

The Institute of Chartered Accountants in England and Wales

BUSINESS STRATEGY

For exams in 2016

Study Guide

www.icaew.com



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1 Introduction

ACA qualification

The ICAEW chartered accountancy qualification, the ACA, is a world-leading professional qualification in accountancy, finance and business.

The ACA has integrated components that give you an in-depth understanding across accountancy, finance and business. Combined, they help build the technical knowledge, professional skills and practical experience needed to become an ICAEW Chartered Accountant.

Each component is designed to complement each other, which means that you can put theory into practice and you can understand and apply what you learn to your day-to-day work. Progression through all the elements of the ACA simultaneously will enable you to be more successful in the workplace and exams.

The components are:

- Professional development
- Ethics and professional scepticism
- 3-5 years practical work experience
- 15 accountancy, finance and business modules

To find out more on the components of the ACA and what is involved in training, visit your dashboard at icaew.com/dashboard

2 Business Strategy

The full syllabus and technical knowledge grids can be found within the module study guide. Visit icaew.com/dashboard for this and more resources.

2.1 Module aim

To provide students with an understanding of how businesses develop and implement strategy.

2.2 Method of Assessment

The Business Strategy module is examined using traditional paper-based exams. The paper-based exam is 2.5 hours long. The exam consists of three scenario-based questions, covering a range of different industries and types of organisation. Each question will cover one or more syllabus areas.

Ethics may be tested in any of the questions.

2.3 Specification grid

This grid shows the relative weightings of subjects within this module and should guide the relative study time spent on each. Over time the marks available in the assessment will equate to the weightings below, while slight variations may occur in individual assessments to enable suitably rigorous questions to be set.

	<i>Weighting</i> %
Strategic analysis	30-40
Strategic choice	30-40
Implementation and monitoring of strategy	<u>25-35</u> <u>100</u>

3 Permitted Texts

At the Professional and Advanced Levels there are specific texts that you are permitted to take into your exams with you. All information for these texts, the editions that are recommended for your examinations and where to order them from, is available on www.icaew.com/permittedtexts.

Professional Level Examinations	Permitted text
Audit and Assurance	✓
Financial Accounting and Reporting	✓
Tax Compliance	✓
Business Strategy	✗
Financial Management	✗
Business Planning: Banking/Insurance/Taxation	No restrictions

Advanced Level Examinations	
Corporate Reporting	No restrictions
Strategic Business Management	No restrictions
Case Study	No restrictions

Business Planning: Banking/Insurance/Taxation the Advanced Level exams have no restrictions so you may take any hard copy materials into these exams that you wish, subject to practical space restrictions.

Although the examiners use the specific editions listed to set the assessment, you **may** use a different edition of the text at your own risk. If you use a different edition within your exams, you should note this inside your answer booklet, at the beginning of the question.

This information, as well as what to expect and what is and is not permitted in your exams is available in the Instructions to Candidates. You will be sent this with your exam admission details and it is also available on our website; www.icaew.com/exams.

4 Study guide

4.1 Help yourself study for your ACA exams

The right approach

1 Develop the right attitude

Believe in yourself	Yes, there is a lot to learn. But thousands have succeeded before and you can too.
Remember why you're doing it	You are studying for a good reason: to advance your career.

2 Focus on the exam

Read through the Syllabus on page 27 of this guide	This tells you what you are expected to know.
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3 The right method

See the whole picture	Keeping in mind how all the detail you need to know fits into the whole picture will help you understand it better. <ul style="list-style-type: none">• The Practical significance and Working context to each chapter in the study guide put the material into context.• The Learning objectives and Section overviews in the study manual show you what you need to grasp.
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Use your own words	To absorb the information (and to practise your written communication skills), you need to put it into your own words . <ul style="list-style-type: none">• Take notes• Answer the questions in each chapter• Draw mindmaps• Try 'teaching' a subject to a colleague or friend
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Give yourself cues to jog your memory	The Study Manual uses bold to highlight key points . <ul style="list-style-type: none">• Try colour coding with a highlighter pen• Write key points on cards
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4 The right recap

Review, review, review	Regularly reviewing a topic in summary form can fix it in your memory . The Study Manual helps you review in many ways. <ul style="list-style-type: none">• Each Chapter Summary will help you to recall that study session• The Self-test actively tests your grasp of the essentials• Go through the Examples in each chapter a second or third time
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4.2 Study cycle

The best way to approach the Study Manual is to tackle the chapters in order. We will look in detail at how to approach each chapter below but as a general guide, taking into account your individual learning style, you could follow this sequence for each chapter.

Key study steps	Activity
Step 1 Topic list	This topic list is shown in the contents for each chapter and helps you navigate each part of the book; each numbered topic is a numbered section in the chapter.
Step 2 Introduction	The practical significance and working context sections for each chapter, set out in this study guide give you the big picture in terms of the context of the chapter. The content is referenced by the Study Guide and the Examination context guidance shows what the examiners are looking for and tells you why the topics covered in the chapter need to be studied.
Step 3 Section overviews	Section overviews give you a quick summary of the content of each of the main chapter sections. They can also be used at the end of each chapter to help you review each chapter quickly.
Step 4 Explanations	Proceed methodically through each chapter, particularly focusing on areas highlighted as significant in the chapter introduction or study guide.
Step 5 Note taking	Take brief notes, if you wish. Don't copy out too much. Remember that being able to record something yourself is a sign of being able to understand it. Your notes can be in whatever format you find most helpful; lists, diagrams, mindmaps.
Step 6 Examples	Work through the examples very carefully as they illustrate key knowledge and techniques.
Step 7 Answers	Check yours against the suggested solutions, and make sure you understand any discrepancies.
Step 8 Chapter summary	Review it carefully, to make sure you have grasped the significance of all the important points in the chapter.
Step 9 Self-test	Use the Self-test to check how much you have remembered of the topics covered.
Step 10 Learning objectives	Ensure you have ticked off the Learning objectives.

Moving on...

When you are ready to start revising, you should still refer back to the Study Manual:

- As a source of **reference** (you should find the index particularly helpful for this); and
- As a way to **review** (the Section overviews, Examination context, Chapter summaries and Self-test questions help you here).

Remember to keep careful hold of the Study Manual – you will find it invaluable in your work.

4.3 Detailed study guide

Use this schedule and your exam timetable to plan the dates on which will complete each study period below.

Revision phase – your revision should be centred around using the questions in the ICAEW Question Bank.

