline the types of business organisation and their key features in terms of legal issues, ownership, formal documentation, capital, availability of financial information, owner payments and financial statement requirements:   * Sole trader * Partnerships * Limited companies * Third sector organisations | 5-10 | Listen and make notes. Ask questions about the differences and why they are important. |  | |
| Brief **Individual Activity: LO2 Activity 1: Types of business organisation** |  | Choice of business organisational structure  Individual and group task | LO2 Activity 1: Types of business organisation | |
| Review of session and learning outcomes |  |  | Listen and make notes |  |

### SESSION 5: Interpret financial statements to review the performance of business organisations and report to stakeholders (continued) (3-4 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** | |
| Introduction to session and learning outcomes | Assessment Criterion 2.1: Assess the contents of financial statements to review the performance of business organisations. **Use E2 Tutor Presentation.pptx** |  | Listen |  | |
| Financial statement components | Work through the sole trader and partnership annual accounts in the study guide, followed by those for private and public companies.  **Class Discussion**: Components of financial statements and their purpose |  | Contribute to discussion  Listen and make notes |  | |
| Highlight key places:   * Accounting period * Income * Expenses * Assets * Liabilities * Capital * Double Entry bookkeeping * T Accounts * Income statement * Statement of financial position | 11 | Listen and make notes |  | |
| Publicly available final accounts | **Class Discussion**: Publicly available final accounts  Roles and responsibilities of directors and auditors regarding company accounts | 12 | Listen and make notes |  | |
| **Internal final accounts:**   * Purpose * Contents * Structure | 13 | Listen and make notes |  | |
| Brief **LO2 Activity 2**: **Published accounts** |  | Paired activity: identify the key sections of a published annual report and consider how the information would be used by shareholders, directors and employees. | LO2 Activity 2: Published accounts | |
| Period end adjustments | **Adjustments**   * Depreciation definition * Causes of depreciation * Appreciation * Depreciation calculations * Straight line depreciation * Reducing balance depreciation * Amortisation | 14-19 | Listen and make notes |  | |
| Review of session and learning outcomes |  |  | Listen and make notes |  |

### SESSION 6: Ratio analysis (4 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** | |
| Introduction to session and learning outcomes | Assessment Criterion 2.2: Calculate financial ratios to assess the financial performance of a business organisation.  Assessment Criterion 2.3: Make justified recommendations for business improvements based on the results of financial analysis  **Use E2 Tutor Presentation.pptx** | 20 | Listen |  | |
| Ratio analysis | Users of ratio analysis (management, investors, bankers and lenders, financial analysts and government).  Tools and techniques – show students how to calculate the various ratios under these headings:   * Liquidity ratios * Profitability ratios * Efficiency ratios * Gearing * Investor ratios   Limitations of ratio analysis.  **Facilitate a class discussion** on interpreting financial analysis to make business recommendations. | 21-24 | Listen, make notes and practice the calculations. Contribute to the class discussion on interpreting financial analysis to make business decisions. |  | |
| Brief **LO2 Activity 3: Ratio analysis** |  | Individual activity: preparation of revision cards for ratio analysis:   1. Gross profit margin 2. Operating net profit margin 3. Earnings before interest, tax, depreciation and amortisation margin 4. ROCE 5. Sales revenue / non-current assets 6. Inventory turnover 7. Credit given / trade receivables days 8. Credit taken / trade payables days 9. Current ratio 10. Quick ratio 11. Gearing 12. EPS 13. Dividend Yield | LO2 Activity 3: Ratio analysis | |
| Brief **LO2 Activity 4: Ratio analysis continued** |  | Individual activity: ratio calculations and review based on financial accounts.  Preparation of a business report. | LO2 Activity 4: Ratio analysis continued | |
| Brief on **Homework LO2 Activity 5: Stakeholders** |  | Listen and ask questions as necessary  Individual activity as homework | Homework LO2 Activity 5: Stakeholders  Business stakeholders and their use of financial information. |
| Review of session and learning outcomes |  |  | Listen and make notes. |  |