

# **Simulations, Games and Experiential Learning Techniques, Volume 1, 1974**

## **CONSTRUCTING MINI-COURSES TO SUPPLEMENT BUSINESS SIMULATIONS**

Howard Leftwich, Oklahoma Christian College

The potential for using business simulations to teach accounting and financial techniques and analysis has barely been tapped. In the early years of the development of business simulations, the primary objective was often to demonstrate the capabilities of the computer rather than to teach business management skills and techniques. In the early years and to a large extent now, participation in simulations has been on the basis of following hunches and trying to outguess the computer program. As long as simulations are carried out on this basis it is doubtful that they are worth the cost of the computer program time that it takes to score them.

The real worth of business simulation is in learning to analyze data and using such analysis as the basis for simulation decision-making. One way to encourage this kind of approach to participation in a business simulation is to judge simulation participants partially on the techniques and procedures that they used in arriving at decisions. In a good simulation there will usually be a close relationship between the sophistication of the analysis used and the overall game results, however since the number of decisions in a given simulation are usually limited, the cream may not always have time to rise to the top.

One cannot assume that the participants will be able to relate various analytical techniques learned in standard accounting and finance courses to the simulation data. Although participants may have learned techniques such as cash flow analysis and cost-volume profit analysis, they may have never had the opportunity to apply the techniques to an over-all business environment such as is represented by the out-put of most business simulations. There is a difference in seeing the need for and in making the application of financial analyses when presented with a complete set of business financial data and solving text-book problems where only the data required to demonstrate a specific technique is presented. In addition to the problem of transferring knowledge from specialized courses to the business simulation, participants may never have had the specialized courses or they may have had them far enough in the past to require refreshing. In any case, the purpose of this paper is to discuss the use of mini-courses to help overcome whatever shortcomings may exist in the participants' background, in order to allow participation in a business simulation to have real value from the standpoint of using financial analysis as a basis for making sound business decisions.

### **USING MINI-COURSES WITH A SPECIFIC SIMULATION**

Some of the techniques or analyses that simulation participants may benefit from using are the operating budget, cash budget, capital budget, inventory management, financial structure management, cost-volume-profit analysis, product cost accounting, financial statement analysis, financial reporting, auditing, and contribution margin techniques. Free-standing mini-courses on any or all of these subjects can be constructed and made

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available to participants prior to and during the simulation. The greatest benefits from mini-courses may come from interspersing them with game play since the need for the techniques will be more apparent after the simulation is under way.

Mini-courses on specific analytical techniques that are related to a specific simulation seem to have the greatest benefits toward making the transition from the abstract to reality. For example, a mini-course on cash flow analysis which uses terminology and data from the simulation which is being carried out will have its greatest transfer of learning to the simulation participation. An ideal arrangement seems to be one which involves a business simulation supported by a battery of mini-courses that utilize the kinds of output that participants will receive in the simulation. The number and selection of the specific courses to be used would depend upon the sophistication of the participants and the time span over which the simulation is carried out.

### **A SPECIFIC MINI-COURSE APPLICATION**

The remainder of this presentation is devoted to the discussion of a mini-course on cash flow analysis which was developed to support The Executive Simulation, a general purpose simulation written by Keys and Leftwich. Other mini-courses that are either completed or in process of completion which are related to this simulation are Business Financial Statements, The Operating Budget, Product Cost Accounting, and C-V-P Analysis.

The format followed in the cash flow analysis mini-course is that of a combination of audio tape and charts. For variation of use to fit specific circumstances, the narrative is also available in printed form and the charts are available in transparencies. The tape, of course, is available in cassette form.

The participant is provided with a cassette tape and tape player, a set of charts, and introductory material in printed form. The tape guides him through the charts and it may be stopped while making notes, if desired, or it can be reversed for purposes of hearing a repeat of certain points. It is desirable to go through the entire lesson more than once. The time is approximately 45 minutes.

The mini-course leads the participant from an elementary introduction of cash flow concepts up to a level sufficient to prepare a cash flow analysis for The Executive Simulation. This is not the level of competence that an accounting student would be expected to master, but rather it is pitched at the level that any one who understands the relationships of the basic financial statements could master. The mini-course ends with a self-administered problem for the participant to solve, along with its solution.

The format of the specific mini-courses is not as important as the purpose that they serve. This purpose is to provide tools of financial analysis to business simulation participants who are not accountants or financial experts. Even those who have had specialized training in these

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techniques will find such mini-courses useful for review and for helping them apply the techniques in the dynamic environment of a simulated business. The ultimate benefit is in obtaining the maximum learning experiences from business simulations through using financial analysis.