

ETHICS AND GOVERNANCE

CPA PROGRAM SUBJECT OUTLINE

Ethics and governance is a core component of the knowledge and skill base of today's professional accountants. As key business decision makers, accountants must be proficient in regulatory regimes, compliance requirements, and governance mechanisms to ensure lawful and effective corporate behaviour and operations. A better understanding of ethics, corporate governance frameworks and mechanisms links with the various roles and responsibilities outlined in other subjects of the CPA Program. From an individual perspective, this subject provides you with the analytical and decision-making skills and knowledge to identify and resolve professional and ethical issues. The skills and knowledge obtained are also important for subjects that specialise in the functional disciplines of accounting such as Advanced Taxation, Financial Reporting, Strategic Management Accounting and Advanced Audit and Assurance.

More than ever, today's professional accountants are less involved in traditional accounting functions and are more concerned with leadership and management. Today's accountants are leaders in their field providing key support to senior management and are directly involved in many important decisions. An understanding of ethics and governance is essential to those in leadership roles, and to those who support their leaders. This subject not only develops an awareness of corporate governance but also helps members (and those whom they support) in discharging their stewardship functions.

Ethics and Governance is a compulsory subject in the CPA Program for candidates commencing from semester 2, 2009. It is recommended that you enrol in Ethics and Governance as part of your first enrolment.

EXAM STRUCTURE

The Ethics and Governance exam is comprised of a combination of multiple choice and extended response questions.

SUBJECT AIMS

The subject has three key aims:

- promoting awareness of the ethical responsibilities of professional accountants, thereby enabling them to identify and resolve ethical issues or conflicts throughout their career
- ensuring professional accountants understand the importance of governance, including their role in achieving effective governance
- understanding the role of accounting, and of accountants, in providing information about the social and environmental performance of an organisation

GENERAL OBJECTIVES

This subject provides you with the knowledge and skills required of the professional accountant to operate effectively in a demanding and dynamic global business environment. This subject is designed to ensure the development of a range of professional ethics, values and attitudes among professional accountants.

On completion of this subject, you should be able to:

- explain, from a global perspective, the nature of the accounting profession and the roles of professional accountants
- apply the key professional responsibilities of an accountant from the perspective of a member of CPA Australia
- explain the importance of ethics and professional judgment
- describe key governance and regulatory frameworks, including international perspectives on corporate governance and the roles of various stakeholders
- explain the expectations placed on various internal and external stakeholders arising from organisational governance responsibilities
- ascertain various compliance and regulatory regimes impacting the global business environment
- identify the strategic, leadership and global issues impacting accountants and the accounting profession
- describe the nature, role and importance of corporate social responsibility, including climate change and sustainable development.

SUBJECT CONTENT

The 'weighting' column in the following table provides an indication of the emphasis placed on each module in the exam, while the 'proportion of study time' column is a guide for you to allocate your study time for each module.

Table 1: Module weightings and study time

Module	Recommended proportion of study time (%)	Weighting (%)
1. Accounting and society	15	15
2. Ethics	20	20
3. Governance concepts	25	25
4. Governance in practice	25	25
5. Corporate Accountability	15	15

The subject is divided into five modules. A brief outline of each module is provided below.

Module 1: Accounting and society

This module considers what it means to be a professional accountant and examines the wide range of capabilities and skills required to be a professional accountant. Professional accounting is more than the application of technical knowledge. It must also be understood as a social force that effects changes on organisations, people and their lives and on entire societies. It is therefore important to ensure that the accounting profession has a positive impact on society. The module also explores various environments in which accountants work and the pressures that can challenge a professional accountant. While criticisms of professions (including accounting) are sometimes made, in responding to these criticisms, the module emphasises the value that accounting can and does bring to society.

Contents:

Part A: Accountants as members of a profession

- Public interest or self-interest?
- Enlightened self-interest
- Ideals of accounting - entrepreneurialism and professionalism
- What is a profession?
- What is a professional?
- Trust and professions
- Attributes of the accounting profession
- The profession's regulatory process

Part B: Interaction with society

- Accounting roles, activities and relationships
- Social impact of accounting
- Credibility of the profession
- Capability considerations

Module 2: Ethics

This module discusses the practical implications of professional ethics based on the notion of the public interest. The module provides an overview of ethical approaches that guide accountants to help them resolve complex ethical dilemmas. It also provides a detailed analysis of the *Code of Ethics for Professional Accountants* (APES 110) and demonstrates how to apply this Code when addressing specific ethical issues. The module also describes the factors that influence ethical decision-making and outlines a structured approach to decision-making that may lead to better decisions.

