

6. Detailed study guide

A The business organisation and its external environment

1. The purpose and types of business organisation

- a) Define 'business organisations' and explain why they are formed.^[K]
- b) Describe common features of business organisations.^[K]
- c) Describe how business organisations differ.^[K]
- d) List the sectors in which business organisations operate.^[K]
- e) Identify the different types of business organisation and their main characteristics:^[K]
 - i) Commercial
 - ii) Not-for-profit
 - iii) Public sector
 - iv) Non-governmental organisations
 - v) Cooperatives.

2. Stakeholders in business organisations

- a) Define stakeholders and explain the agency relationship and how it may vary in different types of business organisations.^[K]
- b) Define internal, connected and external stakeholders and explain their impact on the organisation.^[K]
- c) Identify the main stakeholder groups and the objectives of each group.^[K]
- d) Explain how the different stakeholder groups interact and how their objectives may conflict with one another.^[K]
- e) Compare the power and interest of various stakeholder groups and how their needs should be accounted for, such as under the Mendelow matrix.^[K]

3. Political and legal factors affecting business

- a) Explain how the political system and government policy affect the organisation.^[K]
- b) Describe the sources of legal authority, including supra-national bodies, national and regional governments.^[K]
- c) Identify the principles of data protection and security.^[K]
- d) Describe the legal responsibility of the individual and the organisation in relation to data protection and security.^[K]

4. Macroeconomic factors

- a) Define macroeconomic policy and explain its objectives.^[K]
- b) Explain the main determinants of the level of business activity in the economy and how variations in the level of business activity affect individuals, households and businesses.^[K]
- c) Explain the impact of economic issues on the individual, the household and the business:^[K]
 - i) Inflation
 - ii) Unemployment
 - iii) Economic growth
 - iv) International payments disequilibrium.
- d) Describe the main types of economic policy that may be implemented by government and supra-national bodies to maximise economic welfare.^[K]
- e) Describe the impact of fiscal and monetary policy measures on the individual, the household and businesses.^[K]

5. Microeconomic factors

- a) Define the concept of demand and supply for goods and services.^[K]

- b) Explain elasticity of demand and the impact of substitute and complementary goods.^[K]
- c) Explain the economic behaviour of costs in the short and long-term.^[K]
- d) Describe perfect competition, oligopoly, monopolistic competition and monopoly.^[K]

6. Social and demographic factors

- a) Explain the medium and long-term effects of social and demographic trends on business outcomes and the economy.^[K]
- b) Identify and explain the measures that governments may take in response to the medium and long-term impact of demographic change.^[K]

7. Technological factors

- a) Explain the potential effects of technological change on organisational structure and strategy.^[K]
 - i) Downsizing
 - ii) Delaying
 - iii) Outsourcing.
- b) Describe the impact of information technology and information systems development on business processes and the changing role of the accountant in business as a result of technological advances.^[K]

8. Environmental and sustainability factors

- a) List ways in which the business can affect or be affected by its physical environment.^[K]
- b) Describe ways in which businesses can operate more sustainably to limit damage to the environment.^[K]
- c) Identify the benefits of economic sustainability to stakeholders.^[K]

9. Competitive factors

- a) Identify a business's strengths, weaknesses, opportunities and threats (SWOT) in a market and the main sources of competitive advantage.^[K]
- b) Identify the main elements within Porter's value chain and explain the meaning of a value network.^[K]
- c) Explain the factors or forces that influence the level of competitiveness in an industry or sector using Porter's five forces model.^[K]
- d) Describe the key activities of an organisation that affect its competitiveness.^[K]

B Organisational structure, culture, governance and sustainability

1. The formal and informal business organisation

- a) Explain the informal organisation and its relationship with the formal organisation.^[K]
- b) Describe the impact of the informal organisation on the business.^[K]

2. Business organisational structure

- a) Explain the different ways in which formal organisations may be structured ^[K]:
 - i) Entrepreneurial
 - ii) Functional
 - iii) Matrix
 - iv) Divisional (geographical, by product, or by customer type)
 - v) Boundaryless: (virtual, hollow or modular).

