



THE TIMES 100

BUSINESS CASE STUDIES

Teacher guide

Ratio analysis - CIMA

Where does the lesson fit?

This session would fit in a Finance module, following an introduction to financial accounts. Students will need to be familiar with balance sheets and income statements to be able to access this session.



Suggested resources & activities related to CIMA and ratio analysis.

- Full CIMA case study
- Ratio Analysis PowerPoint
- Decision Trees lesson resources
- CIMA crossword
- CIMA word search

Suggested timings for the session

5 mins	Starter e.g. CIMA word search
5 mins	Use the Ratio Analysis PowerPoint to discuss the topic
5 mins	Read the case study
10 mins	Questions
30 mins	Task . investigation and calculation of financial ratios
5 mins	What have you learned?



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Answers to questions

1. What are financial ratios?
Financial ratios are used to more easily interpret financial data and make comparisons between sets of data more clear.
2. List the five main types of ratios used by organisations.
 - Profitability
 - Liquidity
 - Efficiency
 - Gearing
 - Shareholder
3. Explain why one set of ratios is unlikely to be very useful to management accountants.
Sets of ratios are most helpful when they can be compared with other sets of ratios so that similarities, differences and trends can be identified. For example, ratios from different years or organisations can be compared. Also, ratios may be compared with industry standards.
4. Analyse the limitations of using financial ratios.
 - Ratios use historical data
 - Ratios do not take into account qualitative factors
 - Figures may be window dressed
 - Ratios are not very helpful if only one set is available

What have you learned?

Expected learning is likely to include:

- Why ratios are used
- The five main types of ratios
- How to calculate the different ratios
- The benefits of ratio analysis
- The limitations of ratio analysis