Contents:

Part A: Professional ethics

Part B: Ethical theories

Part C: Compiled APES 110 Code of Ethics for Professional Accountants

- An introduction to the APESB Code of Ethics

Part D: Ethical decision-making

- Factors influencing decision-making
- Ethical decision-making models

Module 3: Governance concepts

Module 3 covers the key concepts and principles that underpin corporate governance approaches. The nature of corporate governance, theories of corporate governance and the key components generally found in corporate governance frameworks are discussed. This includes consideration of relationships between companies, boards of directors, managers and various other stakeholders.

Major codes and guidance on corporate governance in countries such as the United Kingdom and Australia are considered as well as the role and impact of differing cultural approaches to corporate governance. The module concludes with a discussion of several causes of governance failure that have been identified and may arise again in the future, as well as recommendations for improvements.

The module highlights that professional accountants must have a strong understanding of governance concepts in order to successfully fulfil their duties and obligations, and add value to corporations and entities of all types and sizes.

Contents:

Part A: Overview of corporate governance

- Governance
- The need for governance
- Components of corporate governance

Part B: International perspectives on corporate governance

- Global push for improved governance
- Thirty years of corporate governance

Part C: Codes and guidance

- OECD Principles of Corporate Governance
- UK Financial Reporting Council Corporate Governance Code
- ASX Principles and recommendations
- Alternative international approaches to governance

Part D: Non-corporate and governance

Part E: Governance failures and improvements

- Common failure factors
- Improving corporate governance

Module 4: Corporations and other entities

A "balancing act" confronts those who are involved with modern corporations. The balance demands conformity with the many expectations of diverse societies while achieving performance outcomes that both satisfy investors and also the economic goals required by those societies.

The module explores some key corporate governance factors relating to corporations and their boards, shareholders and society at large. Diversity within the corporation and in the boardroom and its importance for successful decision-making capabilities is addressed. The debate and mechanisms arising from recent international focus on remuneration practices is considered along with the growing balance in favour of greater shareholder power over remuneration. The module also considers a range of operational matters that are important within corporations and in respect of which day-to-day attention to rules is important – including in relation to employment conditions and protections.

The module also covers some of the legal fundamentals that apply within a corporate context and considers some key aspects of rules that apply internationally which are designed to protect competition and consumers. The module concludes with a brief explanation of some of the rules that relate to financial market protection and that are, inevitably, highly consistent internationally.

Contents:

- Corporate governance success factors
- Operational issues
- Impact of the legal system on the corporation
- Proof, penalties and redress – criminal and civil
- Competition and protecting markets for goods and services
- Legal compliance and governance
- Consumers and customers
- Unconscionable conduct
- Governance issues in the non-corporate sector
- The corporation and financial markets

Module 5: Corporate Accountability

This module provides an explanation of corporate accountability together with information about its history and evolution. Accountability is shown to be broader than just providing financial results, and is linked to environmental, social and economic sustainability. The module explores the concept of "accountability" and its direct relationship to both accounting and accountants.

It investigates the relationship between different, and sometimes conflicting, managerial perspectives of corporate responsibilities and accountabilities. It also considers the important decisions about "to whom", "how" and "what" environmental and social information is to be reported. Different theoretical perspectives are provided about "why" organisations voluntarily report social responsibility information. It also explains why our traditional financial accounting practices are deemed to be relatively deficient when it comes to providing the basis for reporting information about an entity's social and environmental performance. An overview of specific tools and techniques for improving reporting is provided and accounting issues associated with the important topic of climate change are explored.

Contents:

- Overview and introduction to key elements
- Drivers of increased business accountability
- Linking to ethical theories
- What can be measured and reported?
- Limitations of traditional financial reporting
- Reporting and guidelines
- Current reporting practice
- International initiatives on climate change
- Current developments

FINANCIAL REPORTING

CPA PROGRAM SUBJECT OUTLINE

Financial Reporting is designed to provide you with financial reporting, technical accounting and business skills and values that are applicable in a professional and global environment. The segment is based on International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board (IASB), thereby remaining jurisdiction neutral for professional learning and development purposes. Most international jurisdictions have adopted, or are progressively adopting, the IFRSs.

In a competitive international environment, financial reporting provides users with information to formulate corporate strategies, business plans and leadership initiatives. There is also a common acceptance of IFRSs to communicate financial information which is commonly understood by an international audience. This reduces the cost of capital for the international reporting entities.

Financial reporting provides information for corporate leadership. Members of the accounting profession with financial reporting skills and knowledge provide business advice to board directors, analysts, shareholders, creditors, colleagues and other stakeholders. Members of the accounting profession who provide assurance services for financial reports also require a good understanding of the IFRSs. Directors are also required to declare that the financial statements are fairly stated. These examples underscore the importance of the skills taught in this segment. In addition to the completion of this segment, CPA Australia encourages continuous professional learning to further develop in financial reporting, which is constantly evolving.

