ACCA COMPLETE STUDY NOTES

All 13 Papers — Applied Knowledge, Applied Skills & Strategic Professional

Formulas, tables, flowcharts, diagrams and memory techniques for fast revision

Prepared for Professional Career Club (PCC)

ACCA Qualification Overview

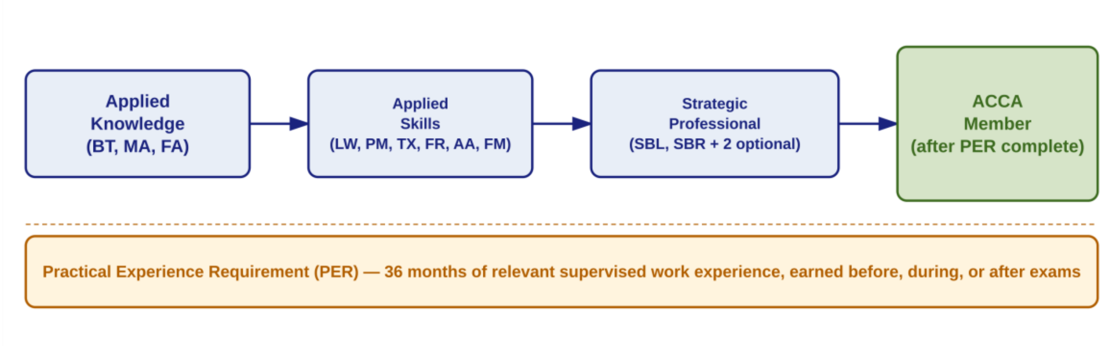

Figure 1 — The ACCA qualification pathway from first exam to membership

All 13 Papers at a Glance

Code	Paper	Level	Focus
BT	Business and Technology	Applied Knowledge	Business environment, structure, governance
MA	Management Accounting	Applied Knowledge	Costing, budgeting, variances
FA	Financial Accounting	Applied Knowledge	Double entry, basic financial statements
LW	Corporate and Business Law	Applied Skills	Contract, company, insolvency law
PM	Performance Management	Applied Skills	Decision-making, advanced variances
TX	Taxation	Applied Skills	Income tax, corporation tax, CGT
FR	Financial Reporting	Applied Skills	Consolidation, IFRS standards, ratios
AA	Audit and Assurance	Applied Skills	Audit risk, evidence, reporting
FM	Financial Management	Applied Skills	NPV/IRR, WACC, working capital
SBL	Strategic Business Leader	Strategic Professional (compulsory)	Integrated strategy, governance, risk, ethics
SBR	Strategic Business Reporting	Strategic Professional (compulsory)	Complex groups, financial instruments
AFM / APM / ATX / AAA	Optional (choose 2 of 4)	Strategic Professional	Advanced financial mgmt, performance, tax, audit

Practical Experience Requirement (PER): 36 months of relevant, supervised work experience — can be earned before, during, or after exams, and is required alongside the exams for full ACCA membership.

APPLIED KNOWLEDGE LEVEL (3 Papers)

BT — Business and Technology

Foundational paper covering business organisation, governance, technology, and people management. Mostly conceptual — few formulas, heavy on frameworks.

PESTEL — External Environment Analysis

Figure 2 — PESTEL: the six categories of external environmental factors

> **MEMORY TIP:** "Please Enjoy Sunday, Then Enjoy Life" — P-E-S-T-E-L in order.

Porter's Five Forces — Competitive Environment

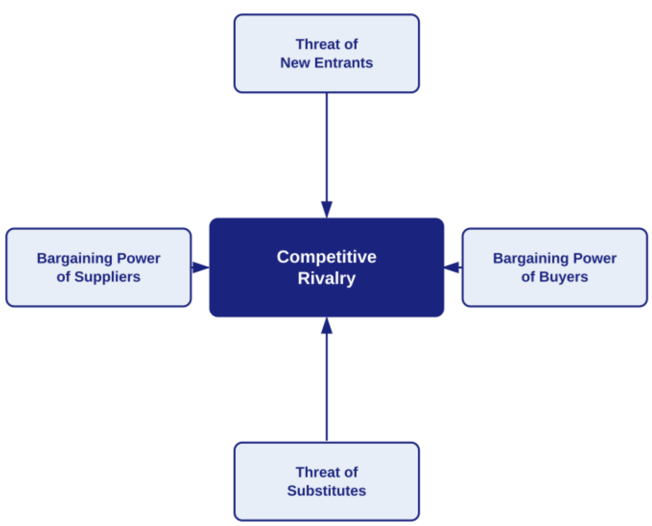

Figure 3 — Porter's Five Forces model of industry competition

MEMORY TIP: Picture a pentagon with COMPETITIVE RIVALRY in the centre, and the other four forces (entrants, suppliers, buyers, substitutes) pressing in from each side.

