

# EXAMINATION INFORMATION GUIDE

## Business Management and Finance

### Structure of examination paper

The syllabus will be assessed in a 3 hours paper plus a 15 minutes reading time. The questions will be in two sections as follows:

#### Section A

Section A will be a 20 compulsory multiple - choice questions of one mark each. These questions will be taken from all the sections of the syllabus.

#### Section B

Section B will be 6 questions of 20 marks each out of which candidates are expected to attempt 4 questions. These questions will be drawn from all the 4 sections of the syllabus and will be based on the weights attached to each section.

### Detailed contents of the syllabus

#### A. Business processes and environment

1 The nature of business, types and objectives

- a) Explain the nature, types and objectives of business organisation.
- b) Identify and explain the different objectives and legal forms of organisations.
- c) Explain the basic characteristics, purposes, merits and demerits of the following types of business organisation:
  - i. Sole proprietorship;
  - ii. Partnership;
  - iii. Private Limited liability companies;
  - iv. Public Limited liability companies;
  - v. Non-governmental organisations;
  - vi. Public sector organisations;
  - vii. Alliances; and
  - viii. Cooperative society.
- d) Explain the importance of business to its stakeholders.
  
- e) Explain the different classifications of economic activities based on the following occupations:
  - i. Profession/vocation;
  - ii. Employment; and
  - iii. Business.
- f) State the merits and demerits of each of the occupations listed above.
- g) Explain the meaning and importance of Stakeholders.
- h) Describe with examples the main categories of stakeholder.

- i) Explain how organisations collaborate in alliances to achieve competitive advantage.

## 2. Business and organisational structures and choices

- a) Identify and describe the different types of business structures including entrepreneurial, functional, divisional, matrix, boundary-less, virtual and network.
- b) Explain the main advantages and disadvantages of each of the organization structures listed above.
- c) Explain the basic characteristics and purposes of the following organizational structures:
  - i. Centralised;
  - ii. Decentralised;
  - iii. Matrix and mixed;
  - iv. Networks; and
  - v. Virtual arrangements.
- d) Explain the advantages and disadvantages of each of the organisational structures listed above.
- e) Explain the basic concepts of organisation and management structure including span of control, authority and responsibility, scalar chain, outsourcing, offshoring and shared services.
- f) Define centralisation and decentralisation and explain the advantages and disadvantages of each.
- g) Briefly describe the main business functions including research and development, purchasing (procurement), operations, marketing, administration and finance.

## 3 The business environment

- a) Explain the concept of environmental scanning, its methods and importance.
- b) Explain the meaning and importance of the following:
  - i. Globalisation/International business;
  - ii. Macroeconomic/National environment;
  - iii. Microeconomic/Markets and industries; and
  - iv. Stakeholders.
- c) Define the environment of an organisation and discuss how threats and opportunities can arise ('scan' the business environment').
- d) Explain how political and legal factors affect business.
- e) Explain how economic factors affect business including macroeconomic and microeconomic.
- f) Explain how social and demographic factors affect business.
- g) Explain how technological factors affect business.
- h) Explain how environmental factors affect business.
- i) Explain the international perspectives of business environment including globalisation.

## **B. The role of professional accountants in business and society**

- a) Describe what is meant by business ethics.
- b) State the fundamental principles of the IFAC Code of Ethics.
- c) Explain what is meant by the public interest and why this is so important for Accountants.
- d) Discuss the purpose of a code of ethics.
- e) Explain from the perspective of the public interest, the role of professional accountants in business and society.
- f) Define whistleblowing.
- g) Define and discuss the contents and benefits of a corporate code of ethics.
- h) Identify situations where ethical conflicts and threats may arise.
- i) Suggest safeguards against ethical threats and dilemmas and ideas for resolving ethical dilemmas.
- j) Explain the rule in the ICAN Code of Ethics on NOCLAR.
- k) Explain the basic principles of ethics and its importance to professional accountants.

### **C. Management and organisational behaviour**

#### 1. Basic management functions

- a) Give various definitions of management.
- b) Identify and explain types of management skills.
- c) Explain the functions and roles of management.
- d) Explain the following basic management functions, their importance and application in the field of accounting:
  - i. Planning;
  - ii. Organising;
  - iii. Controlling;
  - iv. Coordinating;
  - v. Directing; and
  - vi. Supervising.
- e) Identify and explain the various management roles.
- f) Define leadership, management and supervision.

#### 2. Management, individual and organisational behaviour

- a) Explain the nature and significance of formal and informal organisation.
- b) Define culture.
- c) Illustrate different cultural traits in business using the models of popular theorists Schein and Handy.
- d) Discuss international perspectives on culture using Hofstede's cultural dimension Theory.
- e) Explain the role and importance of organisational culture.
- f) Explain the relationship between leadership and management.