This subject's technical content includes linkages with the other segments in the CPA Program. Financial reporting is a significant part of an entity's governance and accountability process. This segment builds on the themes contained in the segment, Ethics and Governance. Compliance with the IFRSs results in the presentation of fairly stated financial statements except in rare circumstances. This compliance outcome is also the aim of audit and assurance services. The assurance knowledge and audit skills are taught in the subject, Advanced Audit and Assurance. While taxation is covered in the segment, Advanced Taxation, and is by and large distinct from financial reporting, the accounting for tax is recognised as material information and therefore included in this subject. Financial reporting provides information about the business operations and the financial results. As a result, there is a relevant topical link with the segment, Contemporary Business Issues.

Financial Reporting is a compulsory subject in the CPA Program professional level for candidates commencing from semester 2, 2009. It is an elective subject for candidates who commenced prior to semester 2, 2009.

SUBJECT AIMS

The primary aim of Financial Reporting is to provide you with globally transferable skills to prepare a set of general purpose financial statements in different jurisdictions. The subject encourages high quality financial reporting and the practice of strong ethical values in the accounting profession.

The secondary aim is to provide:

- effective financial analytical skills
- the ability to comprehend and use a stock-exchange listed entity's financial statements.

EXAM STRUCTURE

The Financial Reporting exam is comprised of a combination of multiple-choice and extended-response questions. You will see two new question types in your Financial Reporting exam from Semester 1 2017. Where previously in the extended response section candidates may have read a case study and typed an answer in the form of written sentences, candidates now use the following methods to respond to questions:

1. In one of the question types, candidates will use the mouse to "drag and drop" the most appropriate response from options in a list to an answer space.
2. In the other question type, candidates will type a numerical response into a spreadsheet.

We recommend you view the [Sitting your exam with CPA Australia](#) video to familiarise yourself with these new question types before the exam.

GENERAL OBJECTIVES

On completion of this subject, you should be able to:

- explain the application and basis of selected IFRSs issued by the IASB
- apply IFRSs in the preparation of general purpose financial statements
- explain details relating to general purpose financial statements
- prepare general purpose financial statements for designated entities, including the exercise of professional judgement.

SUBJECT CONTENT

The subject is divided into seven modules. A brief outline of each module is provided below.

The 'weighting' column in the following table provides an indication of the emphasis placed on each module in the exam, while the 'proportion of study time' column is a guide for you to allocate your study time for each module.

Module	Recommended proportion of study time %	Weighting %
1. The role and importance of financial reporting	10	10
2. Presentation of financial statements	14	14
3. Revenue received from customers: Provisions, contingent liabilities and contingent assets	10	10
4. Income taxes	18	18
5. Business combinations and group accounting	24	24
6. Financial instruments	14	14
7. Impairment of assets	10	10

Module 1: The Conceptual Framework and its application in Financial Reporting

This module explains the role and importance of financial reporting, as a communication tool for entities to provide information to users to help with decision making.

The module considers the application of reporting in an international context and focuses on the major components of the Conceptual Framework issued by the IASB. The objectives of general purpose financial statements and the diversity of users' information needs are considered, as well as the underlying assumptions and qualitative characteristics of financial reporting.

The module then discusses the need for general purpose financial statements (GPFS) and the role that the Conceptual Framework plays in financial reporting.

The application of the Conceptual Framework's definitions and recognition criteria of elements of financial statements in selected accounting standards is evaluated.

In discussing the definitions and recognition criteria outlined in the Conceptual Framework, the module examines their application in IFRSs in the context of selected issues. It also discusses issues of measurement and use of professional judgement in financial reporting.

Contents

- The role and importance of financial reporting
- The Conceptual Framework for Financial Reporting
- Qualitative characteristics of useful financial information
- The elements of financial statements
- The role of accounting standards
- Measurement of elements of financial statements
- Application of measurement principles in IFRSs

Module 2: Presentation of financial statements

Module 2 focuses on the preparation of a complete set of financial statements in accordance with IAS 1 *Presentation of Financial Statements*. IAS 10 *Events after the Reporting Period* is also discussed to highlight the importance of how post-reporting-date events are dealt with when preparing financial statements.

Another area of emphasis is IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which deals with changes in accounting policies, correction of errors and estimates. The differences between prospective application and retrospective application are included to provide a practical understanding and application skills of how changes in accounting policies are adopted.

Contents

Part A: Presentation of financial statements

- Complete set of financial statements
- Accounting policies
- Revision of accounting estimates and correction of errors
- Events after the reporting period

Part B: Statement of profit or loss and other comprehensive income

- Presentation of comprehensive income
- The concept of other comprehensive income and total comprehensive income
- IAS 1 - disclosures and classification

Part C: Statement of changes in equity

- IAS 1 - disclosures of changes in equity

Part D: Statement of financial position

- Format of the statement of financial position
- Presentation of assets and liabilities
- IAS 1 - disclosures in the statement of financial position or in the notes

Part E: IAS 7 Statement of Cash Flows

- Information to be disclosed
- Common methods adopted on how to prepare a statement of cash flows
- How does a statement of cash flows assist users of the financial statements?
- Consolidated financial statements

Module 3: Revenue received from customers: Provisions, contingent liabilities and contingent assets

This module focuses on the requirements of IFRS 15 Revenue Received from Customers and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* including the five-step model of revenue recognition, and the disclosures required by both standards.