Other Key Frameworks

Framework	Components
SWOT	Strengths, Weaknesses (internal); Opportunities, Threats (external)
McKinsey 7S	Strategy, Structure, Systems (hard); Shared values, Skills, Style, Staff (soft)
Mintzberg's Organisation	Strategic apex, Middle line, Operating core, Technostructure, Support staff

MEMORY TIP: 7S mnemonic: "3 S's are hard (Strategy, Structure, Systems), 4 S's are soft (Shared values, Skills, Style, Staff)."

Motivation Theories

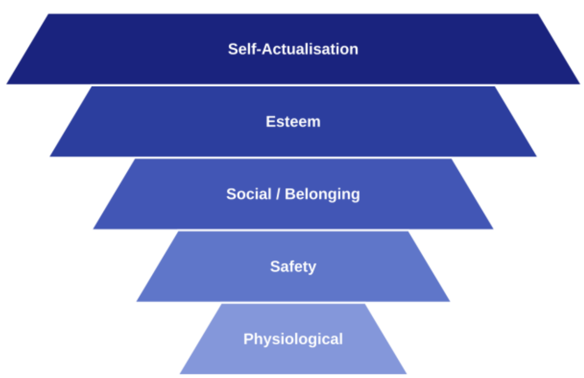

Figure 4 — Maslow's Hierarchy of Needs

MEMORY TIP: "People Should Stop Eating Snacks" (bottom to top: Physiological, Safety, Social, Esteem, Self-actualisation).

- Herzberg's Two-Factor Theory: Hygiene factors (prevent dissatisfaction) vs Motivators (create satisfaction)

Governance & Control

- Corporate governance = the system by which companies are directed and controlled
- Internal controls: authorisation, segregation of duties, physical controls, supervision, arithmetic checks

MA — Management Accounting

Heavily formula-based. One of the most numerical papers at Applied Knowledge — know these cold.

Cost-Volume-Profit (CVP) Formulas

Term	Formula
Contribution per unit	Selling price per unit − Variable cost per unit
Break-even point (units)	Fixed costs ÷ Contribution per unit
Margin of safety	(Budgeted sales − Break-even sales) ÷ Budgeted sales × 100
C/S ratio	Contribution per unit ÷ Selling price per unit

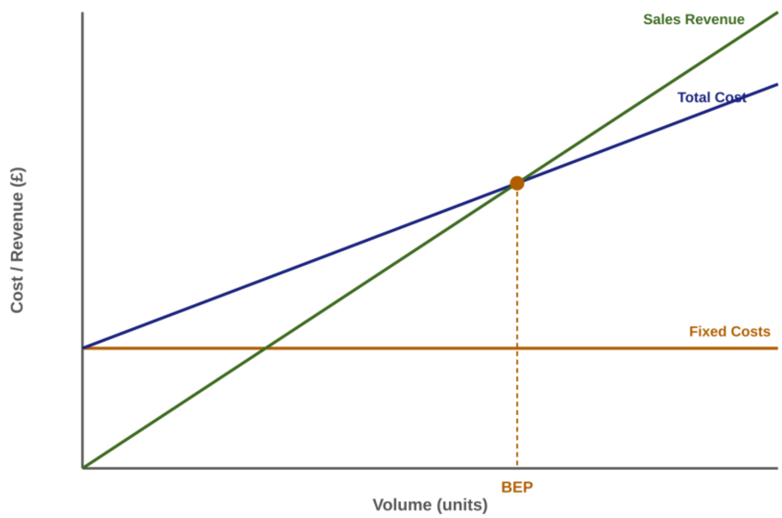

Figure 5 — Break-even chart: Fixed Costs, Total Cost and Sales Revenue lines

> **MEMORY TIP:** Fixed costs sit on top of a "contribution mountain" — you need enough contribution to climb over fixed costs before profit starts (break-even point).

Inventory Control — EOQ

Term	Formula
Economic Order Quantity (EOQ)	EOQ = SQRT(2 x D x Co / Ch) [D=annual demand, Co=cost per order, Ch=holding cost/unit p.a.]

Term	Formula
MEMORY TIP: "2 Deer Chase Carrots, however" — a silly sentence to recall 2 x D x Co / Ch under the square root.	