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
1	<p>Introduction to the Business Strategy paper</p> <p>The purpose of the Business Strategy paper at the Professional level of the ACA exams is to help you develop and demonstrate the knowledge and skills necessary to ensure an organisation with which you are involved can 'find its way' in the world.</p>	<p>The strategic models and theories you will cover in this Study Manual can be used in two ways in real life:</p> <ol style="list-style-type: none"> 1 To analyse and interpret: Applying the appropriate models and perspectives to a situation will help you see underlying causes better. 2 To generate solutions: Many of the models include recommendations or approaches to resolving problems. This advice could be passed on to management. <p>The knowledge, skills and business awareness that you will develop in relation to Business Strategy will help you when you progress to the Advanced level of the ACA syllabus.</p>	Read through Chapter 1, paying attention to each section, but particularly to the examination technique advice.	<p>This chapter is designed to be an introduction to what is required in the Business Strategy paper and as such there are no specific syllabus references.</p> <p>Whilst an appreciation of models and theories underlying business strategy is important, the focus of your examination is a practical one. You will be required to interpret business scenarios and to provide professional advice to clients and management on what to do. You will not be required to reproduce names and models for the sake of it – knowledge will always need to be applied.</p>	

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
2	<p>Strategy and business</p> <p>Strategies are the courses of action a firm follows through time. A business that survives is one that has followed a successful strategy. One that fails or that loses-out in a takeover did not have a successful strategy. Strategies affect earnings, jobs, ability to pay suppliers and determine which products and services customers get. Only in retrospect can we say with any certainty whether it has worked or not.</p> <p>Management needs a way to ensure its strategies are good ones from the start. This chapter contrasts strategies that are planned in advance with strategies made up 'on the run'. It also considers whether the key to competitive advantage is to adapt the organisation to its environment or to develop internal competences that are hard to copy.</p> <p>Strategy pervades most areas of management. It influences how the business is viewed by investors and significant business partners such as a supplier or the customer who has a major contract to award.</p> <p>But strategy theory is also subject to fashions and fads. In your career you will learn to speak the jargon of strategy and of the latest fad being pushed by consultants, academics</p>	<p>Trainee accountants are not routinely invited to advise major corporations on business strategy formulation. However you may still see the impact of strategy formulation in a number of ways.</p> <ul style="list-style-type: none"> Is your client getting involved in new lines of business and markets and have they considered the benefits and risks. This could affect your assessment of their risk and ability to stay as a going concern. Are adequate financial controls in place or are things getting out of control. A good strategic plan will ensure controls and risks are dealt with, whereas more ad hoc strategies often lead to overtrading and poor financial control. You may be required to give an initial assessment of this in an audit. You may advise a client on raising money. A small sum for a small client's business idea or 	<p>Read through Chapter 2 of the Study Manual to understand the different approaches management may take to the development of business strategy. These, and ethical issues, will be reinforced in later chapters.</p> <p>Work through the Self-test questions carefully to ensure that you have grasped the main points in the chapter.</p>	<p>This chapter reviews some of the leading theories of strategy formulation and provides the names of many authorities on strategy. The remaining chapters of this text also provide coverage of names and theories.</p> <p>Whilst an appreciation of the underlying models is important, the focus of your examination is a practical one. You will be required to interpret business scenarios and to provide professional advice to clients and management on what to do. You will not be required to reproduce names and models for the sake of it - the knowledge from this chapter will need to be applied.</p> <p>The strategic models you will cover are to be used in three ways in the examination:</p> <ol style="list-style-type: none"> 1 To analyse and interpret: Applying the appropriate models and perspectives to the situation and issues in the scenario will help you see underlying causes better. 2 To generate solutions: Many of the models include recommendations or approaches to resolving problems. You may wish to pass this advice on to management. 3 To substantiate your comments: The models and their authors are recognised by management who may have studied them too. You would be expected to refer to them as a framework in a real business report. You will get some marks for 	

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
	<p>and journalists. This chapter will show you that strategy matters. It will also show you that it is an art and not a science and that, even as art, management needs to be aware of just what it is buying into.</p> <p>Stop and think</p> <p>What businesses can you think of that have done well? Do you think it was plain luck or was it good management?</p> <p>How about the firm that employs you? Does it have a clear idea of what it will be doing in five or ten years time that is more than just 'we'll still be here doing the same old thing'?</p>	<p>asset. A large sum for a large client to buy a rival. Both are risky. Have they thought through their plan? Where is the evidence to justify this investment?</p> <ul style="list-style-type: none"> Investment advice is about picking winning companies. The winners are the ones who have successful strategies. How can you tell in advance if it is a good strategy? 		<p>doing the same in your Business Strategy exam.</p> <p>The interactive questions are useful in demonstrating how this may form the subject of one part of the requirement of a question.</p> <p>The distinctions between:</p> <ul style="list-style-type: none"> Rational and emergent approaches to strategy formulation; and between Positioning and resource-based approaches to gaining competitive advantage. <p>Specific syllabus reference for this chapter is: 1a.</p>	

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3 The purpose of an organisation

The practice of accountancy grew from the need for the users of capital to be accountable to the owners of the capital. Therefore the goals and interests of the owners had to be assessed before appropriate reporting systems could be developed.

Today's organisations need to be accountable, in varying degrees, to stakeholders. The interests of these stakeholders set the goals and parameters of business strategy.

Stop and think

Assuming that businesses are in business to make money, is that a clear enough aim on which to base a strategy?

What sort of goals do not-for-profit organisations have?

As previously indicated, accountants report to stakeholders on the matters that concern them. Increasingly accountants are required to assist in preparing or auditing reports that go beyond the narrow financial interests of shareholders.

Chapter 3 considers the goals of businesses. Ensure you understand why simplistic notions of profit maximisation are inadequate explanations of the economic goals of commercial organisations. Note the power of stakeholders and the particular issues facing not-for-profit organisations.

Question practice is vital to reinforce the chapter, so attempt the Interactive questions as you go along and the Self-test at the end.

In the exam you may be required to create a mission statement for a given organisation or to identify the inconsistencies and omissions in an existing one. You may also be asked to suggest appropriate goals and objectives. This will involve balancing the needs of different stakeholder groups, identifying possible conflicts of interest and recognising the priorities for the organisation. One of the scenarios in the exam may be a not-for-profit organisation so you must understand the particular issues such organisations face when determining objectives and strategy.

Role and nature of mission.

Distinction between profit and shareholder wealth as objectives for a firm and the need for wider objectives.

Stakeholder mapping.

Not-for-profit organisations.

Specific syllabus references for this chapter are: 1a, 1b and 2c.

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4	<p>The macro-environment</p> <p>The wealth of many European countries, and of the businesses within them, can be attributed to their early industrialisation and imperialism commencing in the 17th century. The USA caught up and overtook Europe during the early 20th century. From the mid 20th century those gains have been gradually superseded by the development of emerging economies in Asia and Latin America. These have brought new markets and new challenges which must be addressed by businesses from the developed economies if they are to survive.</p>	<p>Many of your clients will be global businesses, or at least have some form of buying and selling relationship with overseas firms. Your firm may be required to:</p> <ul style="list-style-type: none"> • Assist in transnational audits alongside professional colleagues from outside of your home country. • Assess the extra risks the client runs as a consequence of operating internationally. • Advise on taking-on international contracts. 	<p>Chapter 4 introduces the wider business environment. There is no need to memorise all the examples but rather try to appreciate the range of issues contained in the frameworks of PESTEL, Porter's Diamond and so on. Pay attention to factors encouraging and limiting globalisation of business as the risks from these are returned to in several later chapters.</p> <p>Work through the Interactive questions and the Self-test questions to practise applying your knowledge.</p>	<p>The scenarios in the majority of exam questions will require you to absorb and understand information about the external environment in which an organisation operates based on a scenario. You will also need to assess the implications of the environment and changes in the environment for the strategic positioning and strategic decisions of an organisation. To do this you will need to apply your knowledge using the tools and ideas covered in this chapter.</p> <p>PESTEL analysis.</p> <p>Ohmae's 5 Cs.</p> <p>Porter's Diamond.</p>	

Specific syllabus references for this chapter are: 1b, 1f, 3d, 3g, and 3h.

