



Think Ahead

Strategic Business Leader (SBL)

March/June 2021 (20/21 Syllabus)

Get to know your exam

These graphical representations are intended to give an indication of past exam requirements and associated question content.

Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.

We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment. Further instructions on how to use the platform will be provided before you attempt the exam.

Introduction screen

SBL March/June 2021 (20/21 syllabus)



Introduction

This exam contains past exam content and indicates how the live exam will be structured and assessed, the likely layout and style of the case study, and the range of response options that could be presented to you in the workspace for the case study.

You should use this exam to become familiar with the workspace and the features and functionality contained within the live exam.

The past content exam is reflective of the live exam experience but has some differences:

- The live exam will be timed, however there is no time limit in the past content exam.
- If you want to sit this exam in exam-style conditions you should answer the case study presented within a **4 hour time period**.
- Once you have started this past content exam, you are able to leave at any time by closing the browser window. When you return, anything you have entered into the response options will be saved and you can continue sitting the exam.
- In the live exam your answers entered into the workspace response options will be expert-marked. At the end of this exam you should use the solution material provided to assess your performance.
- You will be able to access solution material at the end of this exam when using the Self-Marking resources which include a Marking Guide and Sample Answer for each question. If you wish to access these without completing the questions, click on **End Exam** on the Item Review Screen and navigate to the Marking tab on the Dashboard to Self-Mark.

Exam summary screen

SBL March/June 2021 (20/21 syllabus)

Exam Summary

Time allowed: This exam is not timed.

This exam contains **one** case study question worth **100 marks**.

All tasks are compulsory.

Important:

In your live exam, you should:

- Indicate which task each of your responses relate to so that this is clear for markers.
- Show all notes/workings that you want the marker to see within your responses. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to start your exam.

Scenario 1 – Initial screen

SBL March/June 2021 (20/21 syllabus)

\$ Symbol ▼ Highlight Strikethrough Calculator Scratch Pad

Exhibits

- 1. An overview
- 2. NCCP website extracts
- 3. Extracts of income and expenditure
- 4. Annual performance of courses
- 5. Risk management
- 6. CEO's email on new courses
- 7. Newspaper article
- 8. Staff survey

Tasks

- Task 1 (34 marks)
- Task 2 (29 marks)
- Task 3 (17 marks)
- Task 4 (20 marks)

Response Options

- Word Processor
- Spreadsheet
- Slides

You should assume that today's date is 15 June 20X5.

The following **exhibits**, available on the left-hand side of the screen, provide information relevant to the case study:

1. An overview – North Ceeville Community Project (NCCP).
2. NCCP website extracts – extracts from NCCP's website including information about its courses and its organisational structure.
3. Extracts of income and expenditure – NCCP's income and expenditure for the year ending 31 March 20X5 with comparatives.
4. Annual performance of courses – NCCP's course booking data for the year ending 31 March 20X5 with comparatives.
5. Risk management – an email from the operations director to the chief executive officer (CEO) describing the executive board's approach to risk management.
6. CEO's email on new courses – an email from the CEO outlining new course opportunities.
7. Newspaper article – a recent article in the Ceeville Echo entitled "Has NCCP lost its way?".
8. Staff survey – NCCP's latest staff feedback survey, which has just been published.

This information should be used to answer the **tasks** within your chosen **response option(s)**.

Scenario 1: requirements

Task 1 (34 marks)

The executive board has become concerned at negative coverage about NCCP in the local press, as well as feedback from staff and volunteers expressing concern about the direction the charity is taking. It is therefore seeking advice from you as to the most appropriate way forward.

Prepare a report for presentation to the board which:

(a) Assesses NCCP's internal and external stakeholders and recommends appropriate ways of managing them.

(16 marks)

Professional skills marks are available for demonstrating *analysis* skills in carefully considering how different stakeholders can be most appropriately managed.

(4 marks)

(b) Critically assesses NCCP's sources of competitive advantage.

(10 marks)

Professional skills marks are available for demonstrating *evaluation* skills in assessing NCCP's most important sources of competitive advantage.

(4 marks)

Scenario 1: requirements (continued)

Task 2 (29 marks)

The new CEO is concerned that the executive board is not being sufficiently pro-active in managing risk and implementing controls and is therefore neglecting its duty towards NCCP's stakeholders. He has put risk management at the top of the agenda for the next executive board meeting and has asked you to help him prepare for the meeting.

