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## PAPER P1

### 专业会计师

### PROFESSIONAL ACCOUNTANT

BPP Learning Media 著

FOR EXAMS IN JUNE AND DECEMBER 2010



华中科技大学出版社

<http://www.hustp.com>

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### In this edition approved by ACCA

- We discuss the **best strategies** for studying for ACCA exams.
- We **highlight** the **most important elements** in the syllabus and the **key skills** you will need.
- We **signpost** how each chapter links to the syllabus and the study guide.
- We **provide** lots of **exam focus points**.
- We **emphasise key points** in regular **fast-track** sections.
- We **test your knowledge** of what you've studied in **quick quizzes**.
- We **examine your understanding** in our **exam question bank**.
- We **reference all the important topics** in our **full index**.

BPP's **i-Learn** and **i-Pass** products also support this paper.

FOR EXAMS IN JUNE AND DECEMBER 2010



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### P1 专业会计师 P1 Professional Accountant

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BPP Learning Media 作为一家职业考试资料的出版商，在市场上一直独占鳌头。从 1977 年开始，我们就出版了很多高质量关于会计、营销和金融服务资格方面的产品。BPP 是全球 150 多个国家的学生、培训提供商、公司和专业机构的最佳选择。

BPP Learning Media 是 ACCA 的官方出版社。这项与 ACCA 的伙伴关系确保了，在出卷考官的审订下，我们的教材正确的程度上涵盖了考纲并且符合了考试的要求。这项合作也允许我们在练习册内发布新近的考卷内容，包括考官的答案与评分。您可以信赖 BPP Learning Media 的产品，它们包含最新信息且关注重点，传递给您来自 BPP 作者和讲师们的专业知识和丰富经验。

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- 银行业 IT
- 金融英语

## P1（课本）简介

本课本教你在行使会计师职能时如何运用相关知识、技巧和判断力。我们的课本设计注重大纲的重要部分，包括：

- 公司治理和责任
- 内部控制和检查
- 风险的辨识和评估
- 风险控制
- 职业价值和职业道德

P1 课本经由考官审核，包含学员应当了解的所有 P1 相关内容。课本解释了公司治理和职业道德等关键内容背后的理论支持，并论证了这些理论是如何用于实践的。课本给出大量实例说明风险组织的表象，同时还介绍了企业是如何应对各种社会责任的，这也是考官认为非常重要的内容。



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- F1 Accountant in Business
- F1 会计师与企业
- F2 Management Accounting
- F2 管理会计
- F3 Financial Accounting (INT)
- F3 财务会计 (INT)

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- F6 税务 (UK)
- F6 Taxation (China)
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# How the BPP ACCA-approved Study Text can help you pass – AND help you with your Practical Experience Requirement!

## NEW FEATURE – the PER alert!

Before you can qualify as an ACCA member, you do not only have to pass all your exams but also fulfil a three year **practical experience requirement** (PER). To help you to recognise areas of the syllabus that you might be able to apply in the workplace to achieve different performance objectives, we have introduced the '**PER alert**' feature. You will find this feature throughout the Study Text to remind you that what you are **learning to pass** your ACCA exams is **equally useful to the fulfilment of the PER requirement**.

## Tackling studying

Studying can be a daunting prospect, particularly when you have lots of other commitments. The **different features** of the text, the **purposes** of which are explained fully on the **Chapter features** page, will help you whilst studying and improve your chances of **exam success**.

## Developing exam awareness

Our Texts are completely **focused** on helping you pass your exam.

Our advice on **Studying P1** outlines the **content** of the paper, the **necessary skills** the examiner expects you to demonstrate and any **brought forward knowledge** you are expected to have.

**Exam focus points** are included within the chapters to provide information about skills that you will need in the exam and reminders of important points within the specific subject areas.

## Using the Syllabus and Study Guide

You can find the syllabus, Study Guide and other useful resources for P1 on the ACCA web site: [www.accaglobal.com/students/study\\_exams/qualifications/acca\\_choose/acca/fundamentals/ma](http://www.accaglobal.com/students/study_exams/qualifications/acca_choose/acca/fundamentals/ma)

The Study Text covers **all aspects** of the syllabus to ensure you are as fully prepared for the exam as possible.

