### SESSION PLAN

**COURSE:** ABE Level 5 Effective Financial Management

**ELEMENT:** Element 2 – Organisational activities, processes and performance

## **LEARNING OUTCOME 2**

Evaluate organisational activities, processes and performance using projected financial statements and measures of business performance

* 1. Analyse business objectives, organisational activities, organisational activities and processes
  2. Evaluate business performance and financial management processes using financial statements and calculation of key financial ratios

2.3 Apply alternative techniques in order to evaluate the financial management of key organisational activities and processes

**NUMBER OF SESSIONS:** Three - approximately thirteen hours in total, plus self-study

**SESSION TOPICS:** Session 1: Analyse business objectives, organisational activities and processes

Session 2: Evaluate business performance and financial management processes using financial statements and the calculation of key financial ratios

Session 3: Apply alternative techniques in order to evaluate the financial management of key organisational activities and processes

**Note to tutors: this is the recommended session plan for learning outcome 2, element 2 of the ABE Level 5 Effective Financial Management. You should follow the plan, using the resources (referenced as ‘slides’ here) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

### SESSION 1: Analyse business objectives, organisational activities and processes

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 4-5 hours | Business planning | Use **5UEFM Presentation LO2**  Explain the unit, and what is going to be covered.  Explain how businesses plan in the context of the raising and investment of finance. Emphasise the financial management is inherently forward looking: cash flows that occur as a result of financing and investment decisions that may arise over many years.  **Facilitate E2 LO2 Activity 1** | 1-4  5-7 | In small groups, learners should identify the importance of financial planning to different stakeholders.  Using the stakeholders that were identified and analysed as part of the activity in the previous session. Consider each of the stakeholders and why each would need to plan. | **5UEFM E2 LO2 ACTIVITY 1 –** Financial planning and stakeholders |
| Projected financial statements and planning | Outline the aim and purpose of each of the three primary financial statements: income statement, statement of financial position and statement of cash flows.  Look at the study guide for an outline of the purpose of each of these financial statements.  Use this video resource to explain this in more detail:  <http://www.baruch.cuny.edu/tutorials/statements/>  Discuss the role of projected financial statements in the wider business planning process. The financial effects of various ‘scenarios’ can be modelled and assessed. Explain the use of techniques that might help to incorporate risk into projected financial statements: sensitivity analysis, scenario analysis and expected values.  Projected financial statements are a planning tool. They provide a means by which the effects of different options can be modelled and assessed.  **Facilitate E2 LO2 Activity 2** | 8-9 | Learners try to identify and explain the role of projected financial statements in the wider business planning process.  Ask learners to consider the key variables that might have an effect on projected financial performance and financial position (see the study guide).  Detailed plans for organisational activities and processes can be developed and interpreted via their impact on different aspects of financial statements.  Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group. | **5UEFM E2 LO2 ACTIVITY 2 –** Projected financial statements |
| Key financial ratios and planning | Identify the four main categories of financial ratios: profitability & investor; working capital; liquidity and solvency.  Explain the role of each of the key financial ratios in the planning process.  **Facilitate E2 LO2 Activity 3** | 10 | Ask learners to consider the financial statements of the organisation that they identified in the previous session (alternatively, distribute examples of financial statements from businesses with which they might be familiar)  Learners to identify the data items to be used to calculate the three key financial ratios.  Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group. | **5UEFM E2 LO2 ACTIVITY 3 –** Key financial ratios |
|  | Review of session and learning outcomes |  |  |  | Students to work through the second section of chapter 2 in the study guide prior to the next session. |

### SESSION 2: Evaluate business performance and financial management processes using financial statements and the calculation of key financial ratios

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative assessment** |
| 3-4 hours | Introduction to session and learning outcomes | Use file: **5UEFM Presentation LO2** | 11 |  |  |
|  | Preparing projected financial statements | Identify the key elements in the preparation of projected financial statements: revenues, net operating assets, non-current assets and cash.  Explain the importance of these key elements and how other items in the projected financial statements will be influenced by these elements.  **Facilitate E2 LO2 Activity 4** | 12-13 | Ask learners to identify the key elements in the financial statements of the organisations that they identified in the previous session (alternatively, distribute examples of financial statements from businesses with which they might be familiar).  Learners to identify the items in the projected financial statements that will be influenced by these elements.  Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group. | **5UEFM E2 LO2 ACTIVITY 4 –** Preparing projected financial statements |
|  | Calculating key financial ratios | Identify the four main categories of financial ratios: profitability & investor; working capital; liquidity and solvency.  Use the example in the study guide: calculate the three key financial ratios (ROCE, current ratio and financial gearing).  **Facilitate E2 LO2 Activity 5** | 14-16 | Ask learners to consider the financial statements of the organisation that they identified in the previous session (alternatively, distribute examples of financial statements from businesses with which they might be familiar).  Learners to use the data in the financial statements to calculate the three key financial ratios.  Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group. | **5UEFM E2 LO2 ACTIVITY 5 –** Preparing projected key financial ratios |
|  | Review of session and learning outcomes |  |  |  | Students to work through the third section of chapter 2 in the study guide prior to the next session. |

### SESSION 3: Apply alternative techniques in order to evaluate the financial management of key organisational activities and processes

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Approx.**  **Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 3-4 hours | Introduction to session and learning outcomes | Use file: **5UEFM Presentation LO2** | 17 |  |  |
| Horizontal and vertical analysis | Explain the role of horizontal and vertical analyses. Explain how these approaches to analysis facilitate the interpretation and evaluation of the projected financial performance and financial position.  Discuss the relationships that exist between these balances. For example, in an income statement, an increase in projected revenue would need to be interpreted in the context of changes in projected costs that are associated with the generation of that revenue.  **Facilitate E2 LO2 Activity 6** | 18-19 | Use the study guide. Ask learners to complete the activity in the preparation of a horizontal analysis. Complete the indexed data in year three and year four. | **5UEFM E2 LO2 ACTIVITY 6 –** Horizontal analysis |
| Percent-of-sales method and its use in financial planning | Explain the per cent of sales method. Discuss the advantages and disadvantages of this approach in financial planning. It is simple although it could be seen to lack the precision that is offered by other approaches to forecasting.  Use this YouTube film to explain this in more detail:  <https://www.youtube.com/watch?v=cltcURgnMqk&t=136s>  Emphasise that when using the per-cent-of-sales method to prepare projected financial statements, remember that projected balances for tax, non-current assets, non-current liabilities and equity do not vary in relation to revenues.  **Facilitate E2 LO2 Activity 7** | 20 | Use the study guide. Ask learners to apply the per-cent-of-sales method to prepare a projected income statement.  Allow them 30 minutes to discuss this in small groups, and then 30 minutes to present back to each other in one large group.  Discuss the advantages and disadvantages of this approach in financial planning. | **5UEFM E2 LO2 ACTIVITY 7 –** Percent of sales method |
| Review of session and learning outcomes | Ask students to prepare for the next session by reading the first section of the next chapter in the study guide. |  |  | Students to work through the first section of chapter 3 in the study guide prior to the next session. |

### 