

# Scenario Pack

## Financial information and decisions

### Cambridge IGCSE™ Business 0450

This *Scenario Pack* can also be used with the following syllabuses:

- Cambridge IGCSE™ (9–1) Business Studies **0986**
- Cambridge O Level Business Studies **7115**



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## Introduction

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This pack will help you to encourage your learners to develop and use higher order thinking skills such as application, analysis, evaluation and justification.

### **Important note**

Our *Scenario Packs* have been written by **classroom teachers** to help you deliver lessons which develop higher order thinking skills. Use these materials to supplement your teaching and engage your learners. You can also use them to help you create lesson plans for other parts of the syllabus.

This is one of a range of *Scenario Packs*.

Each pack draws on a range of assessment objectives so that learners can focus on using higher order thinking skills in novel situations. A range of media are used in the packs to give learners an immersive experience within which they can use their skills. The packs can be used in any order to suit your teaching sequence.

In this pack you will find the lesson plan, worksheets for learners, video file and teacher resource sheets you will need to successfully complete the lesson. Please note that the lesson timings are for guidance, and you may need to adapt these to suit your circumstances.

## Developing thinking skills

This *Scenario Pack* focuses on all four assessment objectives, drawing on subject knowledge from section 5 of the course syllabus.

This two hour lesson has links to the following syllabus content (see syllabus for detail):

- 5.1 Business finance: needs and sources
- 5.2 Cash-flow forecasting and working capital
- 5.3 Income statements
- 5.4 Statement of financial position
- 5.5 Analysis of accounts

The activity covers the following skills, adapted from assessment objectives AO2, AO3 and AO3 (see syllabus for assessment objectives):

- Demonstrate knowledge and understanding of facts, terms and concepts
- Applying knowledge and understanding of facts to a given situation
- Making judgements
- Making decisions
- Making recommendations
- Presenting reasoned explanations

Other Skills include:

- Communication
- Presentation
- Organisation
- Teamworking

## Prior knowledge



Knowledge from the following syllabus topics is useful for this activity.

- 5.1.1 The need for business finance
- 5.1.2 The main sources of finance
- 5.2.1 The importance of cash and cash-flow forecasting
- 5.2.2 Working capital
- 5.3.1 What profit is and why it is important
- 5.3.2 Income statements
- 5.4.1 The main elements of a statement of financial position
- 5.4.2 Interpret a simple statement of financial position and make deductions from it
- 5.5.1 Profitability
- 5.5.2 Liquidity
- 5.5.3 How to interpret the financial performance of a business by calculating and analysing profitability ratios and liquidity ratios
- 5.5.4 Why and how accounts are used




## Scenario lesson: Developing thinking skills

<b>Resources</b>	<ul style="list-style-type: none"> <li>• PPT</li> <li>• Interactive video</li> <li>• Worksheet A, Worksheet B, Worksheet C, Worksheet D and Worksheet F</li> <li>• Course Textbook</li> <li>• Internet access (optional)</li> </ul>
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<b>Learning objectives</b>	<p>By the end of the lesson:</p> <ul style="list-style-type: none"> <li>• <b>all</b> learners should be able to contribute content for a presentation on the financial aspects of a business, for a given scenario</li> <li>• <b>most</b> learners should be able to competently present on a range of financial topics in the context of the business scenario in their presentation</li> <li>• <b>some</b> learners will be able to present on areas that require higher order skills, such as interpreting data and explaining what it means</li> </ul>
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Timings	Activity
 <p>10 min</p>	<p><b>Starter</b></p> <p>The aim of this first activity is to enable learners to revisit the topic of cash flow forecasting, with an emphasis on the skill of constructing a simple one.</p> <p>Use <a href="#">Worksheet A</a> to help your learners to recall their knowledge and understanding of cash flow forecasts.</p>
 <p>5 min</p>	<p><b>Main lesson</b></p> <p>Use the PPT to introduce learners to the main activity and an outline of the business in this scenario.</p> <div style="background-color: #f9d79c; padding: 10px; margin: 10px 0;"> <p>Please note that the main activity timing is for guidance, and you may need to adapt this to suit your circumstances. We recommend learners are given approximately 80 minutes for the main activity to allow them time to immerse themselves in their preparation.</p> </div> <p>Put learners into teams of three or four. You could plan these in advance, or you could do this based on the learner outcomes of the starter activity to ensure teams are balanced based on their prior knowledge and understanding.</p>

