**SESSION PLAN**

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

**ELEMENT:** Element 4 – Costing and pricing

**LEARNING OUTCOME 4**

**Demonstrate the use of costing and pricing methods to contribute to business decision making (Weighting 25%)**

4.1 Explain costing and pricing methods used to make business decisions

4.2 Apply contribution and break-even calculations and analysis to make effective business decisions

4.3 Assess the implications of using different costing methods

**NUMBER OF SESSIONS:** Three - approximately ten hours in total. E4 Tutor Presentation; Activities 1-5

**SESSION TOPICS:** Session 10: Costing and pricing methods

Session 11: Contribution and break-even calculations

Session 12: Costing methods

**Note to tutors: These are the recommended session outlines for Learning Outcome 4 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 10: Demonstrate the use of costing and pricing methods to contribute to business decision making (4 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** | |
| Introduction to session and learning outcomes | Assessment Criterion 4.1: Explain costing and pricing methods used to make business decisions. **Use E4 Tutor Presentation.pptx** | 1-4 | Listen |  | |
|  | Debrief Homework **LO3 Activity 5: Sources of finance**  Encourage learners to share information. |  | Contribute to discussion |  | |
| Pricing models | **Class Discussion –** different pricing models.  Note down ideas about when they might be used, on the board.  Highlight key points   * Cost plus pricing * Competitive pricing * Value based pricing * Discounting | 5 | Contribute ideas to the discussion  Listen and make notes on other people’s contributions |  | |
| Types of cost | **Class Discussion –** different business costs  Note down ideas from the class to get them thinking about the costs for different types of organisation/industry. | 6 |  |  | |
| Highlight key points   * Fixed costs * Variable costs * Semi-variable costs * Total costs | 7-16 |  |  | |
| Brief learners on paired activity: **LO4 Activity 1: Types of costs relevant to different business organisations.**  Debrief activity |  | Complete activity as directed | LO4 Activity 1: Types of costs relevant to different business organisations. |
| Review of session and learning outcomes |  |  | Listen and make notes |  |

### SESSION 11: Break-even analysis – part one (4 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** | |
| Introduction to session and learning outcomes | Assessment Criterion 4.2: Apply contribution and break-even calculations and analysis to make effective business decisions.  **Use E4 Tutor Presentation.pptx** | 17 | Listen |  | |
| Contribution | Explain contribution.  Discuss break-even analysis including the advantages and limitations. Practice calculations to demonstrate its use. | 18 |  |  | |
| Marginal costing | Introduce marginal costing by describing its use in business. Compare with absorption costing. | 19 |  |  | |
| Highlight key points – uses of marginal costing:   * Make or buy * Special order decisions * Acceptance of additional work * Discontinuing a product or service * Price setting * Scarce resources * ‘What if’ scenarios   **Facilitate Class Discussion throughout** | 20-24 | Listen and make notes  Contribute to class discussion |  | |
| Brief learners on group activity: **LO4 Activity 2: Break even analysis calculation 1**  Debrief activity |  | Activity on break-even activity based on case study data. | LO4 Activity 2: Break-even analysis calculation 1 |
| Review of session and learning outcomes |  |  | Listen and make notes |  |

### SESSION 12: Break-even analysis – part two (3 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** | |
| Introduction to session and learning outcomes | Assessment Criterion 4.2: Apply contribution and break-even calculations and analysis to make effective business decisions  Assessment Criterion 4.3: Assess the implications of using different costing methods  **Use E4 Tutor Presentation.pptx** | 25 | Listen |  | |
| Whole-life costing and opportunity costs | **Facilitate Class Discussion** on what is meant by whole-life costing and opportunity costs, explaining the key features of each. | 26 | Contribute to class discussion |  | |
| Inventory | Highlight key points :   * Inventory – FIFO, LIFO and AVCO * Economic order quantity * Just in time * Methods of inventory valuation * Average cost * Cost vs net realisable value   **Facilitate Class Discussion on use of each.** | 27-32 | Listen and make notes  Contribute to class discussion |  | |
| Brief learners on group activity: **LO4 Activity 3: Costing**  Debrief activity |  | **LO4 Activity 3: Costing**  Costing definitions | LO4 Activity 3: Costing | |
| Brief learners on paired activity: **LO4 Activity 4: Usefulness of break-even analysis**  Debrief activity |  | **LO4 Activity 4: Usefulness of break-even analysis** | LO4 Activity 4: Usefulness of break-even analysis |
| Brief on **LO4 Activity 5: Break-even analysis calculation 2** |  | **LO4 Activity 5: Break-even analysis calculation 2**  Listen and ask questions as necessary  Individual activity for practice. | LO4 Activity 5: Break-even analysis calculation 2 |
| Review of session and learning outcomes |  |  | Listen and make notes. |  |