## Testing what you can do

Testing yourself helps you develop the skills you need to pass the exam and also confirms that you can recall what you have learnt.

We include **Exam-style Questions** – lots of them - both within chapters and in the **Exam Question Bank**, as well as **Quick Quizzes** at the end of each chapter to test your knowledge of the chapter content.

# Chapter features

Each chapter contains a number of helpful features to guide you through each topic.

## Topic list

Topic list	Syllabus reference

Tells you what you will be studying in this chapter and the relevant section numbers, together with the ACCA syllabus references.

## Introduction

Puts the chapter content in the context of the syllabus as a whole.

## Study Guide

Links the chapter content with ACCA guidance.

## Exam Guide

Highlights how examinable the chapter content is likely to be and the ways in which it could be examined.

### FAST FORWARD

Summarises the content of main chapter headings, allowing you to preview and review each section easily.

## Examples

Demonstrate how to apply key knowledge and techniques.

## Key terms

Definitions of important concepts that can often earn you easy marks in exams.

## Exam focus points

Provide information about skills you will need in the exam and reminders of important points within the specific subject area.

## Formula to learn

Formulae that are not given in the exam but which have to be learnt.



This is a new feature that gives you a useful indication of syllabus areas that closely relate to performance objectives in your PER.



Question

Give you essential practice of techniques covered in the chapter.



Case Study

Provide real world examples of theories and techniques.

## Chapter Roundup

A full list of the Fast Forwards included in the chapter, providing an easy source of review.

## Quick Quiz

A quick test of your knowledge of the main topics in the chapter.

## Exam Question Bank

Found at the back of the Study Text with more comprehensive chapter questions.



# Approaching P1

## 1 What's it all about

### 1.1 Underlying themes

The **P1 Professional Accountant** syllabus has been written with a different focus to the exams that you have sat so far. The exam is not about learning law, accounting standards or calculation techniques; instead it seeks to promote the underlying themes of **professionalism and accountability**; you cannot be professional in one area and unprofessional in another.

The syllabus shows how accounting is **underpinned by governance and ethics**, and the need for accountants to **repay the trust** that society puts in them. The examiner has emphasised the **agency relationship** between stakeholders and business managers, including directors and accountants. Governance is itself supported by **sound internal control systems, internal audit and rigorous risk management. Judgement**, underpinned by professional competence and ethics, is also a key theme. The examiner has stressed that the paper's main themes should be seen as interconnected: "Every right implies a responsibility; for each opportunity there is an obligation and all rewards carry related risks."

### 1.2 Governance and responsibility

**Chapter 1** demonstrates the importance of the underlying themes of the syllabus. Corporate governance is a central part of the syllabus. Instead of going straight into the detailed requirements of the corporate governance reports, it discusses in detail the **concepts** that underpin good corporate governance, the agency relationship, the **constituencies** (shareholders and other stakeholders) that corporate governance is designed to serve and the **extent of responsibilities** towards different stakeholders.

**Chapter 2** deals with the basis of corporate governance legislation and codes, whether they are based on **principles or a detailed rulebook** and how governance codes incorporate wider ideas of social responsibility. **Chapter 3** covers governance best practice, drawing on examples from different codes from all over the world.

### 1.3 Internal control and risk

We consider Sections B to D of the syllabus together in Section B of this book. The examiner has explained that the syllabus highlights the issues of:

- Internal control
- The identification and assessment of risk
- Controlling and mitigating risk

as they have proved to be problematic in recent corporate failures. These issues also play a crucial part in an accountant's responsibility to act in the public interest and the interests of shareholders:

'Sound systems of internal analysis, control and audit underpin all effective corporate governance systems. Effective management at the strategic level rests on the assumption that internal control activities can be controlled, verified and reported on internally. If management loses control of internal systems and procedures, any claim of sound governance is lost... The same is true of risk. Being aware of all possible risks, understanding their potential impact, as well as the probability of occurrence, are important safeguards for investors and other shareholders.'

In **Chapter 4** therefore we examine the objectives of control and risk management systems. We also look at a number of systems that have been developed internationally, including the COSO enterprise risk management model.

