

10.4 Finance and accounting strategy

Name: _____ Class: _____ Date: _____ **Total: 29 marks**

KEY WORDS financial data 财务数据 • financial statements 财务报表
• finance and accounting strategy 财务战略 • investment appraisal 投资评估 • gearing 杠杆比率

Objective

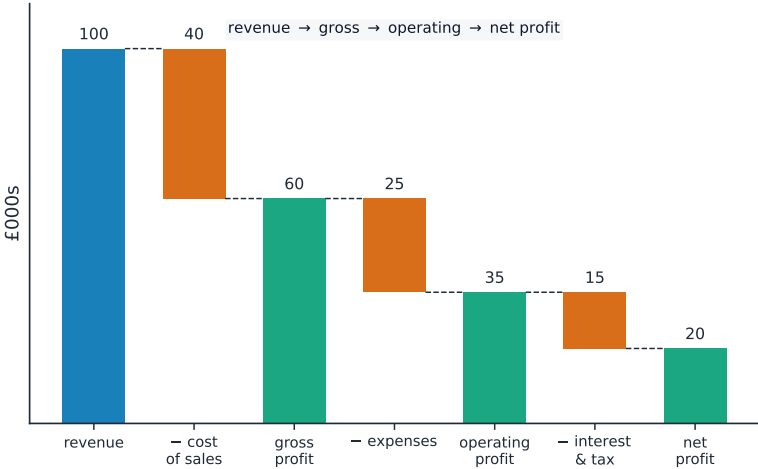
Build the skills to answer exam questions on **finance and accounting strategy** 财务战略 — how managers use **financial data** 财务数据, ratios and **investment appraisal** 投资评估 to make big strategic decisions, and the limits of relying on numbers alone.

You must be able to:

- explain how financial data supports a strategic decision
- describe the financial questions managers ask before a major spend
- analyse and evaluate the role of financial information in strategy

1 Worked examples

- Using finance to choose a strategy



Financial statements (here the income statement), ratios and appraisal feed strategic decisions



Numbers turn a risky guess into a reasoned choice — but they are only part of the picture

Before a big decision, managers ask:

- **Can we afford it?** (cash flow, existing debt and gearing)
- **How will it affect profit and return?** (ROCE, ARR, NPV)
- **What is the risk?** (payback, the effect on liquidity)

Financial data must still be weighed with the market, the staff and the firm's objectives.

Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State two financial questions managers ask before a major investment. [2]

2.2 Define the term *gearing*. [2]

2.3 State one non-financial factor managers should also consider in a strategic decision. [2]

3 Exam-style questions

3.1 Explain one reason why financial data is useful in making a strategic decision. [3]

3.2 Analyse two financial factors a business should consider before a major investment. [8]

3.3 'Financial data is the most important factor in any strategic decision.' Evaluate this view. [12]

Solutions

Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

2.1 any two of: can we afford it (cash/gearing)?; how will it affect profit and return?; what is the payback/risk?; how will it affect liquidity? (1 + 1).

2.2 the proportion of a firm's long-term capital that comes from borrowing rather than from owners (2 for a clear definition; 1 for a partial idea).

2.3 any one of: the market and competition; staff morale and skills; the firm's objectives; ethics or the environment (2 for a developed point; 1 for a basic one).

3.1 [3] **AO1** 1 — give a reason (it measures cost, profit, return and risk objectively).

AO2 up to 2 — develop it, e.g. comparing the NPV of two projects shows which adds more value → managers choose the better one → resources are used well (2 developed / 1 limited).

3.2 [8] For **each** of two factors: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *gearing/affordability*: a heavily borrowed firm → high interest risk → it may delay or fund the project with equity instead. *Return (NPV/ARR)*: a project with a positive NPV → adds value over its life → worth investing in if cash allows. Maximum 4 per factor, 8 total.

3.3 [12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **For:** financial data is objective, measures cost, return and risk, and underpins affordability. **Against:** numbers use estimates and past data, and ignore the market, competition, staff and ethics; a profitable-looking plan can still fail for non-money reasons. Judgement: financial data is essential but rarely sufficient alone — the best decisions weigh it against market and human factors and the firm's objectives; its importance depends on the type of decision.