Prepare briefing notes for the CEO to share with the board which:

(a) Evaluate the executive board's approach to risk management and recommend how it could be improved.

(12 marks)

Professional skills marks are available for demonstrating *communication* skills in adopting an appropriate tone which is easily understood by board members.

(3 marks)


(b) Identify the external stakeholders with an interest in NCCP's internal controls and justify why information on internal controls should be shared with them.

(12 marks)

Professional skills marks are available for demonstrating *communication* skills in using compelling and logical arguments to justify why information on internal controls should be shared externally.

(2 marks)

Scenario 1: requirements (continued)

Task 3 (17 marks) 

The CEO is keen to implement his new, premium priced art course. However, in the light of conflict with other stakeholders, he has asked you to provide an independent perspective on his proposal.

Prepare a report for the CEO which:

(a) Assesses the viability of the current range of courses offered by NCCP.

(6 marks)

(b) Evaluates the CEO's proposal to offer the new art course.

(8 marks)

Professional skills marks are available for demonstrating *scepticism* skills in probing deeply into the underlying issues relating to the CEO's proposal.

(3 marks)

Scenario 1: requirements (continued)

Task 4 (20 marks)

The CEO is concerned about NCCP's exposure to cybersecurity risk and has instructed the operations director to both sponsor and manage a project to improve cybersecurity at NCCP. The operations director has limited experience of cybersecurity and has asked you to help prepare a response to the CEO which justifies why he should be the project sponsor, but not also the project manager.

(a) Draft sections of a report to present to the board which explain the need for cybersecurity at NCCP and recommend actions the board should take to meet its cybersecurity responsibilities.

(10 marks)

Professional skills marks are available for demonstrating *commercial acumen* skills in highlighting the key benefits to NCCP of cybersecurity and recommending practical actions the board should take.

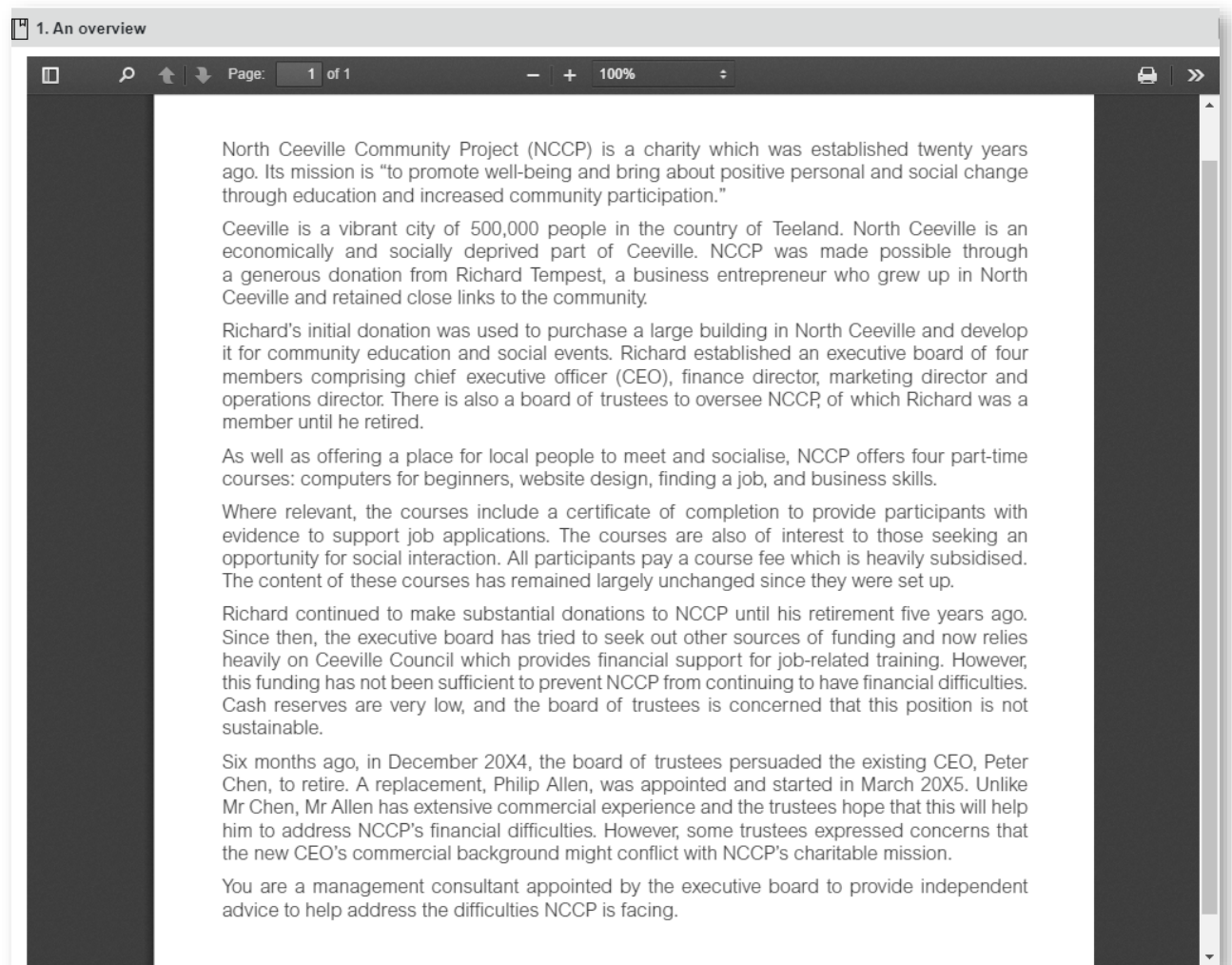
(4 marks)

