

MANAGEMENT & ORGANISATION

Forms of financing

Before

In a regular lesson about forms of financing, the teacher starts with an explanation of the various forms of long-term loan capital. After this, the pupils start doing some assignments from the textbook. These are part tasks relating to the terms discussed. Only a small part of the subject material is needed to do the assignment, for instance a fill-in-the-blanks diagram where missing numbers have to be added.

After reversal and omission

Whole task first

The teacher chooses a couple of whole tasks which he thinks are appealing for the pupils, and for which they need knowledge of the various forms of long-term loan capital in order to be successful. He brings one of these tasks forward so he can now start his class with one.

Mrs. L. Post-van den Akker wants to buy a house. The bank is willing to give her a 4% mortgage loan of € 300,000 with a term of 25 years. She receives an offer from the bank in which the following three options are presented to her:

- A. A mortgage loan with linear repayments: total amount payable for instalments and interest during the period to maturity is €456,000.
 - B. A mortgage loan with annuity repayments: total amount payable for instalments and interest during the period to maturity is €480,089.70.
 - C. A mortgage loan in the form of a savings-based mortgage: total amount payable for savings premiums and interest during the period to maturity is €480,089.70.
- Explain that with a linear repayment the total amount payable is lower than with annuity payments.
 - Explain why a savings-based mortgage can be more attractive than an annuity mortgage.

Adaptive support

Pupils who think they can do the assignments without explanation start working with only referral to the fill-in-the-blanks diagram for financing forms in the book. The other pupils listen to the explanation of the concepts and then take on the whole task. Pupils who still don't feel ready to do the whole task after the explanation will do part tasks first. They can do the fill-in-the-blanks diagram before starting on the whole task.