

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 short-term finance
2. Sources of, and raising long-term finance
4. Internal sources of finance and dividend policy
5. Gearing and capital structure considerations

F Cost of capital

All subheadings

G 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

H 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

6. Dealing with risk and uncertainty in decision-making

C Budgeting

2. Budgetary systems
3. Types of budget
5. Behavioural aspects of budgeting

D Standard costing and variances analysis

All subheadings excluding:

2. Basic variances and operating statements

E Performance measurement and control

All subheadings

P3 TO P5 ESSENTIAL KNOWLEDGE

B Strategic position

2. Environmental issues affecting the strategic position of an organisation
3. Competitive forces affecting an organisation
4. Marketing and the value of goods and services
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

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) Compute the amount of benefits assessable
3. Income from self-employment
- e) Compute assessable profits on commencement and cessation
- h) Relief for trading losses
5. The comprehensive computation of taxable income and income tax liability
- b) Calculate the amount of personal allowance available generally, and for people aged 65 and above
- c) Compute the amount of income tax payable
6. 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, using the rules applicable from 6 April 2011

C CORPORATION TAX LIABILITIES

2. Taxable total profits
- e) Explain the treatment of interest paid and received under the loan relationship rules
- g) Understand how trading losses can be carried forward
- h) Understand how trade losses can be claimed against income of the current or previous accounting periods
- i) Recognise the factors that will influence the choice of loss relief claim
- k) Explain how relief for a property business loss is given
3. The comprehensive computation of corporation tax liability
- a) Compute the corporation tax liability and apply marginal relief
4. The effect of a group corporate structure for corporation tax purposes
- a) Define an associated company and recognise the effect of being an associated company for corporation tax purposes
- b) Define a 75% group, and recognise the reliefs that are available to members of such a group
- c) Define a 75% capital gains group, and recognise the reliefs that are available to members of such a group
- d) Compare the UK tax treatment of an overseas branch to an overseas subsidiary
- e) Calculate double taxation relief

D CHARGEABLE GAINS

1. The scope of the taxation of capital gains

- b) Explain how the residence and ordinary residence of an individual is determined
2. The basic principles of computing gains and losses
 - a) Compute capital gains for both individuals and companies
 3. Gains and losses on the disposal of movable and immovable property
 - d) Compute the exemption where a principal private residence is disposed of
 5. The computation of capital gains tax payable by individuals
 - a) Compute the amount of capital gains tax payable
 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 entrepreneurs' relief as it applies to individuals
 - b) Explain and apply rollover relief as it applies to individuals and companies
 - c) Explain and apply holdover relief for the gift of business assets
 - d) Explain and apply the incorporation relief that is available upon the transfer of a business to a company.

E INHERITANCE TAX

2. The basic principles of computing transfers of value
 - a) State, explain and apply the meaning of transfer of value, chargeable transfer and potentially exempt transfer
 - b) Demonstrate the diminution in value principle
 - c) 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 the tax implications of transfers within seven years of death and compute the relevant liabilities
 - c) Compute the tax liability on a death estate

G VALUE ADDED TAX

2. The VAT registration requirements
 - a) Recognise the circumstances in which a person must register for VAT
 - b) Explain the advantages of voluntary VAT registration
 - d) Explain how and when a person can deregister for VAT
 - e) 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
 - h) Explain the treatment of imports, exports and trade within the European Union
4. The effect of special schemes
 - a) Describe the cash accounting scheme, and recognise when it will be advantageous to use the scheme
 - b) Describe the annual accounting scheme, and recognise when it will be advantageous to use the scheme
 - c) Describe the flat rate scheme, and recognise when it will be advantageous to use the scheme

P7

F8 TO P7 ESSENTIAL KNOWLEDGE

A AUDIT FRAMEWORK AND REGULATION

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

B INTERNAL AUDIT

3. The scope of the internal audit function

C PLANNING AND RISK ASSESSMENT

2. Assessing the risks of material misstatement
3. Understanding the entity and its environment
4. Materiality, fraud, laws and regulations
5. Analytical procedures
6. Planning an audit

D INTERNAL CONTROL

6. Communication on internal control

E AUDIT EVIDENCE

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

F REVIEW

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

G REPORTING

1. 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