Contents:

Part A: Provisions

- Recognition of provisions
- Contract costs
- IAS 37—Disclosure

Part B: Specific applications

- Recognition of provisions
- Measurement of provisions
- IAS 37—disclosure
- Provisions and professional judgement

Part C: Contingent liabilities and contingent assets

- Contingent assets
- Contingent liabilities

Module 4: Income taxes

This module focuses on the requirements of IAS 12 *Income Taxes* and explores the methodology of tax-effect accounting. The module discusses the recognition and measurement of deferred tax assets and liabilities in detail, including the accounting for tax losses, and the tax effect of revaluation of assets.

Contents:

Part A: Income tax fundamentals

- Tax expense
- Current tax
- Deferred tax

Part B: Recognition of deferred tax assets and deferred tax liabilities

- Recognition of deferred tax liabilities
- Recognition of deferred tax assets
- Recoupment of tax losses

Part C: Assets carried at fair value or revalued amounts

- Assets carried at revalued amounts
- Recognition of deferred tax on revaluation

Part D: Financial statement presentation and disclosure

- Presentation of current tax and deferred tax
- Major components of tax expense
- Relationship between tax expense (income) and accounting profit
- Information about each type of temporary difference

Part E: Comprehensive example

- Carrying amounts and tax base of buildings
- Other deferred tax assets and liabilities
- Taxable profit and current tax expense
- Illustrative disclosures

Module 5: Business combinations and group accounting

This module reviews the main features of business combinations and discusses the acquisition method prescribed in IFRS 3 *Business Combinations* to account for these types of investments. It also explores group accounting as required by IFRS 10 *Consolidated Financial Statements* and IAS 27 *Separate Financial Statements*. Preparation and presentation of consolidated financial statements are discussed with emphasis on the consolidation adjustments and eliminations related to the subsidiary's pre-acquisition equity and its identifiable assets and liabilities, intra-group transactions and recognition of non-controlling interest. This module also addresses accounting for investments in associates and joint arrangements, with particular focus on the equity method prescribed in IAS 28 *Investments in Associates and Joint Ventures* and the requirements of IFRS 11 *Joint*

Arrangements. The disclosure requirements in accordance with IFRS 12 *Disclosure of Interests in Other Entities* are also covered.

Content:

Part A: Business combinations

- Identifying a business combination
- The acquisition method
- Applying the acquisition method to different forms of business combinations
- Deferred tax arising from a business combination
- Disclosures: Business combinations

Part B: Consolidated financial statements

- Introduction to consolidated financial statements
- The group
- Preparation of consolidated financial statements
- Disclosures: Consolidated financial statements

Part C: Investments in associates

- Identifying associates
- Use of equity method
- Basis of equity method
- Application of the equity method
- Disclosures for associates

Part D: Joint arrangements – overview

Module 6: Financial instruments

The module focuses on the requirements of IFRS 9 *Financial Instruments*, IAS 32 *Financial Instruments: Presentation*, and IFRS 7 *Financial Instruments: Disclosure*. The emphasis is on identifying a financial instrument and the measurement options available for those of instruments (such as fair value, amortised costs). The impairment test for financial instruments is also highlighted as being different from that in IAS 36 *Impairment of Assets*. Presentation and disclosure matters are given some focus, particularly the distinction between liabilities and equity and the IFRS 7 disclosures on the different types and characteristics of risk are explored.

Contents:

Part A: What are financial instruments?

- Definition of a financial instrument
- Liability or equity?
- Instruments that are a mix of liability and equity
- Contracts to buy or sell non-financial items
- Derivative financial instruments

Part B: Recognition and derecognition of financial assets and financial liabilities

- Recognition of financial assets and financial liabilities
- Derecognition of financial assets and financial liabilities
- Derecognition of a financial liability

Part C: Classification of financial assets and financial liabilities

- Classification of financial assets
- Classification of financial liabilities
- Reclassification

Part D: Measurement

- Initial measurement
- Subsequent measurement of financial liabilities
- Investments in equity securities
- Liabilities designated at fair value through profit or loss
- Compound financial instruments\

Part E: Hedging accounting

- Hedging relationships
- Accounting for hedging relationships
- Special accounting rules
- Assessing hedge effectiveness
- Discontinuing hedge relationships
- Increased disclosures

Part F: Disclosure issues

- Scope and level of disclosure
- Significance of financial instruments for financial position and performance
- Statement of profit or loss and other comprehensive income
- Collateral and other credit enhancements

Module 7: Impairment of assets

The module focuses on the requirements of IAS 36 *Impairment of Assets*. The module includes the impairment requirements relating to individual assets such as property, plant and equipment, intangible assets as well as the impairment requirements of cash-generating units, including goodwill.