Stop and think

You are early in your career as a professional accountant. Where in the world should you be working in order to make the best of the opportunities over the next 40 years? Which industries around you are likely to thrive and which to die?

Exactly the same questions are facing business strategists, albeit on a grander scale.

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5 The industry and the market environment

The competitive pressures of the industry affect the level of profitability of the business as a whole. The stage of the industry in its lifecycle affects cash flows and the competitive challenges the industry members face.

Understanding how these stand and how they may develop within the strategic horizon is essential to a management team that wishes to deliver competitive success.

Stop and think

Share prices are influenced by the long-term earnings available in the industry as a whole and the perceived ability of the particular firm's management team to succeed better than rivals in the industry.

- Which industries do you think have their best years still to come?
- Which industries do you think have their best years behind them?

This chapter builds on the material covered in Chapter 4 and introduces additional models. Some of the models covered here will be familiar to you from the Business and Finance syllabus.

Chapter 5 is a short chapter with three key models in it. Ensure you memorise the elements of the models and also their significance for the financial outlook of an industry or business.

Attempting the Interactive and Self-test questions is of particular importance to ensuring you understand how to use these models in the exam.

This chapter looks at techniques such as Porter's Five Forces and life cycle analysis. Applying the appropriate models to the scenario in the exam will help you understand and analyse the wider context in which the organisation is operating and the factors that are likely to impact on business performance.

Porter's 5 forces.

Industry and product life cycle.

International product life cycle.

Specific syllabus references for this chapter are: 1b, 1c and 2h.

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6	<p>Strategic capability</p> <p>It is conventional for accountants to consider 'resources' and 'assets' purely in financial reporting terms. We know that non-current assets (tangible and intangible in some cases) sit on the statement of financial position and there are financial reporting standards as to how they should be accounted for.</p> <p>However, what makes a business successful might often be things that are not so readily accessible for financial reporting: the legacy of 'early mover advantages' in building up a strategic position; the company's reputation; the quality of a company's relationships and its ability to exploit them; the ability of its management to innovate; the ability of the company to cope with the unexpected; the ability of the company to learn. Intangible assets, such as trade marks, might also sit on the statement of financial position. A company's brands, however, which for business decision making purposes, if not always for financial reporting, certainly have a value.</p>	<p>The internal capabilities of the business might be relevant to an audit opinion on going concern, part of a due diligence investigation, value audits and so on. It might also alert you to critical business risks.</p>	<p>Chapter 6 returns to the discussion, started in Chapter 2, of the sources of competitive advantage. This chapter covers a number of key models. Their application must be practised by working through the Interactive questions and examples in the chapter and completing the Self-test questions at the end of the chapter.</p>	<p>This chapter includes key principles of strategic capability, core competences and resource based strategy. Questions are likely to focus on the linkages between elements and the manner in which, when used together, they can facilitate strategy and leverage competitive advantage.</p> <p>Critical success factors.</p> <p>Kay's core competences.</p> <p>Resource audit – 9Ms.</p> <p>Benchmarking.</p> <p>Value chain analysis.</p> <p>Outsourcing.</p> <p>Supply chain management.</p> <p>Network organisations.</p> <p>BCG matrix.</p> <p>Specific syllabus references for this chapter are 1a, 1d, 2h and 3d.</p>	

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The practical significance therefore lies in your ability to see beyond the numbers to the underlying realities. For example, if you are asked to comment on a forecast, or be part of a team that does a 'due diligence' audit, these are business realities that you must be attuned do.

Moreover, if you aspire to be, say, a Finance Director (avoiding a lot of the number crunching) you need to understand beyond the numbers.

Stop and think

Research reveals that much of the collective market capitalisation of the top 100 firms cannot be related to the sum of their net asset values. In the case of an acquisition this would be called 'goodwill', but what does it consist of?

Adding up the assets values of a firm is only one step in understanding the value of a business. What else should we be considering?

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
7	<p>Strategic options</p> <p>Management cannot expect to deliver commercial success by carrying on doing the same things year after year. The business environment changes, competitive pressures intensify and customers' needs change.</p> <p>Strategic options, even simply cost-cutting, must be generated and decisions taken.</p> <p>Stop and think</p> <p>Consider two firms with which you are familiar. One can be the one you work for.</p> <ul style="list-style-type: none">• What have they done in the past that has made a difference to their competitive position today?• What are they intending to do in the future?• What things did they consider doing and then not carry on with? <p>Those are the strategic options.</p>	<p>Client's future prospects will depend on the strategic options they develop. The risks they run will also be influenced by these.</p>	<p>Chapter 7 is possibly the pivotal chapter in the text because the generation of options forms a watershed between analysis of the present situation of the business and the development of strategies to improve it. There are only three major models to learn but all are very important indeed to your exam.</p> <p>It is essential that you attempt the Self-test questions to understand how these models may be used in the exam.</p>	<p>This chapter looks at the various models which can assist an organisation in developing its products and markets and in choosing strategies for competitive advantage. In the exam these models can be used to assess the strategies already identified in the question or as a way of generating strategic options for the business. Either way, the concepts of SWOT analysis, Porter's generic strategy model and Ansoff's growth matrix are fundamental knowledge for the Business Strategy exam.</p> <p>Conducting a SWOT analysis.</p> <p>Porter's 3 generic strategies (modified by Bowman's Clock).</p> <p>Ansoff matrix.</p> <p>Specific syllabus references for this chapter are: 1c, 2a, and 2i.</p>	

