

BUSINESS ANALYSIS SYLLABUS CHANGES

RELEVANT TO ACCA QUALIFICATION PAPER P3 FROM JUNE 2011

The changes to the ACCA syllabus were outlined in *Student Accountant* in issue 12/2010. The article described changes to the qualification as a whole and made a number of points relevant to all papers. It also briefly examined the revised relationship between Papers P3 and P5. This article focuses on the changes made to P3, *Business Analysis*.

A new relational diagram for the paper has been developed (see Figure 1). One complete section (on quality) of the original diagram has been dropped from the syllabus.

The relationship of the paper with other papers in the ACCA Qualification has also been redefined. The primary input is still from Paper F1, *Accountant in Business*. However, there are also important inputs from Paper F5, *Performance Management*, and Paper F7, *Financial Reporting*. Paper P3 itself is an input into Paper P5, *Advanced Performance Management*. The relationship between Papers P3 and P5 has been clarified. As well as quality, Paper P5 now examines reward management and performance management, elements of which used to be in the Paper P3 syllabus.

This article considers the changes to each section of the syllabus.

SECTIONS A, B AND C

The first three sections of the *Study Guide* (A, B and C) continue to represent the strategic management part of the syllabus. They consider strategic position, strategic choice and strategic action and they remain closely aligned to the Johnson, Scholes and Whittingham book.

Within these sections of the *Study Guide*, three changes have been made. The first is the insertion of A2e:

- Evaluate methods of business forecasting used when quantitatively assessing the likely outcome of different business strategies.

This neatly follows on from objective A2d, where the principles of scenario analysis have been introduced. Scenarios may or may not use quantitative forecasting

techniques. Furthermore, in a wider context, virtually every form of decision making and planning activity in business requires forecasting of some kind. Key techniques include linear regression, the coefficient of determination, time series analysis and exponential smoothing.

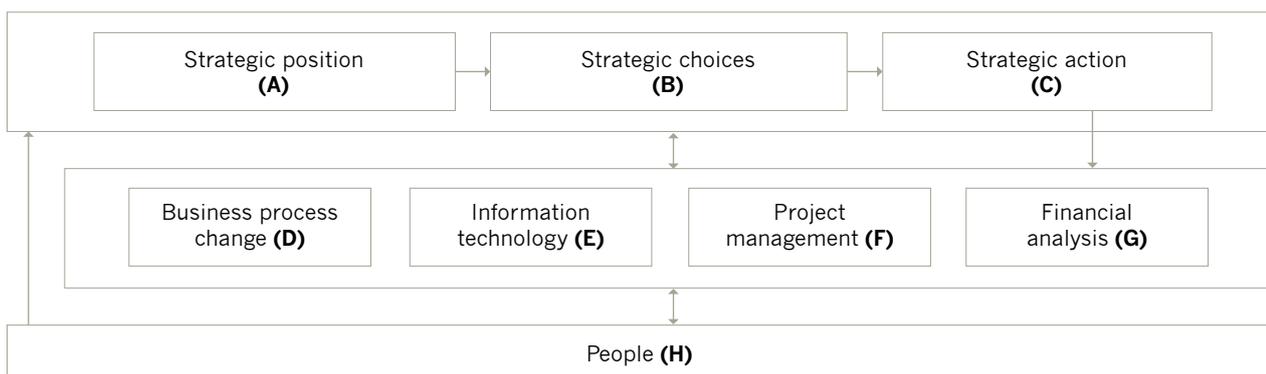
Questions set on this new objective will not ask candidates to undertake the mathematics of any of the techniques, but will focus on principles, evaluation and consequences. The revised *Pilot Paper* for Paper P3 includes an example of how it might be examined.

Linear regression and its associated concepts, the correlation coefficient and the coefficient of determination, can also be used to explore the relationship between variables. This should also be studied at this point, as strategies may be based on an observed decline in one variable (for example, disposable income) and its likely effect on another (for example, the amount of charity donations).

Learning objective A3d has been slightly amended to introduce costing implications into the lifecycle model. Candidates need to appreciate that costs will vary depending on where the product is in its lifecycle. In the context of scenario-based examinations, the nature of the product has to be carefully considered. For example, when developing a software product most costs are incurred in the initial development of the software itself. Once these have been incurred, unit production and distribution costs are relatively low and so margins are high and unit price can be varied to reflect this. However, for a manufactured product, variable costs may still remain high reflecting the cost of raw materials and the physical labour required to produce the product. Indeed these costs may increase during its lifecycle. Furthermore, equipment used to produce the product will need maintenance and eventual replacement.

Finally, learning objective A5b has been slightly reworded but it is still aligned to the source book for this part; section 3.3 Cost efficiency (Johnson, Scholes & Whittington) pp121–124.

FIGURE 1: RELATIONAL DIAGRAM OF MAIN CAPABILITIES



CANDIDATES ARE ENCOURAGED TO TAKE A WIDE VIEW OF THE PRICING PROCESS. THEY SHOULD CONSIDER THE PRICING OBJECTIVES OF THE ORGANISATION AND HOW DEMAND COULD BE DETERMINED

SECTIONS D AND E

There are no changes to Section D of the *Study Guide* – business process change.

Learning objective E3d of the *Study Guide* concerns the marketing mix and questions have been asked on previous papers about all or selected elements of the 7Ps (price, promotion, place, people, processes, physical evidence and product). The syllabus has now been extended to include a learning objective that focuses on just one of the Ps – price. Hence learning objective E3e is:

- Describe a process for establishing a pricing strategy that recognises both economic factors and non-economic factors.