## Scenario lesson: *Continued*

Timings	Activity
 <p>50 min</p> <p>This activity may continue into the next lesson</p>	<p>Hand out to each team, the following things:</p> <ul style="list-style-type: none"> <li>• <a href="#">Worksheet B</a></li> <li>• <a href="#">Worksheet C</a></li> <li>• <a href="#">Worksheet D</a></li> <li>• <a href="#">Worksheet E</a></li> </ul> <p>It is up to each team how they wish to organise themselves, but you might want to provide advice on how to use their time efficiently. Appointing a leader is advisable and then perhaps encouraging learners to take an area of responsibility for the planning of the content for their meeting.</p> <p>The interactive video will run for the duration of the activity giving learners prompts throughout to aid the planning and preparation of their presentation to the small start-up business owners.</p> <div style="text-align: center; background-color: #f4a460; padding: 10px; margin: 10px 0;"> <p>Start the interactive video now</p> </div>
 <p>30 min</p>	<p>Once the video has finished, you learners should have 30 minutes to write their speaker notes and practise their presentations. Learners could use PowerPoint, flip charts or any other presentation aids available to them for their presentation.</p>
 <p>25 min</p>	<p><b>Plenary</b></p> <p>In this final part of the activity, learners present their ideas to the business owners.</p> <p>Due to the nature of the presentation content we suggest inviting another member of staff to act as the small business owner(s), so that the content of the learners' presentations can genuinely be assessed for their ease of understanding.</p> <p>Additional members of staff would need briefing on the nature of the activity to assist them in the judging of the presentations. If this is not possible, you should assume the role.</p> <p>Use copies of <a href="#">Worksheet F</a> to rate each team presentation using a scale of 1 to 5 (with 5 being excellent and 1 poor).</p> <p>Give each team approximately 5 minutes each to present – this may need to vary depending on how many teams you have.</p>

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## Teacher notes

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The aim of this activity is for learners to be able to re-visit elements of the syllabus which can be challenging, in an engaging way, to help them secure their own knowledge and understanding of those areas.

Their task is to prepare a presentation for a business meeting, where they will present to the owners of a small start up business who, whilst creative, have very little knowledge and understanding of the financial aspects involved in setting up a business.

Their presentations will need to cover a range of financial information the business owners will need to understand, and detail the financial decisions they will need to make. Full details of what their presentations should include are given later.

The PPT will help you to brief the teams about the nature of the business they are providing the financial information for. This means that the presentation they prepare will be expected to have some contextualised content where appropriate. The interactive video will brief learners on the nature of the business and what their task is, and they will also have a copy of the business' profile in their business meeting pack.

Teams will compete to win fees in five sections. The team with the highest score in each section wins the fees.

The team who wins the activity is the one that has collected the most fees. Members of staff acting as the owners will use a recording sheet for each section to rate each team on the content and how well they present it.

Each section has \$50 in fees that can be allocated – this amount can be adjusted to local currency and the amounts can be changed if you would like.

The presentation to the business owners will need to cover the areas outlined on the following page. Their business meeting planning sheet lists the content required for the presentation. How learners present can be flexible according to resources available to them; for example, PowerPoint, flipcharts, speaker notes or a typed report.

Please note that the content of the presentation outlined below can be edited to remove content to better suit your lesson timings.



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## Teacher notes: *continued*

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The teams should prepare presentations which include the following information for each category:

### **1 – Business finance needs and sources of finance**

- Reasons why the owners need finance in the short and long term
- Main sources of finance available to them in the short and long term as a private limited company, with recommendations of appropriate sources depending on a variety of circumstances

### **2 – Cash flow forecasting and working capital**

- Why cash flow forecasting is important to them
- What a cash flow forecast is and how to construct a simple one – learners will be expected to demonstrate this
- How to interpret a cash flow forecast using the modelled one (a template has been provided in the business meeting pack) – learners will need to interpret the figures for the benefit of the owners understanding
- How to overcome short term cash flow problems
- The importance of working capital

### **3 – Income statements**

- How a profit is made
- Importance of profit to the business
- The difference between profit and cash
- What an income statement is
- The main features of an income statement
- How to use an income statement in decision making based on profit performance

### **4 – Statement of financial position**

- The main elements of a statement of financial position
- How to interpret a simple statement of financial position and how to make deductions from it

### **5 – Analysis of accounts**

- What profitability is and why it is important
- What liquidity is and why it is important
- How to interpret the financial performance of their business by calculating and analysing profitability ratios and liquidity ratios
- How they can use the accounts and ratio results to information to make decisions.