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
8	<p>Strategies for products and markets</p> <p>Marketing is responsible for the revenues of the business or, for not-for-profit organisations, ensuring that the organisation is given benefits to those using it.</p> <p>Marketing also absorbs a lot of the organisation's resources that, unless it shows benefits, could have been used to make products or returned as profits.</p> <p>Consequently in assessing the quality of management and the control it exercises over its operations, it is necessary to understand and evaluate the marketing effort.</p> <p>Stop and think</p> <p>An established UK retailer used to set an essay question to be answered by management candidates asking them to explain why the firm did not need a marketing department or to have advertisements (it famously had neither). The accepted answer was that it was an unnecessary cost because it was known in every household anyway and the quality of its products spoke for themselves.</p> <p>Its fortunes declined sharply in the 1990s and were restored after 2005 by which time it had television and poster advertising and a marketing department. Why did it find it needed marketing after all?</p>	<p>Like the retail store mentioned below, professional practices have come to realise they must adopt a marketing orientation to survive.</p> <p>Many aspects of marketing touch on the work of accountants, such as pricing and forecasting sales but marketers take a differing view on the value of these which you need to recognise.</p>	<p>Chapter 8 provides comprehensive coverage of marketing strategy. Marketing is one element of strategy implementation. The examples and illustrations are there to help you understand the principles. Don't memorise them.</p> <p>Application of knowledge to the Interactive examples and Self-test questions is essential.</p>	<p>This chapter is important for the exam. Questions may test understanding of marketing concepts in a variety of different types of scenarios. An understanding of product and marketing strategy may involve a particular issue, such as pricing, but also a coherent approach should be put forward where the pricing decision is based upon appropriate market research and is supported in a coherent manner by other aspects of the pricing strategy set out in other chapters.</p> <p>The purpose and bases of segmentation.</p> <p>Marketing research.</p> <p>The elements of the marketing mix.</p> <p>Pricing approaches excluded from the syllabus.</p> <p>Specific syllabus references for this chapter are: 2b, 2h and 2i.</p>	

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9	<p>Strategy and structure</p> <p>In the traditional approach strategy is decided first, then the organisation structure (allocation of work to the functions such as production, marketing etc, divisions, matrices etc). Structure deals with the implementation of the strategy and has no influence on strategy choice.</p> <p>In the emergent approach, the relationship between strategy and structure is much more complex. The existing structure may aid or hamper strategic choice. Thus in this view structure needs to be considered alongside strategy choice.</p> <p>Structure looks at how the various functions (eg production, marketing, finance etc) might be formally arranged.</p> <p>Stop and think</p> <p>In the organisation you work for, does everything run smoothly? Or are there inadequate staff, or a division of staff into departments that often means the work doesn't get done as it should. In other words, is your organisation's structure functional or dysfunctional?</p>	<p>The job you do and to whom you report is the most obvious context in which to understand this chapter.</p> <p>If auditing a client, the organisational structure and its corporate governance arrangements are matters which your audit work should consider.</p>	<p>Chapter 9 deals with the traditionally dry subject of strategy and structure. Note in particular the types of divisionalisation and methods and problems of managing and controlling divisionalised organisations. The topics in the section on corporate governance will be familiar but make close notes on corporate governance in not for profit organisations.</p> <p>Work through the Self-test questions carefully to ensure that you have grasped the main points in the chapter.</p>	<p>The key element in this chapter is how structure links with strategy. Knowledge of organisational structures in isolation from strategy would not normally be examined. The idea that there is no one ideal structure is important, as it means that issues of structure will need to interact with the strategy according to the particular circumstances of the scenario.</p> <p>This chapter contains references to a number of named studies. It is desirable to attribute the source of these studies in describing them. However, for examination purposes it is not the intention that the names should be quoted or reproduced without application. Rather it is intended that the implications and results of these studies can be applied</p> <p>Organisational structures.</p> <p>Issues for divisionalised organisations.</p> <p>Network organisations.</p> <p>Structures for international businesses.</p> <p>Corporate governance.</p> <p>Specific syllabus references for this chapter are: 1e, 3b and 3c.</p>	

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10	<p>Risk management</p> <p>The belief that adverse circumstances arise from causes that can be identified, quantified and guarded against is one of the main reasons that mankind today defers less to fate and rather relies more on its own power to shape its future.</p> <p>The same can be said for management who are now less able to blame poor results on bad luck, but instead may find themselves called to account by shareholders for not having taken adequate strategies to manage the risks of the business.</p> <p>The strategies you have covered so far have an impact on the overall risks faced by a business. For example entering an unknown foreign market imposes costs with no guarantee of rewards. The risks should be either managed or the strategy abandoned. But before this and more fundamentally, a management team that doesn't manage its firm's risks from its existing business has an uncertain strategic future.</p> <p>Risk management is becoming an imperative that ranks alongside the quest for profits and business growth as strategic imperatives. Many business strategies, such as outsourcing, diversification and by</p>	<p>As a trainee accountant your employer will expect you to play your part in managing the risks of the business.</p> <p>As an auditor you will increasingly be called upon to make assessments of the adequacy of the risk management policies of the client, in order that the financial statements can be given a true and fair opinion with respect to the financial position (and therefore by implication prospects) of the client's business.</p> <p>As we will see below, statements of risks are now appearing in published statements and are being called for by investors.</p>	<p>Chapter 10 covers risk. You will have covered aspects of this in your earlier studies of auditing and of finance, but this chapter goes further and will need close attention. Risk has rapidly become a major concern of strategic management and is therefore a key topic for the exam.</p> <p>Note the elements of a risk management strategy, in particular in an exam scenario you may be asked to identify sources of risk and the policies management can adopt to treat risk.</p> <p>It is essential that you attempt the Self-test questions to understand how risk may appear in the exam.</p>	<p>The issues involved in analysing risk, for example in the context of the external environment, have already been discussed in previous chapters. This chapter discusses attitudes to those risks and how an organisation can manage such risks.</p> <p>As with other topics, the important thing in exam questions is to apply your knowledge to the given scenario.</p> <p>Risk and uncertainty.</p> <p>Risk management framework.</p> <p>Risk appetite.</p> <p>Risk identification and analysis.</p> <p>Risk response.</p> <p>Risk monitoring and reporting.</p> <p>Incorporating risk into decision making.</p> <p>Specific syllabus references for this chapter are: 1f, 2d, 2g, 2j and 3d.</p>	

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	<p>de-merging back to core businesses are aimed as much at risk reduction as they are at cost reduction or revenue enhancement.</p> <p>Stop and think</p> <p>We are surrounded at work by workplace risk assessments, health and safety policies and corporate codes and procedures aimed at preventing misuse of assets, data loss or litigation for negligence. A cup of coffee from the café will carry a sign reading 'Danger, contents may be hot' as if otherwise it might take us by surprise and cause us to scald ourselves.</p> <p>Is risk management bringing about a new era with levels of security we have not enjoyed before? Is it just that litigation has become so common that management is determined to cover itself by going through the motions? Is it just a new management fad which is enabling consultants and others to talk themselves into jobs? Is it an excuse for further tightening of controls by management or the authorities over what we do? Is risk management just replacing fortune telling and paying tributes to the gods as something to hide behind, rather than accept that stuff happens and there's nothing much we can do about it?</p>				