**Chapter 5 to 8** are organised around the stages identified in the COSO enterprise risk management model. Chapter 5 deals with the underlying factors that affect how a business is controlled and how risk is managed. These include how much **appetite** the business has to take risk, and how **environmental factors** within the business affect control and risk management. We also look at the importance of **setting**

**business objectives** that are consistent with the risk that directors, shareholders and other stakeholders wish the business to bear.

**Chapters 6 and 7** deal with the various stages of **risk assessment and management**, including internal control procedures that act to reduce risk.

**Chapter 8** brings out two other elements that are vital in control systems. These are a **two-way flow of appropriate information** between the board and managers and staff. This should enable the board and managers to carry out effective **monitoring** of operations, and provide feedback so that systems and controls can be improved. The results of business monitoring will also form the basis for external reporting about the company's systems.

## 1.4 Professional values and ethics

This section of the syllabus requires you to think carefully about the ethical assumptions that guide individual behaviour and underpin the role of accountants. **Chapter 9** is a very important chapter in this text, dealing with the **ethical stances** of individuals and also the **factors** that determine the ethical decisions individuals take. In the exam you may have to argue from a specific ethical position, even if you don't agree with the position.

In **Chapter 10** you need to **look critically** at the ethical codes accountants follow as well as the codes that businesses operate. It is true that you need to have a good knowledge of what the accountancy profession's codes say on **ethical threats and conflicts** and to be able to use that knowledge in recommending solutions to ethical dilemmas. However you are also expected to question how much help the codes actually are in resolving dilemmas and whether the ethical frameworks are in the best interests of society and the accountancy profession. The examiner wishes you to **question the role of the accountant** in protecting shareholder wealth and focusing on the performance of capital investment; does this mean that accountancy is a servant of capital and makes the implicit assumptions about morality that capitalism does.

**Chapter 11** looks at **corporate social responsibility**, concentrating on what organisations have done to address issues such as **sustainability** and the implications for accounting, disclosure, control systems and audit.

## 2 Skills you have to demonstrate

### 2.1 Knowledge and application

Even with exams you've previously taken, you'll remember that passing didn't only mean reproducing knowledge; you also had to **apply** what you knew. At Professional level, the balance is tilted much more towards application. You will need a sound basis of technical knowledge; the exams will detect whether you have the necessary knowledge. However you won't pass if you just spend your time acquiring knowledge; developing application skills is vital.

### 2.2 Application skills

What application skills do you need? Many P1 questions will include detail in a scenario about a specific organisation. The following skills are particularly important when you're dealing with question scenarios.

- **Identifying the most important features** of the organisation and the organisation's environment; clues to these will be scattered throughout the scenario. The technical knowledge that you have should help you do this, but you will also need business awareness and imagination. There will be a main theme running through most scenarios that you'll need to identify.
- **Using analysis techniques** that will give you more insight into the data that you're given
- **Selecting real-life examples** that are relevant to the scenario. The examiner has stated that students should look at contemporary business stories and try to identify P1 issues, for example directors remuneration.

- **Making informed judgements** that follow from your analysis about what the organisation is doing and should be doing
- **Communicating clearly and concisely** your analysis and recommendations. Perhaps you will be reporting to a specific individual; if so you should take into account the needs of this individual

## 3 How to pass

### 3.1 Study the whole syllabus

You need to be comfortable with **all areas of the syllabus**. Compulsory Question 1 will always span a number of syllabus areas and other questions may do so as well. In particular you must have a very good knowledge and awareness of the themes in the ethical section of the syllabus, since the examiner has stated that compulsory Question 1 will always include an element on ethics.

The examiner has also stressed that study and revision should cover all of the syllabus in detail. Students should not question spot or prioritise one area of the syllabus over another.

### 3.2 Focus on themes, not lists

There are quite a number of lists in the texts. This is inevitable because corporate governance guidance quoted as best practice is often in list form; sometimes also lists are the clearest way of presenting information. However the examiner has stressed that passing the exam is not a matter of learning and reproducing lists. Good answers will have to **focus on the details in the scenario** and **bring out the underlying themes** that relate to the scenario; the points in them will have more depth than a series of single-line bullet points.