(b) Draft an email on behalf of the operations director to send to the CEO which explains why it would be appropriate for him to be the project sponsor, but not both the sponsor and project manager for the cybersecurity project.

(6 marks)

Scenario 1: Exhibits

Exhibit 1: An overview



1. An overview

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North Ceeville Community Project (NCCP) is a charity which was established twenty years ago. Its mission is "to promote well-being and bring about positive personal and social change through education and increased community participation."

Ceeville is a vibrant city of 500,000 people in the country of Teeland. North Ceeville is an economically and socially deprived part of Ceeville. NCCP was made possible through a generous donation from Richard Tempest, a business entrepreneur who grew up in North Ceeville and retained close links to the community.

Richard's initial donation was used to purchase a large building in North Ceeville and develop it for community education and social events. Richard established an executive board of four members comprising chief executive officer (CEO), finance director, marketing director and operations director. There is also a board of trustees to oversee NCCP, of which Richard was a member until he retired.

As well as offering a place for local people to meet and socialise, NCCP offers four part-time courses: computers for beginners, website design, finding a job, and business skills.

Where relevant, the courses include a certificate of completion to provide participants with evidence to support job applications. The courses are also of interest to those seeking an opportunity for social interaction. All participants pay a course fee which is heavily subsidised. The content of these courses has remained largely unchanged since they were set up.

Richard continued to make substantial donations to NCCP until his retirement five years ago. Since then, the executive board has tried to seek out other sources of funding and now relies heavily on Ceeville Council which provides financial support for job-related training. However, this funding has not been sufficient to prevent NCCP from continuing to have financial difficulties. Cash reserves are very low, and the board of trustees is concerned that this position is not sustainable.

Six months ago, in December 20X4, the board of trustees persuaded the existing CEO, Peter Chen, to retire. A replacement, Philip Allen, was appointed and started in March 20X5. Unlike Mr Chen, Mr Allen has extensive commercial experience and the trustees hope that this will help him to address NCCP's financial difficulties. However, some trustees expressed concerns that the new CEO's commercial background might conflict with NCCP's charitable mission.

You are a management consultant appointed by the executive board to provide independent advice to help address the difficulties NCCP is facing.

Exhibit 2: NCCP website extracts

2. NCCP website extracts

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ABOUT NCCP

North Ceeville is well known for high levels of unemployment, with the inevitable economic and social results that follow.

Having grown up in North Ceeville, Richard Tempest set up his own highly successful company. He felt that the North Ceeville community was neglected by government and, through NCCP, provided opportunities for personal and community growth, with a particular focus on training to gain employment.

COURSES WE OFFER

Education has always been at the heart of NCCP's mission. All our courses are available at various times throughout the year. The cost to you of a course is lower thanks to council funding and the contribution of generous donors.

Computers For Beginners (places available)

If you're looking for basic instruction in how to use a computer, this is the course for you! This was the first course offered when NCCP opened.

