A-LEVEL BUSINESS • EXERCISE SHEET

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

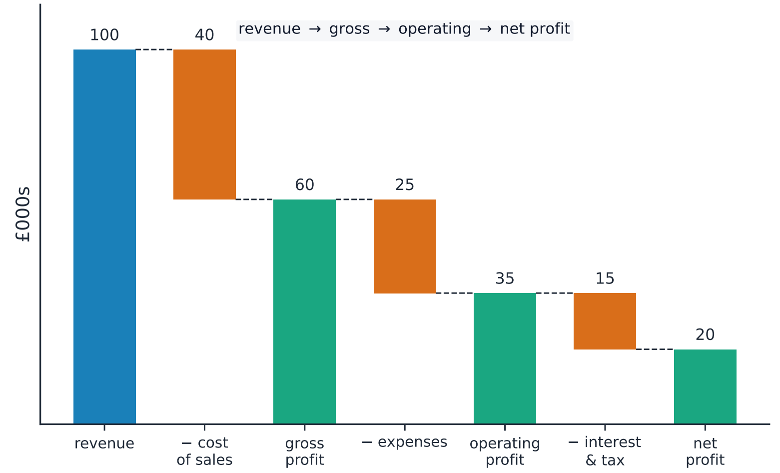
Build the skills to answer exam questions on **finance and accounting strategy 财务战略** — how managers use **financial data 财务数据**, ratios and **investment appraisal 投资评估** to make big strategic decisions, and the limits of relying on numbers alone.

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]