

Tarnbeck Creamery: reading the accounts

Student workbook | Pearson Edexcel A level Business (9BS0), Theme 3 | Original TBS three-lesson financial analysis case

Over three lessons you will read a food maker's accounts and advise on a borrowing decision. Lesson 1: read the income statement and the statement of financial position and say what each tells different stakeholders. Lesson 2: calculate and interpret two ratios, gearing and return on capital employed (ROCE), judge a proposal to borrow more and state the limits of ratios. Lesson 3: compare two rival firms and write a recommendation of about 175 words.

Tarnbeck Creamery Ltd, Hollin Vale Cheese Ltd, the bank and every person, figure and quote in this case are fictional. You need a calculator. This is original classroom practice, not an exam paper.

The business

Tarnbeck Creamery Ltd makes farmhouse cheese in a village in the north of England. It buys milk from 14 local farms, matures the cheese for several months and sells to delicatessens, supermarkets and its own farm shop. It employs 46 people and is owned by the Ellery family. Marian Ellery is Managing Director and Callum Raine is Finance Manager.

The specification calls the income statement the statement of comprehensive income (profit and loss account). This pack says income statement. The balance sheet is called the statement of financial position. The income statement shows how much profit the business made over a year. The statement of financial position shows what the business owns and owes on one date.

All money amounts in the accounts are in £000 (thousands of pounds), so 4,200 means £4,200,000. Tax is left out to keep the case simple.

Free sample

Tarnbeck Creamery: reading the accounts

Contents of the full pack

Lesson 1: Reading the statements

Lesson 2: Ratio analysis

Lesson 3: Comparing two firms

Student workbook and teacher guide, as PDF and as editable Word files.

The teacher guide has lesson plans, full worked answers and indicative guidance.

This sample is the cover and the first two pages of Lesson 1 of the student workbook. It contains no answers. The pages that follow are exactly as in the full pack.

Lesson 1: Reading the statements

Starter: which statement? (5 minutes)

Write IS for the income statement or SFP for the statement of financial position for each item. Then answer question 7.

Item	IS or SFP?
1. Revenue	
2. Inventories	
3. Bank loan repayable after more than a year	
4. Interest paid	
5. Retained profit	
6. Trade payables	

7. In one line, say how the two statements differ in the time they cover.

Reading time (7 minutes)

Read the case file again and the two statements in Tasks 1 and 2. Look at the headings and at which numbers changed most. Do not calculate yet.

Task 1: the income statement (individual, 10 minutes)

Givens: Gross profit = revenue - cost of sales. Operating profit = gross profit - other operating expenses.
Profit for the year (net profit) = operating profit - interest. Figures are in £000.

a. Complete the three empty rows for each year.

Income statement, year ended 31 March (£000)	2025	2026
Revenue	4,200	4,536
Cost of sales	2,730	3,000
Gross profit (revenue - cost of sales)		
Other operating expenses	1,050	1,180
Operating profit (gross profit - other operating expenses)		
Interest	30	44
Profit for the year (net profit) (operating profit - interest)		

Working space:

b. Calculate the percentage change from 2025 to 2026 in revenue and in operating profit (one decimal place). Say if each is a rise or a fall.
