



Examiner's approach

Paper P3

The relational diagram of main capabilities – as illustrated in the *Syllabus* – shows how the various parts of the syllabus for Paper P3, *Business Analysis* are interrelated. Each part of the relational diagram is annotated with the relevant syllabus section. For example, 'Strategic position [A]' refers to Section A of the *Syllabus*. Each section of the syllabus is expanded into a detailed syllabus, which is expanded further in the *Study Guide*. The *Syllabus*, *Study Guide*, and *Pilot Paper* can be downloaded from the ACCA website. The reading list is also included in the *Study Guide*.

Structure

The 'top layer' of the relational diagram reflects the vocabulary of *Exploring Corporate Strategy*, by G Johnson, K Scholes, and R Whittington, (Prentice Hall 2005, seventh edition) – one of the primary reference texts. The syllabus begins with the assessment of the strategic position of an organisation, before moving on to consider the strategic choices available to it. Finally, strategic action concerns the implementation of strategic choices through appropriate organisational actions. Sections A, B and C of the syllabus generally follow the structure of Johnson, Scholes, and Whittington, and certainly use their vocabulary. Terms such as competencies, capabilities, strategic directions, and strategic methods are used in the *Syllabus* and *Study Guide*, as defined in their book. This 'top layer' is closely related to parts of the Paper 3.5 syllabus.

The 'middle layer' is an expansion of the implementation of strategy. Understanding the strategic position of an organisation, and considering the strategic choices open to it, are of little value unless the preferred strategies can be turned into organisational action. Johnson, Scholes, and Whittington acknowledge that 'such action takes form in the day-to-day procedures and relationships that exist in organisations.' Furthermore, strategies may emerge from these day-to-day activities, and the inclusion of this 'middle layer' (and indeed the 'bottom layer') should give candidates more opportunity to reflect on strategy as an emergent, rather than a designed, activity. The focus of the 'middle layer' is on process redesign and automation, the e-business application of information technology, and the role of quality – both as a threshold value and a differentiator. It is perceived that these three elements are also interconnected. For example, many process redesign initiatives use information technology to achieve improvements in product or service quality. All three elements require effective project management.

Finally, strategic position, choices, and implementation are all subject to financial benchmarks. Financial analysis explicitly recognises this, reminding candidates of the importance of focusing on the key ratios and measures that may be used to assess the position of an organisation, the viability of a selected strategy, and the monitoring and measuring of its success. This builds on capabilities defined in Paper F7, *Financial Reporting* and Paper F9, *Financial Management*.

The 'bottom layer' of the relational diagram recognises that successful strategic planning and implementation requires the effective recruitment, training, motivation, and organisation of people. This section picks up from material covered in Paper F1, *Accountant in Business*. Candidates preparing themselves for the Paper P3 exam should familiarise themselves with the contents of the Paper F1 syllabus – particularly Sections A, B, E, and F.

Exam format and Pilot Paper

The syllabus is assessed by a three-hour exam, which comprises two sections. Section A contains one multi-part question based on a case study scenario. This question is worth 50 marks and will be closely based on the capabilities defined in Sections A, B, and C of the syllabus, and also the capabilities defined in Sections H and I. It will occasionally refer to the capabilities defined in Sections D, E, F, and G of the syllabus. The case study scenario will always include quantitative information, which might include financial data.

The case study for Section A of the *Pilot Paper* is based on the case study from the June 2004 Paper 3.5 exam. However, changes have been made to the text of the case study, and to the questions and model answers. This reflects a slight sharpening of the focus of questions in a paper where the explicitly strategic content of the

syllabus has been reduced. The original question paper also contained further questions as part of a 60-mark compulsory question.

The case study scenario will always concern global industries, which should be familiar to candidates sitting this exam anywhere in the world. These industries are frequently the subject of articles in the business press, and so candidates are encouraged to continually read business supplements to help them prepare for this exam. The exam will also include quantitative information, which might include financial data. Two points need to be made here:

- Specific marks will be available for interpreting financial ratios that can be calculated from the financial data. The scope of these ratios is defined in Section H3 of the *Study Guide*. The questions will never ask for specific ratios, but there will always be enough information to calculate and interpret – as far as possible in the context of a case study scenario – several financial ratios. These ratios will have been introduced in the Paper F7, *Financial Reporting* syllabus and the Paper F9, *Financial Management* syllabus.
- Non-financial information will also be provided in tables, and candidates will be expected to use and interpret this information. Such tables will supplement, and to some extent replace, information traditionally given in the narrative scenario. For example, if the scenario concerned competing exam providers, it could also now contain a table with information on fee rates, number of candidates, and pass rates.

Section B will include three discrete questions, each worth 25 marks. Candidates must answer two questions in this section. At least two of the questions in this section will be based on capabilities defined in Sections D, E, F, G, and I of the syllabus. At most, one question in this section will be based on capabilities defined in Sections A, B, and C of the syllabus. Capabilities defined in Section H of the syllabus may be used to support questions in this section.

In the *Pilot Paper*, Question 2 was based on Section B of the syllabus, Question 3 on Section F, and Question 4 on Section E. It is likely that the scenarios for these questions will be longer than those in the current Paper 3.5, to reflect the fact that they are now worth 25 marks each. However, this will be compensated for by shorter scenarios in Question 1, and the introduction of 15 minutes reading time for the exam as a whole.

One of the features of the Professional level exam papers is the awarding of 'professional marks'. These are marks allocated not for the content of an answer, but for the degree of professionalism with which certain parts of the answer are presented. They will usually be awarded in Section A (the compulsory part of the exam paper) and will total between four and six marks. It may be, for example, that one requirement asks you to present your answer in the form of, say, a letter, a presentation, a memo, a report, briefing notes, or similar. Some marks may be awarded for the form of the answer in addition to the content of the answer. This might be for the structure, content, style and layout, or the logical flow of arguments in your answer. You should assume that if the question asks for a specific format of answer that some marks may be awarded for an effective presentation of that format.

Conclusion

A considerable amount of documentation has been produced for this paper. Candidates, lecturers, and publishers are encouraged to download and read the *Study Guide*. The links within the syllabus are documented in the relational diagram and should be understood by candidates, and reinforced in teaching. The nine sections of the syllabus are interrelated and this interrelationship is particularly tested in the case study question.

The *Pilot Paper* is a representative paper. It also demonstrates how Papers 3.5 and – to some extent – Paper 3.4 can be used by candidates to prepare themselves for the Paper P3, *Business Analysis* exam.

Steve Skidmore is examiner for Paper P3