Candidates are encouraged to take a wide view of the pricing process. They should consider the pricing objectives of the organisation (and how these are related to business strategy) and how demand could be determined (this cross-references back to forecasting – A2d and A2e). Candidates should also recognise the cost and profit relationship, the need to evaluate competitor's prices, the issues concerned with selecting a basis and strategy for pricing and, finally, factors that influence the selected price. The supporting text for this has been added to the reading list. It is *Marketing Concepts and Strategies* by Sally Dibb et al published by Houghton Mifflin. Chapters 20 and 21 are specifically relevant and describe both economic and non-economic issues of the pricing process. For example, she considers many aspects of psychological pricing which are just as relevant, to the business analyst, as an understanding of breakeven analysis.

The section E heading remains as *Information Technology*, although its remit is now much greater.

SECTION F

The original section F was on quality management. This has been removed from the syllabus. The new section F is a restructuring and extension of the original section G – project management.

A completely new *Study Guide* subject area is included under F2. This looks at building the business case for a project. The background material for this section is provided by another book added to the Reading List. This is *Benefits Management* by John Ward and Elizabeth Daniel, published by Wiley.

Here are the detailed learning objectives within this new subject area on Building the Business Case.

- a Describe the structure and contents of a business case document.
- b Analyse, describe, assess and classify the benefits of a project investment.
- c Analyse, describe, assess and classify the costs of a project investment.
- d Establish responsibility for the delivery of benefits.
- e Explain the role of a benefits realisation plan.

Introducing this subject area into the syllabus provides candidates with the opportunity to study contemporary benefits management theory, including the classification of benefits and the need to distinguish between financial, quantifiable, measurable and observable benefits.

It also allows the assessment of investment appraisal using standard techniques such as the accounting rate of return, time to pay back, net present value and the internal rate of return. An evaluation of the strengths and weaknesses of these techniques will also be expected.

An example of how this subject area might be assessed is provided in the revised *Pilot Paper*.

As well as introducing the subject area on building the business case, there have also been a few structural changes to the project management content.

Specifically these are:

- *Study Guide* learning objective F4e recognises the need to integrate gateways and benefits management into the formal monitoring of projects. Gateways will consider whether the project is still on track. For example, they would check that there had not been scope creep in project requirements. The business case will also have to be re-visited to ensure that the business case that initially justified the project was still appropriate.
- In *Study Guide* objective F5b, the syllabus now distinguishes between a post-project review (about the project) and a post-implementation review (which is primarily about the product produced by the project).
- Learning objective F5c concludes the benefits management theme, stressing the need to see whether the benefits identified in the original business case were realised and that cost assumptions were correct.
- *Study Guide* learning objective F5e recognises the need for lessons learnt to be fed back into the project management and benefits management process.

Overall, the project management section has been strengthened in the revised syllabus. Candidates must ensure that they cover it thoroughly. Evidence from Past Papers suggests that many candidates are insufficiently prepared for this section of the syllabus.

SECTION G

This section of the syllabus concerns Financial Analysis. This was previously within section H in the original syllabus. A complete subject area has been added to this section. It is G3 and the original H3 has become G4.

This completely new subject area concerns the role of cost and management accounting in strategic planning and decision-making and is assessed through the following learning objectives:

- a Explain the role, advantages and possible limitations of a budgetary process.
- b Explain the principles of standard costing, its role in variance analysis and suggest possible reasons for identified variances.

- c Evaluate strategic and operational decisions taking into account risk and uncertainty using decision trees.
- d Evaluate the following strategic options using marginal and relevant costing techniques.
 - i Make or buy decisions
 - ii Accepting or declining special contracts
 - iii Closure or continuation decisions
 - iv Effective use of scarce resources

The content of this subject area should be very familiar to candidates. It complements the financial accounting references of this syllabus (in *Study Guide* subject area G4).

As a guide to the content of, and level at which G3 and G4 will be examined, the book *Accounting and Finance* by Peter Attrill and Eddie McLaney, published by Prentice Hall, has been added to the Reading List. The content of this book is at an appropriate level for this exam. However, in reality, candidates will know much more from their previous studies. Again, the challenge will be to use this knowledge in a wider business environment, in the context of a specified case study.

Section G was previously Section I in the original syllabus. Two complete subject areas within this section have been removed. These are I2 (performance management) and I3 (reward management).

PAST PAPERS

The *Pilot Paper* has been redeveloped to reflect the syllabus revisions and also to take into consideration how the business analysis paper has evolved in the past three years.

It is recognised that many candidate prepare themselves by looking at *Past Papers*. The list below identifies questions on these papers that are no longer relevant to P3.

- ▣ June 2010: Q4a (Judy Sodhi) on the appraisal process is no longer relevant. Q4b remains relevant.
- ▣ December 2009: Q4 (WyAvionics) on quality is no longer relevant.
- ▣ June 2009: Q4 (Elegant Hotels) on reward and quality is no longer relevant.
- ▣ December 2008: Q3a (ASW) on software quality is no longer relevant. Q3b and Q3c remain relevant.
- ▣ June 2008: Q1c (AutoFone) on reward management is no longer relevant. Q1a and Q1b remain relevant.
- ▣ December 2007: Q4 (UPC) on quality and Six Sigma is no longer relevant.

So using these *Past Papers* for practice questions will not provide experience in answering questions on new areas of the syllabus.

The Reading List has been slightly amended. The books added to the list have been mentioned in this article. The books on ISO9001 and Six Sigma have been taken off the list.

SUMMARY

This article has summarised the changes in the Paper P3, *Business Analysis* syllabus. These changes are examinable from June 2011.

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THE PILOT PAPER HAS BEEN REDEVELOPED TO REFLECT THE SYLLABUS REVISIONS AND ALSO TO TAKE INTO CONSIDERATION HOW THE BUSINESS ANALYSIS PAPER HAS EVOLVED IN THE PAST THREE YEARS.