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## Worksheets and answers

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	Worksheets	Answers
<b>A:</b> Cash flow forecast	11	23
<b>B:</b> Business profile	12	
<b>C:</b> Business meeting planning sheet	13-15	
<b>D:</b> Cash flow forecast template	16	
<b>E:</b> Speaker notes	17-20	
<b>F:</b> Teacher record sheet	21-22	

## Worksheet A: Cash flow forecast

Bob has a shop and needs to create a cash flow forecast for the next six months. Complete the cash flow forecast for Bob, using the information provided.

	\$ Jan	\$ Feb	\$ March	\$ April	\$ May	\$ June
<b>Cash inflow</b>						
Receipts						
<b>Total inflow</b>						

<b>Cash outflow</b>						
Payments						
<b>Total outflows</b>						

<b>Net cash flow</b>						
<b>Opening balance</b>	<b>300</b>					
<b>Closing balance</b>						

	\$ Jan	\$ Feb	\$ March	\$ April	\$ May	\$ June
<b>Sales – Paper</b>	<b>800</b>	<b>900</b>	<b>900</b>	<b>1000</b>	<b>1200</b>	<b>1300</b>
<b>Sales – Pens</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>550</b>	<b>700</b>	<b>700</b>
<b>Sales – Other</b>	<b>400</b>	<b>400</b>	<b>400</b>	<b>450</b>	<b>500</b>	<b>500</b>
<b>Payments – Overheads</b>	<b>850</b>	<b>850</b>	<b>850</b>	<b>850</b>	<b>850</b>	<b>850</b>
<b>Payments – Wages</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>300</b>	<b>500</b>	<b>500</b>
<b>Payments – Stock</b>	<b>500</b>	<b>600</b>	<b>600</b>	<b>650</b>	<b>800</b>	<b>750</b>
<b>Payments - Other</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>

Cash flow forecast

Net cash flow

An estimate of the future cash inflows and outflows of a business

Cash inflows minus cash outflows

## Worksheet B: Business profile

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James and Jon are planning to be the owners of a new small start-up business. They will be starting a Private Limited Company (Ltd).

James and Jon are creative, have the ability to generate ideas, spot opportunities, are passionate and are determined for their enterprise to be successful.

Prior to their business venture, both worked as chefs in top hotels in London.

Their business idea is designing dinner party boxes. Customers pick what type of dinner pack they would like from small and intimate to larger dinner parties or buffet style. They can customise what they would like in their pack. The food can then be delivered prepared or as a kit of ingredients to be assembled by the customer. Packs can be personalised, themed or just contain their favourite things. Tailoring to meet customer needs is their competitive edge.

They are aware there is a range of financial information they need to understand, and financial decisions they will need to make. They know little about the financial aspects of starting up and running a business including; sourcing finance to start and run the business, cash flow forecasting and understanding income statements and statements of financial position.

Your task is to prepare a presentation for a business meeting they have invited you to, where you will present to the owners the financial aspects of setting up and running a business.

You will be given a list of content that needs to be addressed and will need to apply it to the business where you can.

The owners are willing to pay fees to the teams who they feel have explained and help them to understand each section of financial information the best.

## Worksheet C: Planning sheet

You will need to use this worksheet to help you plan the content of your presentation for the meeting. You may find it useful to have your completed starter activity to help with the cash-flow forecast part of the presentation.

Presentation checklist	Content of our presentation
<b>1 – Business finance needs and sources</b>	
Reasons why the owners need finance in the short and long term	
Main sources of finance available to them in the short and long term as a private limited company, with recommendations of appropriate sources depending on a variety of circumstances	
<b>2 – Cash flow forecasting and working capital</b>	
Why cash flow forecasting is important	
What a cash flow forecast is and how to construct a simple one – you will be expected to demonstrate this	
How to interpret a cash flow forecast (a template has been provided in your meeting pack - you will need to interpret the figures for the benefit of the owners understanding)	
How to overcome short term cash flow problems	

## Worksheet C: *continued*

Presentation checklist	Content of our presentation
The importance of working capital	
<b>3 – Income statements</b>	
How a profit is made	
Importance of profit to the business	
The difference between profit and cash	
What an income statement is	
The main features of an income statement	
How to use an income statement in decision making based on profit performance	

## Worksheet C: *continued*

Presentation checklist	Content of our presentation
<b>4 – Statement of financial position</b>	
The main elements of a statement of financial position	
How to interpret a simple statement of financial position and how to make deductions from it	
<b>5 – Analysis of accounts</b>	
What profitability is and why it is important	
What liquidity is and why it is important	
How to interpret the financial performance of their business calculating and analysing profitability ratios and liquidity ratios	
How they can use the accounts and ratio results information to make decisions	

## Worksheet D: Cash flow forecast template

	\$ Jan	\$ Feb	\$ March	\$ April	\$ May	\$ June
<b>Cash inflow</b>						
Receipts						
<b>Total inflow</b>						