- b) Explain basic organisational structure concepts.^[K]
 - i) Separation of ownership and management
 - ii) Separation of direction and management
 - iii) Span of control and scalar chain
 - iv) Tall and flat organisations
 - v) Outsourcing and offshoring
 - vi) Shared services approach.
- c) Explain the characteristics of the strategic, tactical and operational levels in the organisation in the context of Anthony's hierarchy.^[K]
- d) Explain centralisation and decentralisation and list their advantages and disadvantages.^[K]
- e) Describe the roles and functions of the main departments in a business organisation: ^[K]
 - i) Research and development
 - ii) Purchasing
 - iii) Production
 - iv) Service operations
 - v) Marketing
 - vi) Administration
 - vii) Finance.
- f) Explain the role of marketing in an organisation: ^[K]
 - i) Definition of marketing
 - ii) Marketing mix
 - iii) Relationship of the marketing plan to the strategic plan

3. Organisational culture

- a) Define organisational culture.^[K]
- b) Describe the factors that shape the culture of the organisation.^[K]
- c) Explain the contribution made by writers on culture (Schein, Handy and Hofstede).^[K]

4. Governance in business organisations

- a) Explain the purposes of business committees.^[K]

- b) Describe the types of committee used by business organisations.^[K]
- c) List the advantages and disadvantages of committees.^[K]
- d) Explain the roles of the Chair and Secretary of a committee.^[K]
- e) Explain the agency concept in relation to corporate governance.^[K]
- f) Briefly explain the main recommendations of best practice in effective corporate governance:^[K]
 - i) Executive and non-executive directors
 - ii) Remuneration committees
 - iii) Audit committees
 - iv) Public oversight.

5. Sustainable business practices

- a) Define social responsibility and explain its importance in contemporary organisations.^[K]
- b) Explain the responsibility of organisations to maintain appropriate standards of corporate social responsibility.^[K]
- c) Explain how organisations take account of their social responsibility objectives through analysis of the needs of internal, connected and external stakeholders.^[K]
- d) Identify the social and environmental responsibilities of business organisations to internal, connected and external stakeholders.^[K]

C Business functions, regulation and technology

1. The relationship between accounting and other business functions

- a) Explain the relationship between accounting and other key functions within the business such as procurement, production and marketing.^[K]
- b) Explain financial considerations in production and production planning.^[K]
- c) Identify the financial issues associated with marketing.^[S]
- d) Identify the financial costs and benefits of effective service provision.^[S]

2. Accounting and finance functions within business organisations

- a) Explain the contribution of the accounting function to the formulation, implementation, and control of the organisation's policies, procedures, and performance.^[K]
- b) Describe the main financial accounting functions in business:^[K]
 - i) Recording financial information
 - ii) Codifying and processing financial information
 - iii) Preparing financial statements.
- c) Describe the main management accounting functions in business:^[K]
 - i) Recording and analysing costs and revenues
 - ii) Providing management accounting information for decision-making
 - iii) Planning and preparing budgets and exercising budgetary control.
- d) Describe the main finance and treasury functions:^[K]
 - i) Calculating and mitigating business tax liabilities
 - ii) Evaluating and obtaining finance
 - iii) Managing working capital
 - iv) Treasury and risk management.

- e) Describe the main audit and assurance roles in business:^[K]
 - i) Internal audit
 - ii) External audit.