### 3.3 Read around

Wider reading will help you understand the main issues businesses face. Reading the business pages of newspapers will highlight key business risks organisations face and topical corporate governance issues. General news pages may cover significant ethical and corporate responsibility issues. Have a look as well at websites of organisations promoting social responsibility such as CERES.

### 3.4 Lots of question practice

You can **develop application skills** by attempting questions in the Exam Question Bank and later on questions in the BPP Learning Media Practice and Revision Kit.

## 4 Answering questions

### 4.1 Analysing question requirements

It's particularly important to **consider the question requirements carefully** to make sure you understand exactly what the question is asking, and whether each question part has to be answered in the **context of the scenario** or is more general. You also need to be sure that you understand all the **tasks** that the question is asking you to perform.

Remember that every word will be important. If for example you are asked to:

'Explain the importance of identifying all risks that Company X is facing', then you would explain that:

- Taking risks is bound up with strategic decision-making
- Some risks may have serious consequences
- Identifying all risks means they can be prioritised and managed efficiently and effectively

You would **NOT** identify all the risks that Company X would be facing.



## 4.2 Understanding the question verbs

### Important!

In the report for the December 2007 exam, the examiner highlighted lack of understanding of the requirements of question verbs as the most serious weakness in many candidates' scripts. The examiner will use the question verbs very deliberately to signal what he requires.

Verbs that are likely to be frequently used in this exam are listed below, together with their intellectual levels and guidance on their meaning.

Intellectual level		
1	<b>Define</b>	Give the meaning of
1	<b>Explain</b>	Make clear
1	<b>Identify</b>	Recognise or select
1	<b>Describe</b>	Give the key features
2	<b>Contrast</b>	Explain two different positions, highlighting differences between them
2	<b>Analyse</b>	Give reasons for the current situation or what has happened
3	<b>Assess</b>	Determine the strengths/weaknesses/importance/significance/ability to contribute
3	<b>Discuss</b>	Examine in detail by using arguments for and against
3	<b>Explore</b>	Examine or discuss in a wide-ranging manner
3	<b>Construct the case</b>	Present the arguments in favour, supported by evidence
3	<b>Criticise</b>	Present the weaknesses/problems
3	<b>Evaluate/critically evaluate</b>	Determine the value of in the light of the arguments for and against (critically evaluate means weighting the answer towards criticisms/arguments against).
3	<b>Recommend</b>	Advise the appropriate actions to pursue in terms the recipient will understand

A lower level verb such as define will require a more **descriptive answer**; a higher level verb such as evaluate will require a more **applied, critical answer**. The examiner has stressed that **higher-level requirements and verbs** will be most significant in this paper, for example critically evaluating a statement and arguing for or against a given idea or position. The examiner is looking to set questions that provide evidence of student understanding.

In the December 2007 exam certain verbs gave students particular problems.

#### (a) **Identify and explain**

Although these verbs are both Level 1, the examiner sees them as requiring different things. You have to go into more depth if you are asked to **explain** than if you are asked to **identify**. An explanation means giving more detail about the problem or factor identified, normally meaning that you have to indicate **why** it's significant. If you were asked to:

- (i) **Identify the main problem with the same person acting as chief executive and chairman**  
– you would briefly say excessive power is exercised by one person.
- (ii) **Explain the main problem with the same person acting as chief executive and chairman**  
– you would say excessive power is exercised by one person and then go on to say it would mean that the same person was running the board and the company. As the board is meant to monitor the chief executive, it can't do this effectively if the chief executive is running the board. Also you may be asked to explain or describe something complex, abstract or philosophical in nature.

(b) **Evaluate**

Evaluate is a verb that the examiner is likely to use frequently. Its meaning may be different from the way that you have seen it used in other exams. The examiner expects to see arguments for **and** against, or pros **and** cons for what you are asked to evaluate.

Thus for example if a question asked you to:

'Evaluate the contribution made by non-executive directors to good corporate governance in companies'

you would not only have to write about the factors that help non-executive directors make a worthwhile contribution (independent viewpoint, experience of other industries); you would also have to discuss the factors that limit or undermine the contribution non-executive directors make (lack of time, putting pressure on board unity).

If the examiner asks you to critically evaluate, you will have to consider both viewpoints. However you will concentrate on the view that you are asked to critically evaluate, as the mark scheme will be weighted towards that view.