Website Design (full – no places currently available)

This course will help you design, build and maintain your own website. It is appropriate if you have a product, a service or an interest to publicise.

Finding A Job (full – no places currently available)


This course will help you to present yourself effectively to potential employers, both in writing your own CV and in an interview.

Business Skills (places available)

This course is ideal if you want to develop your business skills. It is especially suitable if you are self-employed or looking to start your own business.

WORKING WITH US

Staff at NCCP fall into two categories: paid employees and unpaid volunteers. NCCP's organisational structure is as follows:



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graph TD; CE[Chief Executive] --- FD[Finance Director]; CE --- MD[Marketing Director]; CE --- OD[Operations Director]; FD --- FE[4 employees]; MD --- ME[3 employees]; OD --- OE[5 employees];
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Alongside four directors and twelve paid employees, each department benefits from the work of unpaid volunteers who are not shown in the organisation chart. We could not manage without the support of our wonderful volunteers!

Almost all of our courses are taught by paid freelance tutors.

Exhibit 3: Extracts of income and expenditure

3. Extracts of income and expenditure

Page: 1 of 1

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NCCP'S annual performance data for year ending 31 March:

	Note	20X3 \$'000	20X4 \$'000	20X5 \$'000
INCOME				
Council funding	1	450	435	420
Corporate donations	2	389	348	360
Personal donations	3	38	36	35
Course fees	4	457	491	536
Total income		1,334	1,310	1,351
Less: total expenditure		(1,242)	(1,345)	(1,415)
Surplus of income over expenditure		92	(35)	(64)

Commentary
Although NCCP has no long-term debt, its cash reserves are now down to \$48,000. Its main asset is the building itself, which it owns outright and is worth \$1-8M.

Note 1 – Council funding
Funding from Ceeville Council is expected to fall significantly in the coming year due to a reduction in funding from central government.

The Council attaches specific conditions to its funding which change from year to year. From 20X4 onwards the funding has been conditional on NCCP running a Business Skills course as part of the council's initiative to encourage people to develop business skills. The Council also requires NCCP to encourage individuals to develop IT skills which will support them in the modern business environment. The Council has indicated that future funding will be conditional on NCCP demonstrating appropriate internal controls to make best use of any money provided.

Note 2 – Corporate donations

The average corporate donation in 20X5 was \$47,000. All corporate donors are based in Ceeville and many have long-standing relationships with NCCP which date back to Richard Tempest's time. These corporate donors, who were approached on a personal basis, are friends or colleagues of trustees or executive directors.

Note 3 – Personal donations

The average personal donation in 20X5 was \$24. Personal donations come mainly from members of the North Ceeville local community, but also from other individuals in Ceeville who do not use NCCP's services but want to support its mission.

Following a series of media reports about international charities that misappropriated funds, corporate and personal donors are taking a keener interest in how charities are being run and how any donations are being used.

Note 4 – Course fees

Course fees are payable by participants who attend the course. The fee per course has not increased for the past three years.

Exhibit 4: Annual performance of courses

4. Annual performance of courses

Page: 1 of 1 Automatic Zoom

Number of course bookings			
	20X3	20X4	20X5
Computers for beginners	1,800	1,400	1,100
Website design	8,640	9,360	10,800
Finding a job	5,760	5,400	5,600
Business skills	N/A	420	300
Total course bookings	16,200	16,580	17,800

Average subsidy per course booking			
	20X3	20X4	20X5
	\$	\$	\$
Computers for beginners	3	4	7
Website design	10	10	10
Finding a job	(5)	(5)	(5)
Business skills	N/A	48	78
Average subsidy per course booking	4	6	6

The subsidy per course booking is calculated by deducting course costs from course fees and dividing it by the number of bookings. A positive figure in the table demonstrates that the course does not generate enough income to cover its costs and so NCCP uses its funding to subsidise the course. A negative figure demonstrates a surplus of income over expenditure generated by the course. The *Finding a job* course is led by volunteers and therefore generates a surplus of funds.

Exhibit 5: Risk management

5. Risk management

Page: 1 of 2 Automatic Zoom

From: Tom Thakar, Operations Director
To: Philip Allen, Chief Executive Officer
Subject: Executive board's approach to risk management
Date: 15 May 20X5

Following our conversation about risk management, I have put together some notes about NCCP's risk management.