3. Regulation and financial crime

- a) Explain basic legal requirements in relation to retaining and submitting proper records and preparing and auditing financial reports.^[K]
- b) Explain the broad consequences of failing to comply with the legal requirements for maintaining and filing accounting records.^[K]
- c) Explain how the international accountancy profession regulates itself through the establishment of reporting standards and their monitoring.^[K]
- d) Explain the circumstances under which fraud is likely to arise.^[K]
- e) Identify different types of fraud in the organisation.^[K]
- f) Explain the implications of fraud for the organisation.^[K]
- g) Explain the role and duties of individual managers in the fraud detection and prevention process.^[K]
- h) Explain why it is important to adhere to policies and procedures for handling clients' money.^[K]
- i) Define the term money laundering.^[K]
- j) Give examples of recognised offences under money laundering regulations.^[K]
- k) Identify methods for detecting, preventing and reporting money laundering.^[K]

4. Financial information provided by business

- a) Explain the various business purposes for which the following financial information is required.^[K]
 - i) The statement of profit or loss
 - ii) The statement of financial position
 - iii) The statement of cash flows
 - iv) Sustainability and integrated reports.
- b) Describe the main purposes of the following types of management accounting reports.^[K]
 - i) Cost schedules
 - ii) Budgets
 - iii) Variance reports.

5. Financial systems and technology

- a) Identify an organisation's system requirements in relation to the objectives and policies of the organisation.^[S]
- b) Describe the main financial systems used within an organisation.^[S]
 - i) Purchases and sales invoicing
 - ii) Payroll
 - iii) Credit control
 - iv) Cash and working capital management.
- c) Identify weaknesses, potential for error and inefficiencies in accounting systems.^[S]
- d) Identify business uses of computers and IT software applications.^[S]
 - i) Spreadsheet applications
 - ii) Database systems
 - iii) Accounting packages.

6. Internal controls

- a) Explain internal control and internal checks.^[K]
- b) Explain the importance of internal financial controls in an organisation.^[K]
- c) Describe the responsibilities of management for internal financial control.^[K]

- d) Describe the features of effective internal financial control procedures in an organisation, including authorisation.^[K]
- e) Describe general and application systems controls in business.^[K]

7. The impact of advances in technology

- a) Describe cloud computing as a capability in accountancy and how it creates benefits for the organisation.^[K]
- b) Explain how automation and artificial intelligence (AI) in accounting systems can affect the role and effectiveness of accountants.^[K]
- c) Describe how the application of big data and data analytics can improve the effectiveness of accountancy and audit.^[K]
- d) Describe the key features and applications of Blockchain technology and distributed ledgers in accountancy.^[K]
- e) Define cyber security and identify the key risks to data that cyber-attacks bring.^[K]
- f) Identify and describe features for protecting the security of IT systems and software within business.^[S]

D Leadership and management**1. Leadership, management and supervision**

- a) Define leadership, management and supervision and explain the distinction between these terms.^[K]
- b) Explain the nature of management:^[K]
 - i) Classical theories of management - Fayol, Taylor
 - ii) The functions of a manager – Mintzberg, Drucker.^[K]
- c) Explain the areas of managerial authority and responsibility.^[K]

- d) Explain approaches to leadership with reference to the theories of Adair, Fiedler and Bennis.^[K]

- e) Describe leadership styles using the models of Ashridge, and Blake and Mouton.^[K]

2. Individual and group behaviour in business organisations

- a) Describe the main characteristics of individual and group behaviour.^[K]
- b) Explain the contributions of individuals and groups to organisational success.^[K]
- c) Identify individual and group approaches to work.^[K]

3. Team formation, development and management

- a) Explain the differences between a group and a team.^[K]
- b) Explain the purposes of a team.^[K]
- c) Explain the role of the manager in building the team and developing individuals within the team with reference to Belbin's team roles theory and Tuckman's theory of team development.^[K]
- d) List the characteristics of effective and ineffective teams.^[K]
- e) Describe tools and techniques that can be used to build the team and improve team effectiveness.^[K]

4. Motivating individuals and teams

- a) Define motivation and explain its importance to the organisation, teams and individuals.^[K]
- b) Explain theories of motivation: Maslow, Herzberg and McGregor.^[K]
- c) Explain how reward systems can be designed and implemented to motivate teams and individuals.^[K]