### 4.3 Analysing question scenarios

When reading through the scenario you need to think widely about how the scenario relates to the underlying themes of the syllabus, and also important content from whatever areas of the syllabus the question covers:

(a) **Corporate governance**

In questions on **corporate governance**, you are likely to be looking out for **weaknesses** in the current arrangements and trying to **recommend improvements** that are line with governance best practice.

(b) **Control systems**

With **control systems** questions, you are most likely to be interested in the **design and appropriateness of the control systems**, whether there are **obvious shortcomings** with them, and also **details of the control environment**.

(c) **Culture**

If you are asked about the organisation's **culture and ethos**, you should be looking for evidence of directors' views and actions, for signs of how the tone is being set at the top of the organisation. You should also look for evidence of how the ethos is being established further down the organisation, in particular how the organisation's **culture, systems, procedures, reward mechanisms, human resource policies, training** are used to embed the tone of the organisation.

(d) **Risks**

With **risks** you are looking for the **most significant risks**. If these are not highlighted, you should look for the risks that are **connected with the organisation's strategy** or which **relate to significant changes** that the organisation and its business environment are going through, or are about to go through. You should also try to determine the extent to which **risk awareness is embedded** in the **organisation's culture**.

(e) **Risk management**

If you are asked how organisations should **respond to particular risks**, you'll need to use the scenario detail to determine how serious these risks are, and suggest **responses** that are **relevant to counter the risks** and are **appropriate for the organisation**. It's no use for example suggesting that the organisation sets up a large risk management function if it is not big enough to warrant one.

(f) **Ethics**

With **ethical issues** you are looking to determine not only the **ethical issues at stake**, but the **ethical position of the organisation** and individuals and the **factors that determine the ethical position**, since these will have to be considered when you think about solutions to the ethical problems.

(g) **Framework**

Look out in any question scenarios or frameworks for hints that you may have to provide a critique of the **overall framework or model** that is being operated. If you're basing your answer on content from corporate governance or ethical codes, will you have to criticise the principles or rules on which they are founded. If you have to make recommendations that benefit shareholders, is the shareholders' viewpoint the most valid or should other stakeholders' interests be taken into account.

#### 4.4 Consider the moral and ethical frameworks

The examiner has stressed that these will affect the judgements you make when answering questions as they do in real-life. In particular the stakeholders **affected** by **business and strategic decisions** and whether some stakeholders are being favoured over others need to be considered.

Remember the exam is designed to make you take a questioning approach to wide issues, and this may mean having to argue in favour of a viewpoint with which you don't agree.

#### 4.5 Content of answers

**Well-judged, clear recommendations** grounded in the scenario will always score well as markers for this paper have a wide remit to reward good answers. You need to be **selective**; as we've said, lists of points memorised from texts and reproduced without any thought won't score well.

**Important!**

The examiner identified lack of application skills as a serious weakness in many student answers. What constitutes good application will vary question by question but is likely to include:

- Only including technical knowledge that is **relevant** to the scenario. For example, although the SPAMSOAP mnemonic can be a useful memory aid, you shouldn't quote it in full just because the question requirements contain the word 'control'
- Only including scenario details that **support the points** you are making, for example quoting from the scenario to explain why you're making a particular recommendation
- **Tackling the problems** highlighted in the scenario and the question requirements
- Explaining **why** the factors you're discussing are significant
- Taking a **top-down strategic approach** – remember that at Professional level you're meant to be adopting the viewpoint of a partner or finance director; excessive detail about operations is not important

### 5 Gaining professional marks

As P1 is a Professional level paper, 4 or 5 **professional level marks** will be awarded in the compulsory question. The examiner has stated that some marks may be available for presenting your answer in the form of a letter, presentation, memo, report, briefing notes, management reporting, narrative or press statement. You may also be able to obtain marks for the layout, logical flow and presentments of your answer:

**Important!**

Whatever the form of communication requested, you will **not** gain professional marks if you fail to follow the basics of good communication. Keep an eye on your **spelling and grammar**. Also think carefully am I saying things that are **appropriate in a business communication**?