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
11	<p>Methods of development</p> <p>The management of firms are under pressure to grow their businesses. Share prices depend on the ability to deliver better earnings next year than last year – so do management careers.</p> <p>Growth has implications for jobs at all levels of the organisation.</p> <p>Mergers and acquisitions are one form of growth and support a huge corporate finance, legal and financial advice industry.</p> <p>Growth is also risky. It weakens internal controls and involves huge sums of money which are often spent with only flimsy 'strategic advantage' arguments to support it.</p> <p>Stop and think</p> <p>The former CEO of Tesco took pride in quoting the statistic that a number of years ago Tesco was the third largest supermarket group in the UK, whereas today it is the largest in the UK and third largest in the entire world in terms of profit.</p> <ul style="list-style-type: none"> • How has this growth been achieved? • What risks has it exposed the company and its shareholders to? • Has it actually benefited Tesco shareholders? 	<p>Chartered Accountants are involved with the growth strategies of businesses in many ways:</p> <ul style="list-style-type: none"> • Assisting small clients in drawing up financial proposals to get funding from banks. • Conducting the financial elements of due diligence audits. • Assessing the effect of growth, say by acquisition, on internal controls. • Provision of corporate finance advice for listing or during acquisition negotiations. • Corporate recovery and reconstruction work if the plan goes wrong. 	<p>Read through Chapter 11 carefully working through all the examples and interactive questions. This chapter covers the options open to a business that has decided to expand and it is of importance for your exam.</p> <p>Implementing a strategy by organic or external growth will figure in many exam questions. Prepare by trying the Self-test questions at the end of the chapter.</p>	<p>Having decided on a strategy for growth, an organisation must consider how that growth is to be achieved. This chapter considers the options available to a business that wishes to expand. In the exam you will be expected to apply the knowledge covered in this chapter to the scenario, in order to advise an organisation on the most appropriate method of expansion. This is a popular exam topic.</p> <p>Benefits and drawbacks of different growth methods.</p> <p>Methods of international expansion.</p> <p>Methods of merger and acquisition.</p> <p>JV, alliances and franchising.</p> <p>Specific syllabus references for this chapter are: 2a, 2g and 3d.</p>	

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
12	<p>Evaluating performance and strategies: data analysis</p> <p>Choosing the right strategic option is essential for commercial success and survival of the business. Strategic control indicates the need for a review of strategic performance over a whole host of measures, as opposed to just the numbers, but remember that financial measures of performance are those that you will be most likely to have a hand in.</p> <p>The models in Chapters 6 and 7, such as Porter's Generic Strategies and Ansoff's Product-Market Growth Vector Matrix can be used by management for option generation. Chapters 8, 9, 10 and 11 discussed the implications of strategies for marketing, organisational structure, risk and method of development. They are all considerations that management must bear in mind when coming to a final decision on which strategies to adopt and implement.</p> <p>In approaching this chapter it is helpful to imagine that you are a member of a senior management team confronted with a number of business proposals. The firm can't do them all. Some proposals may be ill-advised. It is your job to decide which ones to discard and which ones to follow through. You will need to consider all the issues raised</p>	<p>The control systems described in this section, notably the balanced scorecard, may be familiar to you from your own firm or clients. The installation and operation of such control systems is increasingly being undertaken by accountants.</p> <p>At least one of the questions in the Business Strategy exam will involve data analysis. An essential skill is to be able to interpret financial and other data (such as non-financial performance indicators) and relate it to the business strategy, its environment and other factors that may have influenced the scenario.</p> <p>This chapter examines the types of requirement you may have to deal with, the key skills you need to develop and the mistakes to avoid in order to be successful. There is a worked example to help you.</p> <p>Application of knowledge to the Interactive examples and Self-test questions is essential.</p>	<p>Chapter 12 combines three topics. Evaluation of strategic options, though covered briefly, is an essential topic that will figure in exam questions. Learn the SFA criteria.</p> <p>Control and performance measurement enable you to use some of your finance studies in a different context. Focus on what is being controlled as you read these sections rather than on the numbers themselves.</p> <p>Questions are regularly set on performance management. This chapter also gives some more guidance on how to tackle this in the context of the data analysis question.</p> <p>The suitability, acceptability, feasibility criteria.</p> <p>Strategic control systems.</p> <p>CSFs and KPIs.</p> <p>Divisional performance measurement.</p> <p>The perspectives of the balanced scorecard.</p> <p>Measuring performance in NFP organisations.</p>	<p>This chapter looks at two key areas, evaluation of strategies and performance measurement.</p> <p>An important skill when evaluating strategies in the exam is the ability to assess them in the light of the organisation's current position, mission, stakeholder objectives and examples of this can be found in questions 1 and 2 of the sample paper.</p> <p>Specific syllabus references for this chapter are: 1g,2b, 2c, 2e, 2g, 2j and 3g.</p>	

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
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in the 11 chapters so far.

Stop and think

Having the perfect strategy on paper may not lead to the perfect strategy on the ground. Management must be able to separate good from bad strategic ideas. They must also be able to implement and control the strategy.

What strategies can you think of that went wrong?

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
13	<p>Business planning and functional strategies</p> <p>Banks and other lenders will require a business plan with key information about the company, its financial position and its future plans, before they are prepared to invest.</p> <p>Functional strategies are essential for carrying out the broader business strategy. So far, detailed discussion has been given to marketing only. Later chapters will consider the key functions of IT/IS and change management. This chapter considers marketing planning, human resources management, research and development, operations, procurement and the role of the finance function in strategic planning.</p> <p>Stop and think</p> <p>The glamour of strategy seems to be reserved for the most senior management and, to a large extent, the marketing function.</p> <p>Popular stereotypes present accountants as gloomy bean-counters.</p> <p>What role do accountants in industry play in the carrying out of business strategies?</p> <p>What role do other functions like HR, Procurement and Operations play?</p>	<p>Your firm may be asked to assist smaller clients in preparing business plans for internal or external purposes.</p> <p>To pass judgement on the quality of a firm, a client perhaps, it is essential that you believe that its business processes are carried out correctly.</p> <p>You will come in contact with professionals from other functional disciplines and you need to have an understanding of what they do.</p>	<p>Several of the topics in Chapter 13 deal with the detailed planned implementation of aspects of business strategy.</p> <p>You must be able to critically evaluate an organisation's business plan and recommend improvements to the format and content.</p> <p>The appropriate functional strategies (HR, R&D, Operations, Procurement) will be influenced by the organisation's choice of generic strategy.</p> <p>Ensure you follow through the examples, the Interactive questions and the Self-test questions, particularly Interactive question 1.</p>	<p>There are two key elements in this chapter. Firstly, in the exam you might be expected to draft elements of a business plan for a client or to identify weaknesses and omissions in a given business plan and suggest improvements. Secondly, the chapter looks at functional strategies. These would normally be examined in the context of the overall objectives and strategy of an organisation. So for example you might be expected to look at how the organisation could develop an HR strategy to better support its generic strategy of differentiation.</p> <p>Format and content of a business plan.</p> <p>Human resources planning.</p> <p>Operations planning and management.</p> <p>Purchasing and procurement.</p> <p>Specific syllabus references for this chapter are: 3a, 3e and 3f.</p>	