Contents:

Part A: Impairment of assets – An overview

- Basic principles of impairment of assets
- Identifying assets that may be impaired

Part B: Impairment of individual assets

- Measurement of recoverable amount
- Fair value less costs of disposal
- Value in use
- Recognising and measuring an impairment loss
- Reversals of impairment losses

Part C: Impairment of CGUs

- Identification of CGUs 549
- Recoverable amount and carrying amount of a CGU (Impairment of CGUs)

Part D: IAS 36 – Disclosure

STUDY AND EXAM REFERENCE MATERIALS

Throughout this subject we are applying the accounting standards as presented in the International Financial Reporting Standards (or 'Red Book') issued on 13 January 2016. This book is presented in two parts:

- Part A includes the Conceptual Framework as well as all of the accounting standards and interpretations as issued at 13 January 2016
- Part B includes all of the supporting documents for the Conceptual Framework accounting standards and interpretations as issued at 13 January 2016.

All the relevant extracts from the IFRSs that are required for your study and exam purposes are presented in this study guide. It is not compulsory to access, print or buy the IFRSs for your study or exam. Candidates who would like to explore the standards in more detail may consult the digital A copy of the IFRSs is provided on My Online Learning. Candidates are advised against viewing the IFRSs from other sources.

CPA Australia encourages you to access the IASB's website regularly, as it contains many relevant resources for continuing professional development. However, the IFRSs on the IASB's website may not be aligned with the version of IFRSs used for your study materials, due to frequent amendments to the standards. You will be examined on the version of the standards used in this study guide, which are aligned with the 'Red Book' 2016.

STRATEGIC MANAGEMENT ACCOUNTING

CPA PROGRAM SUBJECT OUTLINE

Strategic management accounting is a key component of the overall skills base of today's professional accountant

This subject examines the strategic management accountant's role in dynamic organisations operating in the global business environment. In this role, the professional accountant engages with the organisation's management team and contributes to strategy development and implementation with the aim of creating customer and shareholder value, and a strong competitive position for the organisation. The subject highlights the management accounting tools and techniques of value chain analysis and project management which have become increasingly important in contemporary operational environments.

The subject includes discussions on the professional accountant's responsibilities and judgement as introduced in the Ethics and Governance subject. Also discussed are investment evaluation and strategic business analysis in the context of assessing and responding to risk, as covered in the Financial Risk Management and Advanced Audit and Assurance subjects. You are introduced to strategic management concepts which are expanded on in the Global Strategy and Leadership subject.

Strategic Management Accounting is a compulsory subject for candidates commencing the CPA Program from semester 2 2009. However, it is an elective subject in the CPA Program for candidates who commenced prior to semester 2, 2009.

EXAM STRUCTURE

The Strategic Management Accounting exam is comprised of a combination of multiple-choice and extended-response questions.

SUBJECT AIMS

The aims of this subject are:

- to develop the skills of the professional accountant in creating, managing and enhancing sustainable value to the organisation through the use of various strategic management tools and techniques
- to examine techniques for developing, implementing, measuring and monitoring the performance of an organisation to provide feedback for improving strategies

GENERAL OBJECTIVES

On completion of this subject, you should be able to:

- explain the role of strategic management accounting in supporting strategy development and the day-to-day operations of an organisation
- explain and apply the strategic management process and organisational and industry value analysis to understanding value drivers, cost drivers and the reconfiguring value chains
- explain the role of performance measurement and control systems in value creation, strategy implementation and monitoring performance to improve strategies
- apply strategic management accounting tools and techniques to improve the contribution and sustainability of value-creating activities
- discuss the role of project selection, planning, monitoring and completion in strategy implementation

SUBJECT CONTENT

The 'weighting' column in the following table provides an indication of the emphasis placed on each module in the exam, while the 'proportion of study time' column is a guide for you to allocate your study time for each module.

Table 1: Module weightings and study time

Module	Recommended proportion of study time (%)	Weighting (%)
1. Introduction to Strategic Management Accounting	10	10
2. Creating organisational value	22	25
3. Performance Measurement	18	20
4. Techniques for creating and managing value	30	30
5. Project Management	15	15
6. Case Study	5	*

*Refer to the module descriptions – Case Study.

The subject is divided into six modules. A brief outline of each module is provided below.

Module 1: Introduction to Strategic Management Accounting

This module sets the framework for strategic management accounting. It discusses traditional management accounting and the key changes leading to the development of strategic management accounting. The module considers how the professional accountant and strategic management accounting systems play a critical role in business. This module also introduces the key contemporary concepts, tools and techniques that will be expanded on in subsequent modules.

