

A Level Accounting Summer Independent Learning Activity

The SIL this summer consists of 2 parts. '**Preview Work**', which will introduce new topics, prior to Year13, which is an extension of the ratio analysis work you have done in Year12, and '**Review Work**', which will help with your final preparations for your first cedar assessment in September. This is based on Year12 work and all work is on teams.

Preview Work for Year13 (New content)

3.17 Interpretation, analysis and communication of accounting information

Investor Ratios

The first part of this section of the specification explores how accounting techniques, measures and ratios are used to analyse and interpret accounting information (both financial and management) and the limitations of using financial statement and ratio analysis when assessing business performance.

You have already studied ratios in Year 12, in section 3.8.

Revisit the accounting course on Teams and find the Ratios Knowledge Mat in Section 3.8.

Save this file as '3.17 Investors' Ratios' on your desktop, and then clear the file, change the heading to the one above, and delete all rows except five.

Now, using the links below as a start, and others from your research, complete the table for the following ratios.

For each you should include the formula, a brief definition, and most

important, what the ratio actually means:

- 1) Dividend yield – is a financial ration showing the reward an investor or shareholder would earn from an investment based solely on its dividend payment. It is the percentage return on the value of their investment.

$$\text{Dividend yield} = \text{dividend per share} / \text{market price per share} * 100$$

$$\text{Dividend per share} = \text{dividend paid} / \text{number of shares}$$

- 2) Earnings per share show shareholders how much profit after tax has been generated by each issued share.

$$\text{Earnings per share} = \text{profit after tax in pence} / \text{number of issued shares}$$

Earnings per share measures profitability rather than inverstor's returns as profit may not be paid out as dividends.

- 3) Dividend cover measures how easily the company can afford the dividends without using previous years' retained earnings. This is by comparing the dividends paid to the profits after interest and tax. Dividend cover is expressed as a number and not an amount of money.

$$\text{Dividend cover} = \text{profit after interest and tax} / \text{ordinary share dividends paid}$$

- 4) Price earnings is the ratio for valuing a company that measures its current share price to its earnings per share.

$$\text{Price earnings} = \text{current market price} / \text{earnings per share}$$

A high price earning figure indicates a high share price or that a company's stock is overvalued due to expected future returns. It could also indicate low earnings per share due to low profits after tax.

- 5) Interest cover ratio is a debt and profitability ratio used to determine how easily a company can pay interest on its outstanding debts.

$$\text{Interest cover} = \text{profit before interest and tax} / \text{interest payable}$$

Save this file, and print it off and bring to your first lesson in September.

Start by learning the formulas and use the following link to get the AQA specification. The formulas are in the appendices on page 33.

<http://filestore.aqa.org.uk/resources/accounting/specifications/AQA-7127-SP-2017.PDF>

For a general introduction use the link below on tutor2u

<https://www.tutor2u.net/business/reference/shareholder-returns>

Tutor2u also has a PowerPoint where dividend yield is explained on pages 5&6

<https://www.tutor2u.net/business/reference/shareholder-ratios-revision-presentation>

The following website uses dollars rather than pounds, but is still useful for the theory

<https://www.myaccountingcourse.com/financial-ratios/dividend-yield>

Dividend cover is explained on the following website

https://moneyterms.co.uk/dividend_cover/

and this story in the Financial Times, gives you some wider business information

<https://www.ft.com/content/873f5dc8-65ee-11e5-97d0-1456a776a4f5>

In the following link the formula for P/E is explained, and there is also a blog and analysis by other students to visit

<https://www.tutor2u.net/business/topics/price-earnings-pe-ratio>

<https://www.myaccountingcourse.com/financial-ratios/price-earnings-ratio>

Interest Cover is explained in the following links

https://moneyterms.co.uk/interest_cover/

<https://www.myaccountingcourse.com/financial-ratios/interest-coverage-ratio>

For Earnings per share, do your own research, perhaps using some of the websites from above.....

Review Work for Year13 (based on Year12)

Review the following seven videos that you have previously been directed to look at, prior to starting your revision:

What is metacognition? ·

<https://www.youtube.com/watch?v=77K8nQaKbp0&t=25s>

How your memory works ·

<https://www.youtube.com/watch?v=wvrHgDE1IbM>

Retrieval practice ·

<https://www.youtube.com/watch?v=wrDOoBuP9A8&t=28s>

Spaced practice ·

<https://www.youtube.com/watch?v=tQCuuSdBaQs&t=16s>

Interleaving ·

<https://www.youtube.com/watch?v=8MofOoLtyaA&t=3s>

Calibration ·

<https://www.youtube.com/watch?v=g5Gzh4WF10A>

Self-regulation

<https://youtu.be/5E-WJmuM83A>

Once you have done this you need to review the specification topics. In order to do this you need to use the knowledge checker. This has been placed in 'Files' on Teams for you.

The following **key** areas **should be reviewed** in preparation for your next cedar assessment.

For each area, review your knowledge, using the knowledge mats and your notes, and attempt the key question(s) highlighted, which can be found in 'Files' on teams in the folder 'SIL YR 12 to YR 13'

Help sheets, and answers to each of the key questions have also been put into Teams for you to access.

3.2 Business organisations & Sources of Finance

Key question: Ranier Ltd

3.3 Double Entry Book-keeping

Key question (s): Nour/ Matthew

3.4 Verification of Accounting Records

Key question: Yasmin Bukera

3.5 Concepts

Key question: Laura

3.7 Limited company accounts

Key question(s): Weirwolf/ Shameobi

3.8 Ratio Analysis

Key question(s): Mau Pau/ Geraldine/ Singara

You should be prepared to do a combination of calculation and written questions of varying length, including essay style questions during your exam, and you need to ensure you know both formulas and benefits/ disadvantages in the various topics you cover.