

Teaching guide: Finance

With a focus on unfamiliar topics, we've created this teaching guide to support you in planning your lessons.

Sources of finance

Trade credit as a source of finance

This is the process of buying items from a supplier and paying for them later; (for example 30 days after invoice date). Students need to understand the benefits to the business of this facility, in terms of its use as a source of finance.

Classroom activities

- [Investopedia](#) has an article that explains trade credit and its use. Students could summarise the article into a series of five bullet points; five more could explain the benefits to the business of using it as a source of finance.
- Students could examine a range of examples of invoices/other documents that indicate the payment terms of orders, so that they can visualise the ways in which trade credit is expressed. This may help them to remember how the facility works. They could examine the implications for the seller of not receiving payment until sometime later.

Financial terms and calculations

Investment projects

Students should understand the reasons for investment projects and what the business would hope to gain so that they will understand the balance between costs and return generated.

Classroom activities

Get students to calculate the average rate of return.

Break-even charts

- This topic builds on [Business planning](#)
- Students should be able to put labels on a break-even chart.

Classroom activities

- Revisit section [Business planning](#) to remind students of the importance of reaching break-even and of making a profit.
- Having learnt the layout and terminology of break-even charts, students should consider what each part of the chart means. You could include the break-even output and margin of safety.

Analysing the financial performance of a business

Only two financial ratios: gross profit margin and net profit margin, appear on the specification.

Income statement and statement of financial position

Be aware in your planning that the income statement was known as the profit and loss account and the statement of financial position was known as the balance sheet.

Classroom activities

Once the teaching of the calculation of the gross and net profit margins is complete, get students to compare the margins across different years.

Such questions could become regular starter activities so that the calculations become familiar and take decreasing amounts of time.

Students will be able to identify the figures they need for the calculation quickly and with calculators, the calculation can be completely accurate, gradually increasing students' confidence.