



THE TIMES 100

BUSINESS CASE STUDIES

Cash flow lesson suggestions & activities - CIMA

Learning outcomes

Students should...

- Understand the structure of a cash flow forecast (AO1) and evaluate cash flow forecasts as decision making tools (AO3/4)
- Know the causes of cash flow problems (AO1) and identify solutions to cash flow problems (AO2)
- Calculate, interpret and analyse cash flow forecasts (AO3/4)

Starter activities

- **'Consider all factors'** . students are told that a local business is struggling to pay its bills because it doesn't seem to have enough available cash when it needs it. The students then have to consider all the factors that might be causing this problem. The answers can either be given verbally or written on a post-it or mini-white board. Use the answers to prompt a discussion about cash flow.
- **CIMA word search** of the key terms

Delivery ideas

- Use the **cash flow PowerPoint** to introduce the topic and apply theory in context
- GCSE . Using the **CIMA case study** for guidance, students produce a step-by-step **'Dummy's Guide'** explaining how to complete a cash flow forecast. This should include worked examples.
- **AqLevel** - Using the **CIMA case study** for guidance, students create an advice card for new businesses which explains why good cash flow is necessary in business, the importance of cash flow forecasting and methods for improving cash flow.
- **Cash flow worksheet** (resource attached)



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Plenary activities

- **Mini-plenary . True/False.** Students are presented with a number of statements about cash flow and cash flow forecasts. The statements may be correct or incorrect. The students decide whether the statement is true or false, then at the same time they all show their answers. The answers could be written on a mini-white board. Alternatively laminated back-to-back true/false boards can be made using the template provided (resource attached).
- **In exactly eleven words...** students write something they have learned about cash flow in the lesson. It might be worth banning the use of ~~in~~ today's lesson I have learned that...q
- **CIMA crossword**



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Cash flow worksheet - CIMA

What's in it for me?

I am learning...

- the structure of a cash flow forecast and the importance of cash flow forecasts as decision making tools
- the causes of and solutions to cash flow problems
- how to calculate, interpret and analyse cash flow forecasts

I am developing my skills as...

- a *self manager* by organising my time effectively

Task 1

Read the **CIMA case study**. Use the glossaries to help you learn the relevant terms and definitions relating to cash flow.

Task 2

Using the CIMA case study to show you how, complete a cash flow forecast from the following information for Timmy's Toy Shop:

- Sales per month are forecast to be £23,000 except in the run up to Christmas when October sales are forecast at £25,000 and November and December sales are anticipated to be £30,000.
- Timmy's Toy Shop receives £500 per month interest on an investment it has in another business
- Rent on the shop unit is £5,800 per month although the landlord has advised the Timmy that the rent will increase to £6,000 in December.
- Bills are paid quarterly in January, April, July and October. Timmy pays £5,000 each quarter.
- Salaries usually cost Timmy £10,000 per month however in the last three months of the year he will take on temporary staff during the busy Christmas period and this will cost him an extra £2,000 per month.



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- Between January and August Timmy expects to pay £5,100 per month for stock. In September that will rise to £8,000 and in October and November it will be £10,000. In December stock costs will fall to £7,000.
- Theft has been a problem at Timmy's Toy Shop so additional security equipment is going to be installed in May. This will cost £50,000 and Timmy is hoping to get a loan to pay for this for which repayments will be deferred until the following year.
- The opening balance for Timmy's Toy Shop in January is £100.

When you have completed the cash flow forecast, answer the following questions:

1. Why is it important for Timmy to draw up a cash flow forecast?

2. What problem does Timmy face in January and October, and what is causing this problem?

3. What could Timmy do to eliminate this problem in future?



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True/False cash flow activity

Possible statements that can be presented to the students include:

1. Cash is not as important as profit
2. Net cash flow equals receipts minus payments
3. To improve cash flow, businesses should aim to reduce cash inflows
4. Cash flow is the movement of cash into and out of a business
5. The closing balance can be calculated by combining the net cash flow with the opening balance
6. During a recession it is usually easy to borrow money
7. To improve cash flow businesses could negotiate longer payment terms with their suppliers
8. Receipts are inflows of cash from things like sales of goods and interest on investments
9. Poor cash flow is rarely a reason why businesses fail
10. Management accountants can help firms to manage their cash flow



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