5. Learning and training at work

- a) Explain the importance and benefits of learning and development in the workplace.^[K]
- b) Describe the learning process: Honey and Mumford, Kolb.^[K]
- c) Describe the training and development process: identifying needs, setting objectives, programme design, delivery and validation.^[K]
- d) Explain the terms 'training', 'development' and 'education' and the characteristics of each.^[K]

6. Review and appraisal of individual performance

- a) Define performance appraisal and describe its purpose.^[K]
- b) Describe the performance appraisal process.^[K]
- c) Explain the benefits of and barriers to effective appraisal.^[K]

E. Personal effectiveness and communication in business

1. Personal effectiveness

- a) Explain the importance of effective time management.^[K]
- b) Describe the barriers to effective time management and how they may be overcome.^[K]
- c) Describe the role of technology in improving personal effectiveness.^[S]

2. Consequences of ineffectiveness at work

- a) Identify the main ways in which people and teams can be ineffective at work.^[S]
- b) Explain how individual or team ineffectiveness can affect organisational performance.^[K]

3. Competence frameworks and personal development

- a) Explain how a competence framework underpins professional development needs.^[S]
- b) Explain how personal and continuous professional development can increase personal effectiveness at work.^[S]
- c) Explain the purpose and benefits of coaching, mentoring and counselling in promoting employee effectiveness.^[K]
- d) Describe how a personal development plan should be formulated, implemented, monitored and reviewed by the individual.^[S]

4. Sources of conflict and techniques for conflict resolution

- a) Identify situations where conflict at work can arise.^[S]
- b) Describe how conflict can affect personal and organisational performance.^[S]
- c) Identify ways in which conflict can be managed.^[S]

5. Communicating in business

- a) Describe the methods and patterns of communication used in the organisation.^[K]
- b) Explain how the type of information differs and the purposes for which it is applied at different levels of the organisation: strategic, tactical and operational.^[K]

- c) Identify the consequences of ineffective communication.^[K]
- d) Describe the attributes of good quality information and effective communication.^[K]
- e) Describe the barriers to effective communication and identify practical steps that may be taken to overcome them.^[K]

F Professional ethics**1. Fundamental principles of ethical behaviour**

- a) Define business ethics and explain the importance of ethics to the organisation and to the individual.^[K]
- b) Describe and demonstrate the following principles from the IFAC (IESBA) code of ethics, using examples.^[K]
 - i) Integrity
 - ii) Objectivity
 - iii) Professional competence
 - iv) Confidentiality
 - v) Professional behaviour.
- c) Describe organisational values which promote ethical behaviour using examples.^[K]
 - i) Openness
 - ii) Trust
 - iii) Honesty
 - iv) Respect
 - v) Empowerment
 - vi) Accountability.
- d) Explain the concept of acting in the public interest.^[K]

2. The role of regulatory and professional bodies in promoting ethical and professional standards in the accountancy profession

- a) Explain the purpose of international and organisational codes of ethics and codes of conduct, IFAC (IESBA), ACCA etc.^[K]

- b) Describe how professional bodies and regulators promote ethical awareness and prevent or punish illegal or unethical behaviour.^[K]
- c) Identify the factors that distinguish a profession from other types of occupation.^[K]
- d) Explain the role of the accountant in promoting ethical behaviour.^[K]
- e) Explain when and to whom illegal, or unethical conduct by anyone within or connected to the organisation should be reported.^[K]

3. Corporate codes of ethics

- a) Define corporate codes of ethics.^[K]
- b) Describe the typical contents of a corporate code of ethics.^[K]
- c) Explain the benefits of a corporate code of ethics to the organisation and its employees.^[K]

4. Ethical conflicts and dilemmas

- a) Describe situations where ethical conflicts can arise.^[K]
- b) Identify the main threats to ethical behaviour.^[K]
- c) Describe situations at work where ethical dilemmas may be faced.^[S]
- d) List the main safeguards against ethical threats and dilemmas.^[K]