Contents:

Part A: The role of strategic management accounting

- Useful information for decision-making
- The evolution of management accounting
- Causes of change in the business environment
- The role of management accountants

Part B: Understanding and supporting management

- What managers do—creating and managing value
- Strategic management accounting—supporting managers

Part C: Management Accounting Systems

- The role of management accounting systems
- Risk management
- Problems with management accounting systems
- ERP software and management accounting systems

Module 2: Creating organisational value

The ability of an organisation to deliver value and secure a competitive position depends on how well it develops and executes its strategy. This module provides an overview of the role of the management accountant in supporting strategy development. Part A introduces the corporate governance framework, the concept of stakeholder value, and the organisational and industry value chains. In Part B, two approaches to strategic analysis, value analysis and SWOT, are shown to be fundamental to understanding the organisation and its environment. A completed strategic analysis then informs the development of a strategic management framework and strategies designed to deliver stakeholder value. The module introduces both established and new approaches to strategy development. The role of a management accountant in strategic analysis, strategic planning, strategy implementation, and in improving value chain performance is emphasised. All of these activities are critical contributions to enterprise and business governance.

Contents:

Part A: Value creation

- Introduction
- Organisations
- Corporate governance
- Creating value

- Organisation value chain
- Industry value chain
- Management accountants and value analysis

Part B: Strategic management

- Strategic analysis
- Strategic planning
- Strategy choice
- Strategy implementation
- The CPA and strategic management

Module 3: Performance measurement

Sound design and an understanding of the use and implications of strategic performance measurement and control systems are gaining increasing importance in all organisations. This module focuses on understanding the key role that performance measurement plays in strategy and value creation. It discusses the characteristics of effective performance measures and control systems, the use of performance measures, and how to apply them to motivate and reward employees. The key themes are the importance of performance being socially responsible and sustainable; the leadership role of the professional accountant in performance measurement; and the importance of value adding activities.

Contents:

Part A: The role of performance measurement

- The multiple roles of performance measurement

Part B: Strategy, management control, and performance measurement

- Models of performance measurement

Part C: Determining performance measures and setting performance targets

- Improving performance

Module 4: Techniques for creating and managing value

This module shows how, through the use of a variety of strategic management accounting concepts, tools and techniques, the professional accountant is able to assist with the growth of organisational value. The module uses a case study to illustrate the implementation of strategies to enhance value. Module 4 focuses on managing the value chain and discusses the key components of strategic cost management and strategic profit management.

Contents:

Part A: Applying SMA concepts, tools and techniques to the value chain

- Activity-based costing
- Time-driven activity-based costing
- Levers for managing value-creating activities

Part B: Strategic cost management

Part C: Strategic profit management

- Upstream activities: Supplier management
- Downstream activities: Customer profitability analysis

Module 5: Project management

Project management is an integral aspect of management strategy. This module explores the roles involved in project management, including project leadership and the professional accountant. It examines the strategic management accountant's role in project selection, planning, implementation, control and monitoring and project completion and review.

Contents:

Part A: Project management defined

- What is a project?
- What is project management?
- The steps in project management
- Organisational structures for projects

Part B: Roles in project management

- Project sponsor
- Project manager
- The project team
- International project teams
- Virtual project teams

Part C: The management accountant's role in project selection

- Developing a business case for projects
- Strategic analysis/fit
- Stakeholder identification and assessment
- Risk assessment
- Financial analysis—single project
- Financial analysis—multiple projects
- Balancing stakeholder interests with project specification and financial returns

Part D: The management accountant's role in project planning

- Project scheduling
- Project budgeting
- Contracts

Part E: The management accountant's role in project monitoring and control

- Monitoring progress
- Monitoring costs
- Monitoring specification and quality
- Designing performance measures
- The importance of probity in projects
- Risk management
- Stakeholder management

Part F: The management accountant's role in project completion and review

- The completion decision
- Checklist
- Specification satisfaction consensus
- Strategic fit assessment
- Stakeholder satisfaction assessment
- Financial closure
- Resource dispersion
- Final report
- Knowledge management

Case Study

The case study module consolidates the understanding of strategic management accounting through completion of various tasks that require you to apply the concepts, tools and techniques covered in Modules 1 to 5 using a practical case study. Although the case study is not weighted for assessment purposes (i.e. it is not examinable). However, in order to gain the most benefit from your study of Strategic Management Accounting, it is important that you allocate time to complete the Case study, including attempting the case study tasks and reviewing the suggested answers.

Completing the case study and case study tasks will help you prepare for the extended response section of the Strategic Management Accounting exam.

GLOBAL STRATEGY AND LEADERSHIP

CPA PROGRAM SUBJECT OUTLINE

Global Strategy and Leadership is the capstone subject for the CPA Program. This subject consolidates and builds on the learnings candidates have gained in the other three compulsory subjects: Ethics and Governance, Financial Reporting and Strategic Management Accounting. In the increasingly complex business environment in which organisations operate, characterised by change, uncertainty and escalating competition, the disciplines of strategy and leadership have become critical to successful organisational performance.