The executive board has always been reluctant to get involved directly in risk management. Instead, operational staff are expected to deal with risks as they arise, using their experience where appropriate.

However, in 20X4, the board of trustees formally instructed us (the executive board) to prepare a risk register for NCCP. This was the first time we had undertaken such an exercise.

In response, we arranged an all-day meeting which generated a list of all the potential risks that NCCP faced. All relevant risk categories (strategic, operational, financial, legal) were considered. Where appropriate, key operational members of staff were consulted.

This activity generated a list of over 150 risks. Risks were then allocated to different board members. In line with the trustees' instructions, all these risks were then recorded in a risk register. The board members were responsible for deciding on appropriate actions and implementing them prior to the next scheduled board meeting, two weeks later.

A brief extract of the completed risk register is included here:

Risk	Details	Board member responsible	Action required	Action implemented
Loss of council funding	Council funding could be lost if NCCP does not meet relevant conditions	Operations Director	Operations department staff to review council funding criteria	Council funding criteria reviewed; NCCP is compliant
Freelance tutor missing a course	If a freelance tutor does not attend, the course cannot run	Operations Director	Operations staff to liaise with tutors	Tutors told importance of punctuality

The completed risk register, including relevant actions, was then signed off by the executive board and presented to the trustees.

At the trustees' request, the executive board has agreed to consider repeating this process at some point in the future.

Cybersecurity risk

In our conversation, you also referred to recent news reports about large organisations which have been victims of cyberattacks. Although I take your point that hackers could inflict considerable damage, NCCP's small size and charitable status mean that it is highly unlikely to become a victim.

Nevertheless, I had put cyber security controls in place in 20X4 following the risk register exercise above. NCCP's systems can only be accessed by a member of staff with a valid password. There is now a robust process in place to ensure that members of staff are only given access to

Exhibit 5: Risk management (continued)

the parts of the system they need, and passwords for staff who are leaving are revoked on their final day.

I hope this helps to clarify our current position.

Kind regards,

Tom Thakar
Operations Director

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Exhibit 6: CEO's emails on new courses

6. CEO's email on new courses

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To: A. Consultant
From: Philip Allen, CEO
Subject: New course opportunity
Date: 31/05/20X5

Hi,

Since starting at NCCP, I have been astonished at how my plans to make this organisation financially viable are being criticised.

I'm particularly frustrated that my plans to increase revenue by offering new courses are being resisted. In order to find a suitable way forward, I have agreed to seek advice from you as an independent consultant.

I am convinced that there is a gap in the market for art courses. While such courses are available elsewhere, my courses will be run by highly skilled artists who will educate people about the science and history of art, and also teach them practical skills such as how to develop their own painting technique.

Such a course will be targeted at wealthier, intelligent individuals. There is scope to charge a considerable premium for these courses and the surplus can then be used to subsidise NCCP's other courses. The courses would run on weekends; I know this is a busy time for NCCP but it's the most convenient time for our target participants.

As I have a passion for art and painting, I have been able to put together the entire proposal by myself. I have a good friend who is an accomplished artist and will therefore design the course and deliver it. Unlike other freelance tutors, NCCP will pay him for designing the course but, in return, NCCP will retain the copyright on the materials.

The initial cost of designing the course book will be \$12,000. Each course will generate a profit of \$1,040 which breaks down as follows (assuming 20 participants):

	\$	\$
Revenue (\$125 x 20)		2,500
Less: tutor fee	(800)	
Less: art materials(\$25/participant)	(500)	
Less: course book (\$8/participant)	(160)	
Total cost		<u>(1,460)</u>
Profit per course		<u>1,040</u>

The course will run monthly and generate an annual profit of \$12,480. The art materials and course book costs assume that we purchase a year's worth of each in advance to take advantage of bulk purchase discounts.

I trust you agree that this is a profitable and attractive opportunity for NCCP. I look forward to hearing from you.

