

Essential underpinning knowledge for Options papers

P4

F9 TO P4 ESSENTIAL KNOWLEDGE

D Investment appraisal

All subheadings

E Business finance

1. Sources of, and raising business finance
2. Estimating the cost of capital
3. Sources of finance and their relative costs
4. Capital structure theories and practical considerations

F Business valuations

2. Models for the valuation of shares
3. The valuation of debt and other financial assets
4. Efficient market hypothesis (EMH) and practical considerations in the valuation of shares

G Risk management

All subheadings

P3 TO P4 ESSENTIAL KNOWLEDGE

G Financial Analysis

2. Finance decisions to formulate and support business strategy
4. Financial implications of making strategic choices and of implementing strategic actions

P5

F5 TO P5 ESSENTIAL KNOWLEDGE

A Specialist cost and management accounting techniques

All subheadings

B Decision-making techniques

2. Cost volume profit analysis
6. Dealing with risk and uncertainty in decision-making

C Budgeting

1. Budgetary systems and types of budget
- 3-6 Standard costing and variance analysis
7. Performance analysis

D Performance measurement and control

All subheadings

P3 TO P5 ESSENTIAL KNOWLEDGE

A Strategic position

2. Environmental issues affecting the strategic position of, and future outlook for, an organisation
3. Competitive forces affecting an organisation
5. The internal resources, capabilities and competences of an organisation
6. The expectations of stakeholders and the influence of ethics and culture

B Strategic choices

1. The influence of corporate strategy on an organisation
3. Alternative directions and methods of development

C Strategic action

1. Organising and enabling success

G Financial analysis

3. The role of cost and management accounting in strategic planning and implementation
4. Financial implications of making strategic choices and of implementing strategic actions

P1 TO P5 ESSENTIAL KNOWLEDGE

B Internal control and review

1. Management control systems in corporate governance

C Identifying and assessing risk

1. Risk and the risk management process
2. Categories of risk
3. Identification, assessment and measurement of risk

D Controlling risk

3. Risk avoidance, retention and modelling

P6

F6 TO P6 ESSENTIAL KNOWLEDGE

B INCOME TAX LIABILITIES

2. Income from employment
- h) Explain and compute the amount of benefits assessable
3. Income from self-employment
- f) Compute assessable profits on commencement and cessation
- g) Recognise the factors that will influence the choice of accounting date
- i) Relief for trading losses
5. The comprehensive computation of taxable income and income tax liability
- b) Calculate the amount of personal allowance available
- d) Compute the amount of income tax payable
7. The use of exemptions and reliefs in deferring and minimising income tax liabilities
- a) Explain and compute the relief given for contributions to personal pension schemes and to occupational pension schemes

C CHARGEABLE GAINS FOR INDIVIDUALS

2. The basic principles of computing gains and losses

- a) Compute and explain the treatment of capital gains
- b) Compute and explain the treatment of capital losses
- c) Understand the treatment of transfers between a husband and wife or between a couple in a civil partnership
3. Gains and losses on the disposal of movable and immovable property
- c) Compute the chargeable gain where a principal private residence is disposed of
5. The computation of capital gains tax
- a) Compute the amount of capital gains tax payable
- b) Explain and apply entrepreneurs' relief
6. The use of exemptions and reliefs in deferring and minimising the tax liabilities arising on the disposal of capital assets
- a) Explain and apply capital gains tax reliefs:
 - i) rollover relief
 - ii) holdover relief for the gift of business assets

D INHERITANCE TAX

2. The basic principles of computing transfers of value
- b) Understand and apply the meaning of transfer of value, chargeable transfer and potentially exempt transfer
- c) Demonstrate the diminution in value principle
- d) Demonstrate the seven year accumulation principle taking into account changes in the level of the nil rate band
3. The liabilities arising on chargeable lifetime transfers and on the death of an individual
- a) Understand the tax implications of chargeable lifetime transfers and compute the relevant liabilities

b) Understand and compute the tax liability on a death estate

c) Understand and apply the transfer of any unused nil rate band between spouses

E CORPORATION TAX LIABILITIES

2. Taxable total profits

d) Compute property business profits and understand how relief for a property business loss is given

f) Understand how trade losses can be claimed against income of the current or previous accounting periods

g) Recognise the factors that will influence the choice of loss relief claim

h) Recognise and apply the treatment of interest paid and received under the loan relationship rules

3. Chargeable gains for companies

a) Compute and explain the treatment of chargeable gains

b) Explain and compute the indexation allowance available

c) Explain and compute the treatment of capital losses

g) Explain and apply rollover relief

5. The effect of a group corporate structure for corporation tax purposes

a) Define a 75% group, and recognise the reliefs that are available to members of such a group

b) Define a 75% capital gains group, and recognise the reliefs that are available to members of such a group

F VALUE ADDED TAX

2. The VAT registration requirements

a) Recognise the circumstances in which a person

must register or deregister for VAT (compulsory) and when a person may register or deregister for VAT (voluntary)

b) Recognise the circumstances in which pre registration input VAT can be recovered

c) Explain the conditions that must be met for two or more companies to be treated as a group for VAT purposes, and the consequences of being so treated

3. The computation of VAT liabilities

j) Understand the treatment of imports, exports and trade within the European Union

4. The effect of special schemes

a) Understand the operation of, and when it will be advantageous to use, the VAT special schemes:

i) cash accounting scheme

ii) annual accounting scheme

iii) flat rate scheme

P7

F8 TO P7 ESSENTIAL KNOWLEDGE

A AUDIT FRAMEWORK AND REGULATION

4. Professional ethics and ACCA's Code of Ethics and Conduct

6. The scope of the internal audit function, outsourcing and internal audit assignments

B PLANNING AND RISK ASSESSMENT

3. Assessing audit risks

4. Understanding the entity and its environment

5. Fraud, laws and regulations

6. Audit planning and documentation

C INTERNAL CONTROL

3. Tests of control

4. Communication on internal control

D AUDIT EVIDENCE

2. Audit procedures
4. The audit of specific items
6. The work of others

E REVIEW AND REPORTING

1. Subsequent events
2. Going concern
4. Audit finalisation and the final review
5. Audit reports

P2 TO P7 ESSENTIAL KNOWLEDGE

C Reporting the financial performance of entities

All sub headings excluding:

- 11 Reporting requirements of small and medium-sized entities (SMEs)

D Financial statements of groups of entities

All subheadings

H Current Developments

1. Environmental and social reporting