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
14	<p>Strategies for information</p> <p>We live in an era of information, where the ability to capture and harness corporate knowledge has become critical for organisations as they seek to adapt to changes in the business environment.</p> <p>Knowledge is seen as a strategic asset and organisation-specific knowledge, which has been built up over time, is a core competence that cannot easily be imitated. Thus organisations like Tesco use the information gleaned from its customer loyalty card to improve its ability to compete for customers in the highly competitive supermarket industry.</p> <p>The history of firms coming to grief as a result of inadequate management of Information Systems and Information Technologies (IS/IT) is long and includes:</p> <ul style="list-style-type: none"> • A UK food store forced to write off £53m of development expenditure on a supply-chain management system taking with it the job of the CEO who was forced to resign. • An online toy shop that failed to deliver its presents in time for Christmas and went out of business a month later. 	<p>You are very likely to come across organisational information systems and their operation within the context of audit engagements.</p> <p>Many ad hoc audit assignments are to conduct independent post-implementation reviews of an IT/IS implementation.</p> <p>The Operating and Financial Review should include a statement of risks associated with IT/IS.</p> <p>Internal control evaluation will normally be a key issue in an audit of IT/IS.</p>	<p>The focus is on how information can be used strategically to implement and monitor strategy and measure performance. Note also the specific risks arising from the use of IT.</p> <p>Completing the Self-test questions will help reinforce your understanding of this complex area.</p>	<p>In the examination you are unlikely to get a whole question focussing on information systems. Instead you may be required to comment upon the information available for decision making in a scenario question – is there enough information available? What other information is needed? Where might the business source relevant information? Is the information system adequate to fulfil the functions required of it by the business? How can the organisation use information to generate competitive advantage?</p> <p>In the context of the exam, a key aspect of information strategy is that it should provide the appropriate type and amount of information needed by management to select, implement and control its chosen business strategy. The information strategy therefore needs to match the business strategy in terms of the types of information available. Also, the level of detail, the form of the information and its timing should be appropriate to the role of the person(s) who receive it.</p> <p>The role of information.</p> <p>The strategic use of information for competitive advantage.</p> <p>Knowledge management.</p> <p>Risks from IT/IS systems.</p> <p>Specific syllabus references for this chapter are: 1f, 2d, 3g and 3h.</p>	

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
	<ul style="list-style-type: none"> A major bank launching an online banking system with inadequate security leading to hundreds of accounts being rifled for funds and confidential information thus eroding public confidence in online banking systems. <p>Therefore there is a need for proper management of IT/IS to ensure that systems are appropriate to business needs, that money is properly spent, and that systems are properly secure.</p> <p>Stop and think</p> <p>The UK National Health Service (NHS) developed a Care Records Service (CRS) that gives all NHS professionals 24/7 access to the care record of each and every NHS patient in the UK (ie everyone in the UK if they have used the NHS). This was billed as the largest IS/IT project ever and dwarfs military applications to date. It is hugely complex and very expensive.</p> <ul style="list-style-type: none"> What are the potential benefits from this system to health care in UK? What likely technical and social issues will have had to been overcome to make the system a success? What are the technical and social risks? 				

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
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15

Strategies for change

Successful business strategies rarely involve 'leaving things as they are'. The business environment changes and therefore so must the business.

Change affects people inside and outside the business and it is essential to avoid resistance from significant groups who might derail the changes. These could include major investors, key groups of organised labour or significant clients.

Stop and think

Earlier chapters have explained the increasing challenge from globalisation, opening new markets and also new competitors. One reputable source states that Chinese labour costs, after adjustment for short term exchange rate effects, are 25% to 40% of US costs. Its *per capita* income may overtake the USA's within 35 years according to some estimates. What changes will be needed in US and European firms to cope with this and how will they implement them? Conversely how will the Chinese population be affected by these opportunities?

Strategy changes organisations and this needs management. Chapter 15 covers some of the issues and techniques. You may find this an abstract area so read the illustrations to see how it works in practice. Memorise the approaches to change and use them as a framework for answers but make sure you apply your knowledge in the exam.

Application of knowledge to the Interactive examples and Self-test questions is essential.

Previous chapters concentrate on identifying the need for and the direction of change if an organisation is to remain successful. This chapter looks at the issues which need to be addressed by an organisation during the planning and implementation of such changes.

In exams so far, most candidates have demonstrated a reasonable knowledge of change management but a common mistake has been to provide a generic answer, repeating elements by rote from the learning materials.

In the Business Strategy paper it is important to focus on applying the concept of change management to the scenario, tailoring a discussion to the changes that have been identified in the given situation.

Types of change.

Frameworks for change.

Barriers to change.

Specific syllabus reference for this chapter is 3i.

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
16	<p>Ethics, sustainability and corporate responsibility</p> <p>The practice of accountancy grew from the need for the users of capital to be accountable to the owners of the capital. Today's organisations need to be accountable, in varying degrees, to a wider range of stakeholders. In deciding on strategies a business must take account of issues such as:</p> <ul style="list-style-type: none"> • Its impact on the natural environment, • How far its strategy is sustainable in terms of the world's resources in the long term, • Its human resource management policies, • Its approach to contracts with adverse political connotations, • The extent of its charitable support, and • How far it goes beyond the minimum standards required by laws and regulations. <p>Stop and think</p> <p>What considerations of corporate responsibility or ethical issues might get in the way of companies doing just what they like?</p>	<p>As previously indicated, accountants report to stakeholders on the matters that concern them. Increasingly accountants are required to assist in preparing or auditing reports that go beyond the narrow financial interests of shareholders.</p>	<p>This chapter looks at two areas that are becoming increasingly important considerations for today's organisations: ethics and corporate responsibility.</p> <p>A business's strategies and operations may have ethical implications both for the organisation and for individuals. Between 7 and 10 marks of each exam paper will be on offer for consideration of ethical issues.</p> <p>Note the ICAEW code of ethics as it applies to a professional accountant working in business and in public practice.</p> <p>The chapter covers strategies that an organisation can adopt to achieve its objectives relating to CR and sustainability. It also considers how organisations can measure and report their economic, environmental, and social performance.</p> <p>Finally the chapter covers the types of ethics requirement that may appear in the exam and suggests an approach for dealing with these requirements.</p>	<p>Ethics</p> <p>Between 7 and 10 marks in the Business Strategy paper will be allocated to the appropriate discussion of ethical issues, both in the context of the ethics of an organisation and also the professional accountant working in business.</p> <p>Scenarios might include topics such as:</p> <ul style="list-style-type: none"> • Conflict between the accountant's professional obligations and the responsibilities to the organisation. • Lack of professional independence eg personal financial interest in business proposals. • Conflicts of interest among stakeholders. • Attempts to intentionally mislead key stakeholders (by disclosure or non-disclosure of information). • Doubtful accounting or commercial business practice. • Facilitation of unethical strategies. • Inappropriate pressure to achieve a result. • Actions contrary to law, regulation and/or technical and professional standards. 	