The aim of this subject is to link the knowledge of management and financial accounting to the concepts of strategy and leadership. Accountants use a variety of technical information to make decisions for the future of the business within an ethical framework of operation. This subject shows that accounting information, ethics, strategy and leadership are applicable to accountants working throughout the world in diverse organisations. As discussed in Ethics and Governance, accounting as a profession is respected internationally and CPAs are employed worldwide. The subject's materials address the needs of candidates operating in different international markets in varying roles.

The concepts of professional ethics and good governance underpin the subject. Candidates who have previously undertaken the Advanced Audit and Assurance or Strategic Management Accounting subjects will be familiar with the use and application of Porter's five forces model. Those candidates who have studied Strategic Management Accounting will note a number of other concepts that have been expanded upon in this subject, including strategic analysis, performance measurement and the value chain. The international focus of this subject acknowledges the importance of the reporting requirements under the International Financial Reporting Standards (IFRSs).

EXAM STRUCTURE AND PREPARATION

The Global Strategy and Leadership exam is comprised of multiple-choice questions based on your study materials and extended response questions that are based on short case studies. From Semester 2 2017 the Global Strategy and Leadership exam will no longer be based on 'pre-seen' case studies. Instead, candidates will be presented with case studies within the exam. These case studies will be shorter than those currently used, and will be easily read and understood within the existing exam time available.

It is important that in advance of your exam you apply the concepts you've learned throughout the semester and then comprehensively analyse the case studies in the exam.

To assist in your exam preparation, in addition to working through your study material, we strongly recommend that you also refer to:

- Case analysis guidelines which provide a step-by-step outline of how to analyse a case as well as an example of how to use these guidelines on a small case. This case analysis is available via My Online Learning.
- There are also existing practice case studies, *Chasseur Chickens* and *Notting Foods*, available on [My Online Learning](#), which both demonstrate a detailed case analysis.

Use these resources to understand how to effectively analyse a case study so that you are prepared to apply a best practice approach when your pre-seen exam case studies are available.

[Read more about this change.](#)

SUBJECT AIMS

The subject has two key aims:

1. The primary aim of this subject is to provide you with an understanding of the concepts and principles that underpin the practices of strategy and leadership in the global economy, and the ability to apply these concepts to real-life business cases.
2. The secondary aim of the subject is to consolidate the knowledge you have gained from your study of the other three compulsory subjects, Ethics and Governance, Financial Reporting and Strategic Management Accounting.

GENERAL OBJECTIVES

On completion of this subject, you should be able to:

- understand the role of the accountant in the development and implementation of strategy
- use analytical tools and models to analyse the industry and the market in which an organisation operates
- use business information for decision-making from an organisational perspective
- identify and explain the key challenges faced in the implementation of strategy and the role of the accountant in the implementation and leadership functions
- consolidate the understanding of strategy and leadership concepts through the use of real-world examples integrated throughout the material, and apply these concepts to business case scenarios through the use of a case studies
- apply skills in thinking strategically and formulating broad strategies for consideration and application in their organisational environment

SUBJECT CONTENT

The 'weighting' column in the following table provides an indication of the emphasis placed on each module in the exam, while the 'proportion of study time' column is a guide for you to allocate your study time for each module and analysis of the pre-seen exam case studies.

Module	Recommended proportion of study time (%)	Weighting (%)
1. An introduction to strategy and leadership	5	5
2. Understanding the external environment	18	18
3. Understanding the internal environment	18	18
4. Product and market development	14	14
5. Developing the strategic plan	17	17
6. Strategy implementation	15	15
7. Leading the strategy	13	13

The subject is divided into seven modules. A brief outline of each module is provided below.

Module 1: An introduction to strategy and leadership

Module 1 provides an overall introduction to the key concepts of strategy and leadership in the global context. It illustrates the need for improved capabilities in both areas because of the rapidly changing and uncertain business environment.

The role of accountants in such a changing environment becomes even more crucial. Accounting is a dynamic role in the modern business environment and, as such, accountants are contributing increasingly to the high-level, decision-making process within organisations.

The need to craft and implement a strategy in order to translate a vision into reality is described as a key leadership function. The module provides an overview of various theories and perspectives that inform the practices of strategy and leadership. Further, the module helps candidates understand the basic concepts and principles that are elaborated upon in the later modules.

Contents:

- Introducing strategy and leadership
- Approaches to strategy
- Strategy process
- Strategic thinking
- Levels of strategy
- The global context of business
- The role of the accountant in strategy development

Module 2: Understanding the external environment

In this module we begin the strategic analysis component of this subject. Having discussed the concept of strategy in Module 1, Modules 2 and 3 undertake the analysis component of strategy, focusing on business strategy. These modules focus on approaches used in undertaking strategic analysis of the external industry and internal business environments. Module 2 in particular provides tools for strategic analysis of the external operating environment of the organisation.