## 5.1 Layout and format

### 5.1.1 Reports

A report should have the following formal elements at the top:

- Title
- Report writer (prepared by)
- Report recipient
- Date

It should include:

- An introduction summarising its scope, terms of reference and the information used
- Findings/points made, in sections with headings
- Recommendations/conclusions at the end

Reports are formal documents so they should be written in the third person.

If the report is going into the annual accounts, remember it can be read by anyone who wants to read it, so the information to be given needs to be thought about carefully.

### 5.1.2 Memorandum

A memorandum should have the following elements at the top:

- To
- From
- Date
- Subject

A memorandum is less formal than a report and so can be written in the first person. However the points it makes should be emphasised by paragraph headings.

A memorandum should finish with a conclusion or recommendation. You should **not** end it with yours faithfully.

### 5.1.3 Letter

A letter should include:

- The address of the sender
- The date it is written
- If to a single recipient, the **right** recipient's name and address

at the top.

It should have:

- An **introductory paragraph**, explaining the reasons why the letter is written
- A **clear flow**; when planning your answer, you should be looking to order the paragraphs so that they follow a logical sequence (for example order of importance or timescale)
- **Content and tone** that is appropriate to the audience. You will need to explain things in more detail to recipients who are not accountants; single-line bullet points won't be enough. You also should avoid using unnecessarily complex terminology. Quoting indiscriminately from accounting standards or governance codes will **not** earn professional marks
- A **concluding paragraph**, re-emphasising the purpose of the letter, drawing the threads of the content together.

If it is a business letter, addressed formally (Dear Sir), it should be signed Yours faithfully, signing off with the person's role and position.

#### 5.1.4 Speech

A speech should begin with words of greeting, for example 'Welcome Ladies and Gentlemen.'

#### 5.1.5 All documents – conclusion

A good way to end all documents is to invite further communication. For example in a letter or memo, finish with a short paragraph such as:

"If you have any further questions or queries, please do not hesitate to contact me."

#### 5.2 Logical flow

For the first few sittings of the exam, the scenario and question requirements have included clear requirements about the contents of the written communication. You should follow the guidance the question provides, creating a new section for each element that you are required to include. Clear headings will demonstrate the flow to the reader.

#### 5.3 Persuasiveness

Before you start writing, consider the recipient of the document. If you are writing to shareholders, you will want to be careful how much information you provide, and how you phrase it. If you are trying to convince the reader that you have made the right decision, you will need to focus on the benefits. If you are apologising for something that has gone wrong, you will need to do this in such a way that the readers are reassured by the information they receive.

### 6 Brought forward knowledge

You will have covered some of the corporate governance, company law and ethics contents of P1 in law and auditing papers that you have previously sat.

However because of students studying this paper will have sat different variants of the law and auditing exams, and because of the complications resulting from the transition to the new syllabus, this text includes full coverage of the knowledge you need for this exam even though some of it has been covered in other exams.

### 7 ACCA ethics module

Under the rules affecting the transition into the new syllabus, you are not required to sit the new ethics module if you started studying for ACCA exams under the old syllabus. However we would **strongly recommend** that you sit the module before taking P1. The module will give you insights to a range of ethical perspectives that will be valuable in your professional career, and will also assist you in tackling the ethics content of the P1 syllabus and indeed the syllabuses of other Professional level exams.

### 8 The examiner

The examiner of P1 is David Campbell, an academic at the University of Newcastle in the UK. He sees knowledge of governance concepts and ethical standpoints as foundations for the accountancy profession acting in the best interests not just of its clients or employers, but other stakeholders as well. He has emphasised it is vital for the profession to maintain the respect and trust in which it is held. David Campbell is also keen to explore wider social responsibility issues.

He has highlighted the paper's focus being at strategic level, looking at board management issues, and also the underlying environment and culture factors that impact upon the management of an organisation and how well its risks are addressed.

David Campbell does expect students not only to know the theories but apply them as well; he has stressed that the paper will test higher skills.