- g) Explain the classical theories of management including Taylor, the Gilbreths, Fayol, Urwick, Weber and Mayo.
  - h) Describe modern and other theories of management including Drucker, Kanter, Mintzberg, Ouchi, McGregor and operations research.
  - i) Summarise the trait theories of leadership including Lippitt and White, Blake and Mouton, Tannenbaum and Schmidt, Ashridge and Likert.
  - j) Explain contingency theories of leadership including Fiedler, Hersey and Blanchard and Handy.
  - k) Describe the various leadership qualities including the theories of Adair, Bennis, Kotter and Heifetz.
  - l) State the roles of individual and group behaviour in organisations.
  - m) Identify and explain conflict management and various resolution mechanisms.
  - n) Explain how conflict arises and is managed in the workplace.
  - o) Explain the concept of employee motivation and its relationship with productivity.
  - p) Explain common theories of motivation including Maslow, Herzberg, McGregor, Vroom and McClelland.
  - q) Explain the link between motivation and productivity.
  - r) Describe the difference between extrinsic and intrinsic rewards and explain the link between rewards systems and motivation.
  - s) Summarise how 'management by objectives' (MBO) works.
  - t) Explain self-efficacy, the law of effect and reinforcement theory and equity and organisational justice.
  - u) State the roles of individual and group behaviour in organisations.
  - v) Explain the nature and significance of team formation, development and management.
  - w) Differentiate between individual, group and team behaviour.
  - x) Explain team formation, development and management including the theories of Belbin and Tuckman.
  - y) Discuss characteristics of effective and ineffective teams and describe methods for improving team effectiveness.
3. Communications in business
- a) Explain the basic elements of communication.
  - b) Explain verbal and non-verbal communication.
  - c) State the principles of effective listening.
  - d) Explain organisational communication:  
Formal and informal; and (ii) Internal and external
  - e) Describe patterns of communication including vertical and lateral.
  - f) Explain methods of business communication.
  - g) Explain the basic communication models.
  - h) Explain the attributes of effective communication.
  - i) State the barriers to effective communication.
  - j) State the different communication patterns.
  - k) Describe the components of and plan effective business messages using the objectives, audience, structure and style model.

- l) Describe the different media and channels typically used in business communications including oral and face-to-face, written, visual aids and non-verbal.
- m) Explain the conduct of a formal meeting.
- n) Describe when to use different channels of communication.
- o) State the main features of email.
- p) Explain the benefits and limitations of email.
- q) Describe the basics of email etiquette.
- r) Describe the main features of video conferencing.
- s) Explain the benefits and limitations of video conferencing.
- t) Explain the process and conduct at meetings.
- u) Explain the basic elements of report writing.
- v) Explain the process of electronic communication.

## **D. The role of finance**

### 1. Basics of business finance and financial markets

- a) Define financial management and financial engineering.
- b) Differentiate between financial management, management accounting and financial accounting.
- c) Discuss financial objectives in the context of corporate objectives and strategy.
- d) Explain how different stakeholders may impact on financial management decisions.
- e) Describe the financial management framework.
- f) Explain finance functions and financial management objectives.
- g) Describe the characteristics of financial market.
- h) Identify the various sources of finance that are available to business organisations.
- i) Explain the characteristics of the different sources of finance, stating their advantages and disadvantages.
- j) Summarise the identified sources of finance and financial intermediaries.
- k) Summarise the various sources of long-term and short-term finance.
- l) Explain the following concepts:
  - (i) Covenants;
  - (ii) Warranties; and
  - (iii) Guarantees.
- m) Explain the mechanisms for raising new equity externally including public offer, placing, introduction and rights issue.
- n) Explain how a rights issue works and what is meant by underwriting.
- o) Summarise the nature of debt finance and differentiate between long- medium- and short-term debt finance.
- p) Describe different components of debt financing including interest, tax relief, access to the bond markets, risk and finance leases.
- q) Explain how convertible bonds and bonds with warrants attached operate.
- r) Describe the financial markets including capital markets and money markets.
- s) Understand the trade-off between risk and return.

- t) Briefly explain money market terminology and instruments including inter-bank market, repo market, coupon, treasury bills, bills of exchange, certificates of deposit and commercial paper.
- u) Explain why businesses hold cash and describe the objectives and aspects of good cash management.
- v) Describe cash budgets and forecasts and explain how they are constructed.
- w) Prepare a cash budget using given data.

## 2. Investment decisions

- a) Explain the difference between simple interest and compound interest.
- b) Calculate the final value of an amount invested at a given rate of simple interest.
- c) Calculate the final value of an amount invested at a given rate of compound interest.
- d) Calculate rates of interest for non-annual periods given the annual rate.
- e) Solve business finance problems applying the following key tools of mathematics:
  - i. Discounting;
  - ii. Annuities;
  - iii. Present value of annuities; and
  - iv. Sinking funds and amortisation.
- f) Explain the concepts of capital expenditure, investment appraisal and capital budgeting.
- g) Calculate the accounting rate of return for an investment.
- h) Calculate the payback period for an investment.
- i) Discuss the concept of relevant costs for decision making.
- j) Comment on non-financial considerations for investment appraisal such as strategic and operational considerations, capacity and resource utilisation, social and environmental considerations and quality.
- k) Explain the difference between discounting and compounding.
- l) Calculate the present value of future cash flows using the formula or tables.
- m) Calculate the present value of annuities flows using the formula or tables.
- n) Calculate net present value from information provided.
- o) Calculate the discounted payback period.
- p) Calculate internal rate of return.
- q) Compare the advantages and disadvantages of different investment appraisal techniques.

### Applicable Laws and Codes

Candidates are required to master the following laws, rules and code as apply to this paper:

S/N	TITLE	AUTHOR
1.	International Code of Ethics for Professional Accountants 2018	IESBA

2.	ICAN Professional Code of Conduct and Guide for Members	ICAN
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