<b>Cash outflow</b>						
Payments						
<b>Total outflows</b>						

<b>Net cash flow</b>						
<b>Opening balance</b>						
<b>Closing balance</b>						

	\$ Jan	\$ Feb	\$ March	\$ April	\$ May	\$ June
<b>Sales</b>						
<b>Sales</b>						
<b>Sales</b>						
<b>Payments</b>						
<b>Payments</b>						
<b>Payments</b>						
<b>Payments</b>						



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## Worksheet E: Speaker notes

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You can use these as cue cards during your presentation

### **1 – Business finance needs and sources**

Reasons why the owners need finance in the short and long term

### **Business finance needs and sources**

Main sources of finance available to them in the short and long term as a private limited company, with recommendations of appropriate sources in different circumstances they may have

### **2 – Cash flow forecasting and working capital**

Why cash flow forecasting is important

### **2 – Cash flow forecasting and working capital**

What a cash flow forecast is and how to construct a simple one

### **2 – Cash flow forecasting and working capital**

How to interpret a cash flow forecast

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## Worksheet E: *continued*

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### **2 – Cash flow forecasting and working capital**

How to overcome short term cash flow problems

### **2 – Cash flow forecasting and working capital**

The importance of working capital

### **3 – Income statements**

How a profit is made

### **3 – Income statements**

Importance of profit to the business

### **3 – Income statements**

The difference between profit and cash

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## Worksheet E: *continued*

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**3 – Income statements**

What an income statement is

**3 – Income statements**

The main features of an income statement

**3 – Income statements**

How to use an income statement in decision making based on profit performance

**4 – Statement of financial position**

The main elements of a statement of financial position

**4 – Statement of financial position**

How to interpret a simple statement of financial position and how to make deductions from it

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## Worksheet E: *continued*

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### **5 – Analysis of accounts**

What profitability is and why it is important

### **5 – Analysis of accounts**

What liquidity is and why it is important

### **5 – Analysis of accounts**

How to interpret the financial performance of their business calculating and analysing profitability ratios and liquidity ratios

### **5 – Analysis of accounts**

How they can use the accounts and ratio results information to make decisions

## Worksheet F: Teacher record sheet

This sheet is to be used to record feedback for each team's presentation. **Print out a recording sheet for each team.** Rate each team on a scale of 1 to 5, with 5 being excellent to 1 being poor.

At the end of each section allocate the fees to the team which has the highest rating. At the end of the activity, the team with the most fees collected in total is the overall winner.

TEAM NAME		
Checklist	How well is the content covered? (1 to 5)	How well is the content presented? (1 to 5)
<b>1 – Business finance needs and sources</b>		
Reasons why the owners need finance in the short and long term		
Main sources of finance available to them in the short and long term as a private limited company, with recommendations of appropriate sources in different circumstances they may have		
<b>2 – Cash flow forecasting and working capital</b>		
Why cash flow forecasting is important to them		
What a cash flow forecast is and how to construct a simple one – learners will be expected to demonstrate this		
How to interpret a cash flow forecast (learners will need to interpret the figures for the benefit of the owners understanding)		
How to overcome short term cash flow problems		
The importance of working capital		
<b>3 – Income statements</b>		
How a profit is made		
Importance of profit to the business		

## Worksheet F: *continued*

checklist	How well is the content covered? (1 to 5)	How well is the content presented? (1 to 5)
The difference between profit and cash		
What an income statement is		
The main features of an income statement		
How to use an income statement in decision making based on profit performance		
<b>4 – Statement of financial position</b>		
The main elements of a statement of financial position		
How to interpret a simple statement of financial position and how to make deductions from it		
<b>5 – Analysis of accounts</b>		
What profitability is and why it is important		
What liquidity is and why it is important		
How to interpret the financial performance of their business calculating and analysing profitability ratios and liquidity ratios		
How they can use the accounts and ratio results information to make decisions		

## Worksheet A: Answers

	\$ Jan	\$ Feb	\$ March	\$ April	\$ May	\$ June
<b>Cash inflow</b>						
Receipts	1700	1800	2000	2100	2400	2500
<b>Total inflow</b>	1700	1800	2000	2100	2400	2500

<b>Cash outflow</b>						
Payments	1850	1950	1900	1950	2150	2150
<b>Total outflows</b>	1850	1950	1900	1950	2150	2150

<b>Net cash flow</b>	(-150)	(-150)	100	150	250	350
<b>Opening balance</b>	300	150	0	100	250	500
<b>Closing balance</b>	150	0	100	250	500	800

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