Variance Analysis Formulas

Variance	Formula
Material Price	(Standard price − Actual price) × Actual quantity purchased
Material Usage	(Standard qty for actual output − Actual qty used) × Standard price
Labour Rate	(Standard rate − Actual rate) × Actual hours paid
Labour Efficiency	(Standard hrs for actual output − Actual hrs worked) × Standard rate

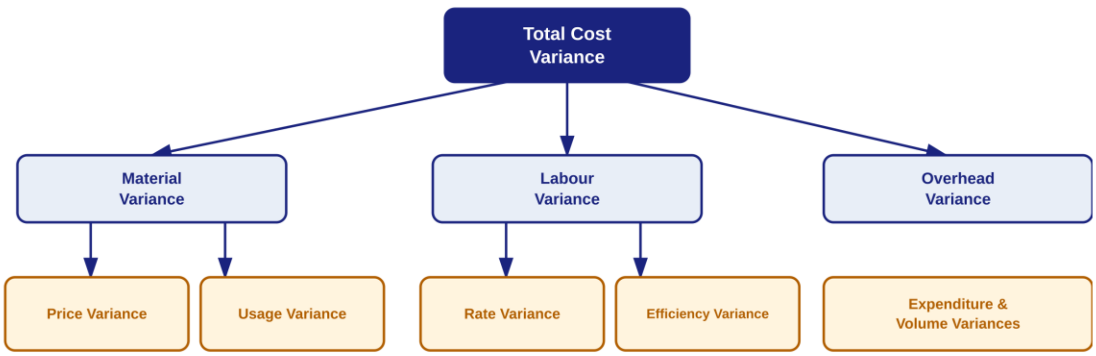

Figure 6 — How total cost variance breaks down into its component variances

MEMORY TIP: Rule of thumb: PRICE/RATE variances use ACTUAL quantity/hours. USAGE/EFFICIENCY variances use STANDARD price/rate — "price uses actual, usage uses standard."

Absorption vs Marginal Costing

Absorption Costing	Marginal Costing
All production costs (fixed + variable) absorbed into unit cost	Only variable costs charged to units; fixed costs are a period cost
Term	**Formula**
Profit difference (Absorption − Marginal)	Change in inventory units ×

Absorption Costing	Marginal Costing
	Fixed overhead absorption rate per unit

MEMORY TIP: If inventory INCREASES over the period, absorption costing profit is HIGHER (fixed costs get "trapped" in closing inventory).

FA — Financial Accounting

The foundation for every later financial paper (FR, SBR). Master double entry and the accounting equation first.

The Accounting Equation

Equation
Assets = Liabilities + Equity

MEMORY TIP: "ALE" — Assets = Liabilities + Equity. Assets are what you OWN; Liabilities + Equity show who PAID for them.

Double Entry — DEAD CLIC

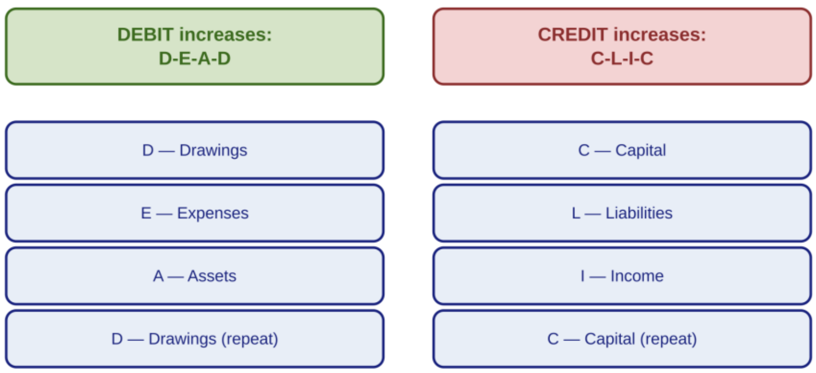

Figure 7 — DEAD CLIC: what increases with a debit vs a credit

MEMORY TIP: "DEAD CLIC" — the first half (DEAD) are DEBITS that increase; the second half (CLIC) are CREDITS that increase.

Key Ratios (also used in FR/SBR)

Ratio	Formula
Gross profit margin	Gross profit ÷ Revenue × 100
Net profit margin	Net profit ÷ Revenue × 100
Current ratio	Current assets ÷ Current liabilities
Quick ratio (acid test)	(Current assets − Inventory) ÷ Current liabilities

Ratio	Formula
Receivables collection period	Trade receivables ÷ Credit sales × 365

MEMORY TIP: Quick ratio removes inventory because inventory is the LEAST liquid current asset — it takes longest to convert to cash.