# Syllabus and study guide

	Intellectual level	Chapter reference
<b>A GOVERNANCE AND RESPONSIBILITY</b>		
<b>1 The scope of governance</b>		
(a) Define and explain the meaning of corporate governance.	2	1
(b) Explain and analyse the issues raised by the development of the joint stock company as the dominant form of business organisation and the separation of ownership and control over business activity.	3	1
(c) Analyse the purposes and objectives of corporate governance.	2	1
(d) Explain and apply in the context of corporate governance, the key underpinning concepts of (i) Fairness (ii) Openness/transparency (iii) Independence (iv) Probity/honesty (v) Responsibility (vi) Accountability (vii) Reputation (viii) Judgment (ix) Integrity.	3	1
(e) Explain and assess the major areas of organisational life affected by issues in corporate governance: (i) Duties of directors and functions of the board (including performance measurement)(ii) The composition and balance of the board (and board committees) (iii) Reliability of financial reporting and external auditing (iv) Directors' remuneration and rewards (v) Responsibility of the board for risk management systems and internal control (vi) The rights and responsibilities of shareholders, including institutional investors (vii) Corporate social responsibility and business ethics.	3	1
(f) Compare and distinguish between public, private and non-governmental organisations (NGO) with regard to the issues raised by, and scope of, governance.	3	1
(g) Explain and evaluate the roles, interests and claims of the internal parties involved in corporate governance: (i) Directors (ii) Company secretaries (iii) Sub-board management (iv) Employee representatives (eg trade unions).	3	1
(h) Explain and evaluate the roles, interests and claims of the external parties involved in corporate governance (i) Shareholders (including shareholders' rights and responsibilities) (ii) Auditors (iii) Regulators (iv) Government (v) Stock exchanges (vi) Small investors (and minority rights) (vii) Institutional investors	3	1
(i) Analyse and discuss the role and influence of institutional investors in corporate governance systems and structures, for example, the roles and influences of pension funds, insurance companies and mutual funds.	2	1
<b>2 Agency relationships and theories</b>		
(a) Define agency theory.	2	1
(b) Define and explain the key concepts in agency theory (i) Agents (ii) Principals (iii) Agency (iv) Agency costs (v) Accountability (vi) Fiduciary responsibilities (viii) Stakeholders.	2	1
(c) Explain and explore the nature of the principal-agent relationship in the context of corporate governance.	3	1



	Intellectual level	Chapter reference
(d) Analyse and critically evaluate the nature of agency accountability in agency relationships.	3	1
(e) Explain and analyse the following other theories used to explain aspects of the agency relationship (i) Transaction costs theory (ii) Stakeholder theory.	2	1
<b>3 The board of directors</b>		
(a) Explain and evaluate the roles and responsibilities of boards of directors.	3	3
(b) Describe, distinguish between and evaluate the cases for and against unitary and two-tier board structures.	3	3
(c) Describe the characteristics, board composition and types of directors (including defining executive and non-executive directors (NED)).	2	3
(d) Describe and assess the purposes, roles and responsibilities of NEDs.	3	3
(e) Describe and analyse the general principles of legal and regulatory frameworks within which directors operate on corporate boards (i) Legal rights and responsibilities (ii) Time-limited appointments (iii) Retirement by rotation (iv) Service contracts (v) Removal (vi) Disqualification (vii) Conflict and disclosure of interests (viii) Insider dealing/trading.	2	3
(f) Define, explore and compare the roles of the chief executive officer and company chairman.	3	3
(g) Describe and assess the importance and execution of induction and continuing professional development of directors on boards of directors.	3	3
(h) Explain and analyse the frameworks for assessing the performance of boards and individual directors (including NEDs) on boards.	2	3
<b>4 Board committees</b>		
(a) Explain and assess the importance, roles and accountabilities of board committees in corporate governance.	3	3
(b) Explain and evaluate the role and purpose of the following committees in effective corporate governance (i) Remuneration committees (ii) Nominations committees (iii) Risk committees.	3	3,5
<b>5 Directors' remuneration</b>		
(a) Describe and assess the general principles of remuneration (i) Purposes (ii) Components (iii) Links to strategy (iv) Links to labour market conditions.	3	3
(b) Explain and assess the effect of various components of remuneration packages on directors' behaviour (i) Basic salary (ii) Performance related (iii) Shares and share options (iv) Loyalty bonuses (v) Benefits in kind.	3	3
(c) Explain and analyse the legal, ethical, competitive and regulatory issues associated with directors' remuneration.	3	3