All the best,

Philip Allen
CEO

Exhibit 7: Newspaper article

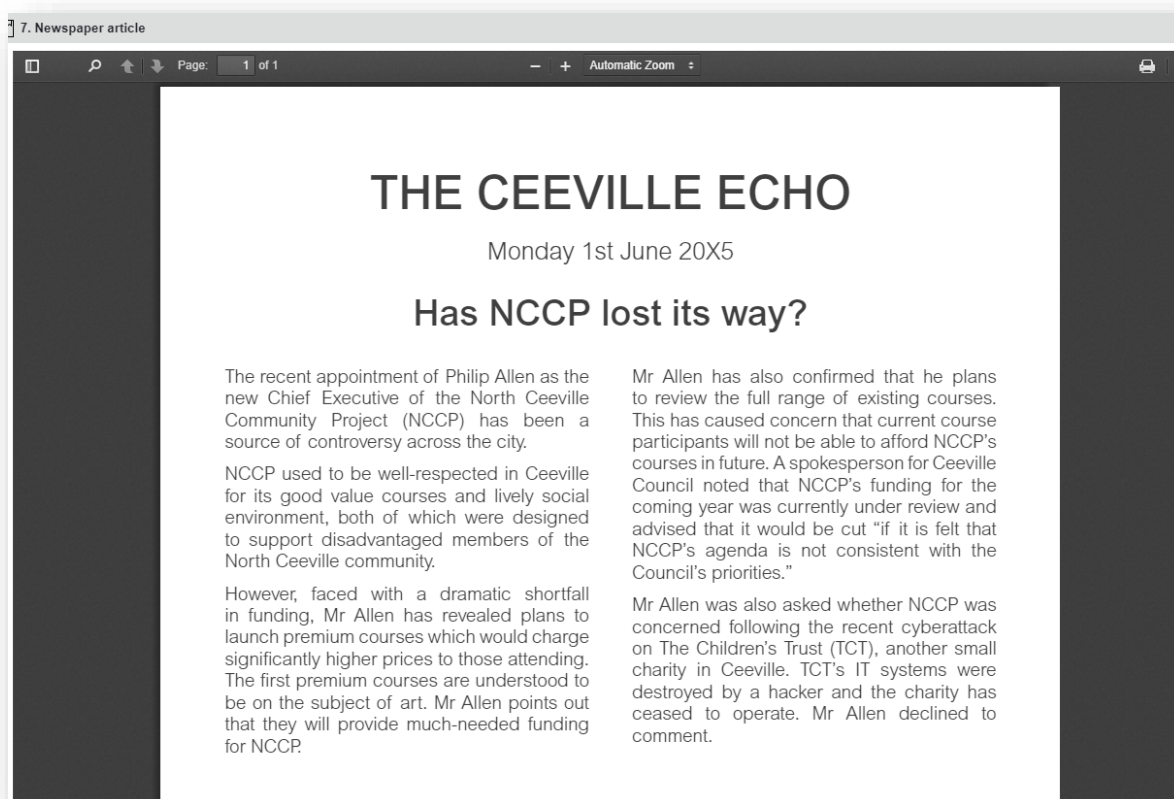


Exhibit 8: Staff survey

8. Staff survey
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Page: 1 of 1
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This year's survey was issued to staff on 1 June 20X5, and the results have just been made available. It was given to all NCCP staff, both paid employees and unpaid volunteers. As in previous years, a response rate of over 90% was achieved.

Representative comments are included next to each question.

How happy are you to work at NCCP?			Do you feel valued & respected at work?		
	20X4	20X5		20X4	20X5
Happy	82%	42%	Yes	64%	31%
Neutral	18%	27%	Sometimes	21%	28%
Unhappy	0%	31%	Never	15%	41%

"I used to love volunteering at NCCP because I felt I could make a difference to people who really needed help. I don't feel this any longer and am seriously thinking about leaving."

"I no longer have the freedom to make my own decisions but, instead, have to ask permission from a manager who knows less about the situation than I do."

Do you see yourself working here in one year's time?			How effective do you think your department is in fulfilling NCCP's mission?		
	20X4	20X5		20X4	20X5
Definitely	80%	45%	Effective	84%	78%
Possibly	20%	37%	Neutral	11%	9%
No	0%	18%	Ineffective	5%	13%

"NCCP has changed a lot in the past few months and is no longer a place I enjoy working."

"All of us in the team know our jobs really well and work well together. All we need is to be left to do our work without senior managers interfering!"

How effective do you think the executive board is in fulfilling NCCP's mission?		
	20X4	20X5
Effective	59%	0%
Neutral	28%	12%
Ineffective	13%	88%

"The new art courses will bring in people who don't need NCCP's help and push out those who do."