Study Period	Practical significance	Working context	Approach	Syllabus references and exam context	Due Date
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CR and sustainability

Scenarios may consider how organisations create, embed and monitor a CR strategy. Areas that might be examined in the context of sustainability and CR include:

- The involvement of key stakeholders in identifying objectives, conflicts of interest, and communication with such stakeholders.
- The development of appropriate strategy and governance structures to implement CR.
- Determination of appropriate KPIs to measure performance of the CR strategy.

Strategy and ethics.

Sustainability and Corporate responsibility.

Monitoring and measuring CR strategies.

Specific syllabus references for this chapter are: 1b, 1h, 2f and 3j.

5 Syllabus and learning outcomes

Covered
in chapter

1 Strategic analysis

Candidates will be able to analyse and identify the consequences of a business's current objectives, market position and direction.

In the assessment, candidates may be required to:

- | | |
|---|----------|
| (a) Evaluate a business's purpose, in terms of its stated mission, objectives and critical success factors, highlighting omissions, inconsistencies and weaknesses, and considering the different objectives of stakeholders. | 2,3,6 |
| (b) Analyse for a given situation the external factors which may impact upon a business's performance and position, identifying significant issues in areas such as: | |
| (i) Sustainability issues | |
| (ii) Macroeconomic forces | |
| (iii) International trade, financial systems and global economic factors | |
| (iv) Government policies | |
| (v) Its industry and markets, including competition | |
| (vi) Cultural environment | |
| (vii) Stakeholder impact | |
| (viii) Markets for finance labour and other resources | |
| (ix) Supply chain factors. | 3,4,5,16 |
| (c) Analyse a business's current markets and competitive strategy in sufficient detail for decisions to be made, drawing conclusions consistent with the data and results and highlighting relevant issues in terms of their likely impact on the strategy of the business. | 5,7 |
| (d) Identify the significance and effect of the internal factors in a given situation which affect or may influence a business's ability to achieve its chosen strategy, including its: | |
| (i) Current resources | |
| (ii) Product/service portfolio | |
| (iii) Value chain | |
| (iv) Organisational and operational capabilities (including core competencies existing business processes, human resource capabilities and information systems capabilities). | 6 |
| (e) Analyse the governance structure of a business identifying strengths and weaknesses. | 9 |
| (f) Identify the risk attached to a business's present position, considering all relevant factors (including attitudes towards risk). | 4,10,14 |
| (g) Assess a business's current position and performance from both a financial perspective and a non-financial perspective, using management information and data analysis. | 12 |
| (h) Explain the ethical factors to be considered in determining the scope and nature of a business's objectives and its strategic analysis, having regard to the legitimate interests of all stakeholder groups. | 16 |

2 Strategic choice

Candidates will be able to evaluate the likely consequences of strategic choices and recommend strategies to meet the objectives of a business.

In the assessment, candidates may be required to:

- | | |
|---|----------|
| (a) Identify, describe and evaluate in a given scenario the alternative strategies available to a business. | 7,11 |
| (b) Explain and demonstrate how a business can collect and analyse financial and other data in order to provide relevant information for strategic decision making at an appropriate level within the business. | 8,12 |
| (c) Identify the implications for stakeholders, including shareholder value, of choice between strategies. | 3,12 |
| (d) Identify the risks attached to proposed courses of action in a given situation, considering all relevant factors (including attitudes to risk) stating all assumptions made and identifying strategies for managing risk. | 10,14 |
| (e) Show, in a given scenario, how a business chooses from competing strategies in order to maximise the achievement of its key objectives, including those relating to corporate responsibility and sustainability. | 12 |
| (f) Evaluate the ethical implications of a business strategies and operations including those for the organisation and for individuals (including the accountant in business and others). | 16 |
| (g) Choose for a given scenario, a strategy or combination of strategies which will best achieve the business's objectives, taking account of known constraints, including stakeholder risk preferences. | 10,11,12 |
| (h) Explain, in a given scenario, how products and services must evolve in the face of changing consumer demand and industry competition; | 5,6,8 |
| (i) Explain, using the information provided, how to position particular products and services in the market place to maximise competitive advantage and develop a marketing strategy. | 7,8 |
| (j) Explain and demonstrate how a business can use management accounting techniques to evaluate its proposed strategies, including the risk associated with forecasts. | 10,12 |

3 Implementation and monitoring of strategy

Candidates will be able to recommend appropriate methods of implementing strategies and demonstrate how management information can be used subsequently to measure and monitor strategic performance.

In the assessment, candidates may be required to:

- | | |
|---|-----------|
| (a) Evaluate, in a given scenario, the functional strategies necessary to achieve a business's overall strategy. | 13 |
| (b) Evaluate the different types of organisational structure and recommend an appropriate structure for a given strategy. | 9 |
| (c) Identify the steps needed for a given business to develop its corporate governance to meet the needs of its strategic objectives and external requirements. | 9 |
| (d) Identify and evaluate methods of further developing a specific business which adjust existing strategies or implement new strategies to take account of changing position and risk. | 4,6,10,11 |
| (e) Draft a simple business plan, or extracts therefrom, which will achieve given or implied objectives. | 13 |
| (f) Evaluate the form and content of an entity's business plan. | 13 |
| (g) Explain and demonstrate how financial and non-financial data, including budgets and other management information, can be analysed in order to implement and manage a business's strategy and to monitor the performance of its projects, divisions and other strategic units. | 4,12,14 |
| (h) Explain and demonstrate how a business can collect and analyse data to provide management accounting and other management information that enables it to implement, monitor and modify a strategy and to create or sustain competitive advantage. | 4,14 |
| (i) Identify in a given situation the key issues which should be addressed by the management of a business during the planning and implementation of change. | 15 |
| (j) Evaluate the ethical implications of how a business chooses to implement and modify its strategies, suggesting appropriate courses of action to resolve ethical dilemmas that may arise. | 16 |

6 Skills assessment guide

6.1 Technical knowledge

The tables contained in this section show the technical knowledge covered in the ACA syllabus by module.

For each individual standard the level of knowledge required in the relevant Certificate or Professional Level module and at the Advanced Level is shown.

The knowledge levels are defined as follows:

Level D

An awareness of the scope of the standard.

Level C

A general knowledge with a basic understanding of the subject matter and training in its application thereof sufficient to identify significant issues and evaluate their potential implications or impact.

Level B

A working knowledge with a broad understanding of the subject matter and a level of experience in the application thereof sufficient to apply the subject matter in straightforward circumstances.

Level A

A thorough knowledge with a solid understanding of the subject matter and experience in the application thereof sufficient to exercise reasonable professional judgement in the application of the subject matter in those circumstances generally encountered by Chartered Accountants.