Module 2 also provides a framework for analysing the external environment, with the focus on an organisation's specific industry and markets. This involves evaluating economic, political, technological and other trends to provide an estimate of the level of future industry growth. The industry analysis helps to examine the forces determining industry profitability and concludes with market, competitor and customer analysis. In the era of 'big data', the analysis of the increasing amount of data available about the external environment is an important role for CPAs.

Contents:

- Understanding the external environment
- Remote and industry environment analysis
- Understanding customers and markets
- The basis of competition

Module 3: Understanding the internal environment

In this module, the focus is on the internal environment – those factors within the organisation that may affect its strategy choice in the future and the implementation of that strategic option. That is, factors within the organisation's control.

Assessing the internal environment is critical in understanding whether the organisation is successful. It also helps to assess whether its strategy is appropriate in the context of not only the external environment, but also of internal factors, such as key stakeholder requirements, organisational performance and the organisation's capabilities. CPAs play an important role in measuring and reporting on the organisation's performance and capabilities.

Contents:

- The operating model
- Understanding key stakeholders
- Assessing current performance
- Strategic drivers
- Operational drivers
- People and organisational drivers
- Big data – deeper and faster analysis
- Qualitative analysis
- Summarising overall performance
- Where can we go in the future?

Module 4: Product and market development

With our strategic analysis complete, we turn our attention in this module to using this information to identify strategic options for growth. In this module, we begin to combine the results of the external and internal analysis (discussed in Modules 2 and 3). There are a number of factors that must be considered by an organisation before determining which, if any, growth strategy to pursue.

In considering the concepts of product and market development as tools for organisational growth, we also discuss a number of the resources available to inform strategic choices, and the specific accounting impacts that may affect an organisation when it decides to enter a new market or undertake a significant new product development. The consideration of accounting impacts is a key factor in assessing organisational capability, particularly in terms of cost and resourcing implications of any desired changes, and while some of the issues discussed may appear more operational than strategic in nature they are a vital part of an organisation's capabilities and are thus key in achieving successful implementation of strategy.

Contents:

- Product and market options
- New product development
- New market development
- Development of new geographic markets
- Common modes of entry into geographic markets
- Accounting issues in global strategy

Module 5: Developing the strategic plan

In this module, we discuss approaches to evaluating strategic drivers, themes and options so that an organisation can decide which option or options to implement. The approaches used draw together information and analysis from Modules 2, 3 and 4 so recommendations can be made in the context of an organisation's strategy for options being evaluated.

What is presented in this module is a rational approach to making strategic choices; however, in practice this is not always the case, and so the final section of this module looks at why decision-making does sometimes vary from the rational approach.

Contents:

- Vision
- Mission
- Values
- Goals
- Developing the strategic options
- Risk assessment
- Developing strategic themes
- Evaluating strategic themes using Rumelt's criteria
- Finalising the strategic plan

Module 6: Strategy implementation

Once the strategic plan has been prepared, the focus shifts to the challenging task of implementation. Here leaders and managers must endeavour to translate the talk of strategy into action in the business and manage the change that goes with the implementation of the strategic plan.

Module 6 focuses on the culmination of the strategic process – implementation. This module covers four major aspects of strategy implementation and change management:

1. How to implement strategy
2. The challenges of implementing strategy
3. Using change management to implement strategy
4. The role of CPAs in strategy implementation

Contents:

- An overview of strategy implementation
- The 7-S framework
- Successful strategy implementation
- Monitoring implementation and performance
- The challenges of implementing strategy
- The role of CPAs in strategic implementation
- Future challenges

Module 7: Leading the strategy

Module 7 focuses on the concepts of leadership and decision-making. To successfully implement strategy, the organisation needs to fulfil both leadership and management roles, and the different aspects of each role need to be addressed.

Module 7 examines the role of leadership in each stage of the strategic process – from internal and external analysis to strategy implementation – and how the leaders' different leadership styles and decision-making approaches can affect this process. CPAs play an important role in supporting leaders and managers in both internal and analysis and in their own right as leaders.

The importance of leadership in the implementation of strategy is also examined and the module considers how an important aspect of the role of a leader is to empower and develop future leaders.

The module ends with a discussion of the ethical considerations that affect leaders, particularly the ways in which leaders are seen as role models in the organisation.

Contents:

- Leadership and ethics
- What is leadership?
- Identifying leadership attributes
- Transformational leadership
- Strategic leadership
- The nature of strategic leadership
- The role of leaders in strategic thinking and decision-making
- The role of leaders in strategic analysis
- The role of leaders in setting direction
- The role of leaders in strategy formulation and selection
- The role of leaders in implementing strategy