Key to other symbols:

→ the knowledge level reached is assumed to be continued

BUSINESS ANALYSIS

Topic	Certificate and Professional Level				Advanced Level
	Management Information	Business & Finance	Financial Management	Business Strategy	
STRATEGIC ANALYSIS					
Environmental and market analysis tools					
PESTEL analysis		C		A	→
Porter's five forces		C		A	→
Product life cycle		C		A	→
Boston consulting group matrix		C		A	→
Prices and markets		C		A	→
Competitor analysis		C		A	→
Positional and other analysis tools					
Resource audit		C		A	→
Resource-based strategy		C		A	→
Value chain analysis		C		A	→
SWOT analysis		C		A	→
Gap analysis		C		A	→
Marketing analysis		C		A	→
Competitive advantage		C		A	→
Benchmarking		C		A	→
Directional policy matrix					B
Business process analysis				B	A
Strategic risk analysis				A	→

Topic	Certificate and Professional Level				Advanced Level
	Management Information	Business & Finance	Financial Management	Business Strategy	
Balanced scorecard		C		A	→
STRATEGIC CHOICE					
Strategy formulation, evaluation and choice		C		A	→
Business risk management		C		A	→
Financial analysis and data analysis				A	→
Stakeholder analysis		C		A	→
Objectives and stakeholders preferences		C		A	→
Corporate responsibility and sustainability		C		B	A
STRATEGIC IMPLEMENTATION					
Business plans		C		A	→
Organisational structure		C		A	→
Information management		C		B	A
Change management				A	→
Project management					A
BUSINESS MANAGEMENT					
Performance management				C	A
Strategic marketing and brand management				B	A
Corporate Governance		C		B	A
Information strategy				B	A
Human resource management				C	A
COST ANALYSIS FOR DECISION MAKING					
<i>Costing</i>					
Cost classification	A			→	→
Costing systems – direct, marginal, absorption	B			→	→
Activity based costing (ABC)	C			→	B
Break even analysis	B			→	A
Multi-product break even analysis					B
Budgeting and performance management	B			→	A
<i>Pricing</i>					
Pricing decisions	B			A	→
Transfer pricing	B			A	→
<i>Decision making techniques</i>					
Expected values				B	A
Relevant cash flows				B	A
Sensitivity analysis				B	A
BUSINESS AND SHAREHOLDER VALUE					
<i>Valuation Techniques</i>					
Income – dividend yield			B		A
Income – P/E			B		A
Income – discounted cash flow			B		A
Asset based measures			B		A
Options approach					B
<i>Shareholder value</i>					
Value based management (VBM)					B
Value drivers			B		A
Shareholder value analysis (SVA)			B		A
Short and long term growth rates and terminal values					A
Economic profit					A
Cash flow return on investment (CFROI)					A
Total shareholder return (TSR)					A
Market value added (MVA)					A

Topic	Certificate and Professional Level				
	Management Information	Business & Finance	Financial Management	Business Strategy	Advanced Level
INVESTMENT APPRAISAL AND BASIC RISK ANALYSIS					
<i>Project appraisal</i>					
NPV	B		A		→
IRR	B		A		→
Payback	B		A		→
Relevant cash flows			A		→
Tax and inflation			A		→
Replacement Analysis			A		→
Capital rationing			A		→
Adjusted present value (APV)			A		→
<i>Assessing risk</i>					
Project appraisal and sensitivity analysis			B		A
Project appraisal and simulation			B		A
Expected values			B		A
Scenario planning					A
Gap analysis				B	→
Continuous vs. event risk				B	→
FINANCIAL ANALYSIS					
<i>Cost of capital</i>					
Cost of equity			B		A
Cost of debt			B		A
Cost of preference shares			B		A
Cost of bank loans			B		A
Weighted average cost of capital (WACC)			B		A
Effective interest rates					A
Splitting convertibles into equity and debt elements					A
Equity instruments					A
<i>Portfolio theory and CAPM</i>					
Portfolio theory			B		A
CAPM			B		A
APT and MCPM					A
CAPM and cost of capital			B		A
International cost of capital					A
<i>Bonds and fixed interest securities</i>					
Bond pricing using NPV					A
Yields to maturity					A
Duration and price volatility					A
Convexity					A
Term structure of interest rates					A
Corporate borrowing and default risk					A
SOURCES OF FINANCE AND FINANCING ARRANGEMENTS					
Short, medium and long term sources of finance		B			A
Loan agreement conditions (warranties; covenants; guarantees)			B		A
Raising capital		B			A
Gearing and capital structure			A		→
Loan agreements and covenants			A		→
Dividend policy			A		→
Financing reconstructions (eg: group reconstruction, spin off, purchase of own shares, use of distributable profits)			B		A
Treasury and working capital management	C				A
Small and medium company financing					B

Topic	Certificate and Professional Level				Advanced Level
	Management Information	Business & Finance	Financial Management	Business Strategy	
History of finance					C
FINANCIAL ENGINEERING					
<i>Futures, options and swaps</i>					
Options			B		A
Interest rate futures			B		A
Interest rate options			B		A
Interest forward rate agreements (FRAs)			B		A
Interest rate swaps			B		A
<i>Foreign exchange</i>					
Currency forward contracts			B		A
Currency money market cover			B		A
Currency options			B		A
Currency swaps			B		A
Operational techniques for managing currency risk			B		A
Theoretical determinants of foreign exchange rates			B		A
<i>Option value</i>					
Value of a call and put option			C		B
Black Scholes option pricing model					B
Binomial Option Pricing Model					B
Real options			C		B

7 Key resources

Student support team

Our student support team are here to help you as much as possible, providing full support throughout your studies.

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E studentsupport@icaew.com

Student website

The student area of our website provides the latest information, guidance and exclusive resources to help you progress through the ACA. Find everything you need (from sample papers to errata sheet) at icaew.com/dashboard.

Online student community

The online student community provides support and practical advice – wherever you are, whenever you need it. With regular blogs covering a range of work, life and study topics as well as a forum where you can post your questions and share your own tips. Join the conversation at icaew.com/studentcommunity.

Tuition

The ICAEW Partner in Learning scheme recognises tuition providers who comply with our core principles of quality course delivery. If you are receiving structured tuition with an ICAEW Partner in Learning, make sure you know how and when you can contact your tutors for extra help. If you are not receiving structured tuition and are interested in classroom, online or residential learning, take a look at our recognised Partner in Learning tuition providers in your area, on our website icaew.com/dashboard.

Faculties and Special Interest Groups

Faculties and special interest groups support and develop members and students in areas of work and industry sectors that are of particular interest.

Our seven faculties provide knowledge, events and essential technical resources. Register to receive a complimentary e-magazine from one faculty of your choice each year throughout your studies.

Our 12 special interest groups provide practical support, information and representation within a range of industry sectors. Register to receive free provisional membership of one group each year throughout your studies.

Find out more about faculties and special interest groups at icaew.com/facultiesandsigs.

Library & Information Service

The Library & Information Service is ICAEW's world-leading accountancy and business library.

The library provides access to thousands of resources online and a document delivery service, you'll be sure to find a useful eBook, relevant article or industry guide to help you. Find out more at icaew.com/library.