Depreciation

Method	Formula
Straight-line	(Cost − Residual value) ÷ Useful life
Reducing balance	Net book value × Depreciation rate %

Control Accounts & Errors

- Suspense account used to balance the trial balance temporarily when errors are found
- Errors NOT revealed by trial balance: omission, commission, principle, original entry, reversal, compensating

MEMORY TIP: These six error types all leave the trial balance BALANCED because both sides are still equal — the ones to watch for even when the trial balance looks fine.

APPLIED SKILLS LEVEL (6 Papers)

LW — Corporate and Business Law

Mostly conceptual/legal — memorising the ELEMENTS of legal concepts matters more than formulas.

Elements of a Valid Contract

Element	What it means
Offer	A clear proposal to be bound on specific terms
Acceptance	Unqualified agreement to the exact terms offered
Consideration	Something of value exchanged by each party
Intention	Intention to create legal relations (not a social arrangement)
Capacity	Legal ability of the parties to enter a contract

MEMORY TIP: "OACIC" — Offer, Acceptance, Consideration, Intention, Capacity. All 5 must exist for a contract to be legally binding.

Company Formation & Types

- Separate legal personality — the company is a distinct legal person from its shareholders (Salomon v Salomon principle)
- Types: sole trader, partnership, private limited company, public limited company

Directors' Duties

- Act within powers, promote the success of the company, exercise independent judgment, exercise reasonable care/skill/diligence, avoid conflicts of interest, not accept benefits from third parties, declare interest in proposed transactions

MEMORY TIP: Group into 3 buckets: (1) LOYALTY — act within powers, avoid conflicts, no third-party benefits, declare interests; (2) CARE — reasonable skill/care/diligence, independent judgment; (3) PURPOSE — promote the success of the company.

Insolvency — Priority on Liquidation

Order	Claimant
1	Secured creditors (fixed charge)
2	Liquidation expenses
3	Preferential creditors
4	Floating charge holders
5	Unsecured creditors
6	Shareholders

MEMORY TIP: "Fixed comes First, Floating comes Fourth(ish)" — a simple anchor for where secured creditors rank relative to unsecured ones.

PM — Performance Management

The advanced sibling of MA. Expect deeper variance analysis, decision-making techniques, and performance measurement.

Limiting Factor Analysis

- Rank products by Contribution per unit of the SCARCE (limiting) resource — produce the highest-ranked product first

> **MEMORY TIP:** Never rank by total contribution or contribution per unit alone — always divide by the scarce resource used per unit.

Performance Measurement — ROI vs RI

Measure	Formula	Nature
Return on Investment (ROI)	Controllable profit ÷ Capital employed × 100	Percentage
Residual Income (RI)	Controllable profit − (Capital employed × Cost of capital %)	Absolute £

> **MEMORY TIP:** ROI (%) can cause managers to reject good projects that dilute their average return. RI (£) encourages accepting any project earning above the cost of capital — RI is generally the better decision-making measure.

Learning Curve

Term	Formula
Learning curve model	Yx = a × X^b [Yx=avg time/unit for X units, a=time for 1st unit, b=log(learning rate)/log2]

Transfer Pricing

Scenario	Minimum Transfer Price
Spare capacity available	Marginal cost of the transferring division
No spare capacity	Marginal cost + Opportunity cost (lost external contribution)

Throughput Accounting

Term	Formula
Throughput per unit	Selling price − Direct material cost only

Term	Formula
	(labour = fixed)
Throughput Accounting Ratio (TPAR)	Return per factory hour ÷ Cost per factory hour

MEMORY TIP: In throughput accounting, ONLY material cost is variable — labour is treated as fixed, unlike in marginal costing.

TX — Taxation (UK variant shown — check your registered variant)

ACCA offers country-specific TX variants (UK, Malaysia, Singapore, etc.). Structure below follows the common UK-style approach — always confirm current-year rates against your registered variant.

Income Tax — Order of Relief

- Non-savings income → Savings income → Dividend income (personal allowance and bands applied in that order)

> **MEMORY TIP:** "Non-savers go first, Dividends go last" — Non-savings → Savings → Dividends.

Badges of Trade (trading income vs capital)

Badge	Question it asks
Subject matter	Is the asset normally held as investment or traded?
Ownership period	Short ownership suggests trading
Frequency	Repeated similar transactions suggest trading
Supplementary work	Was work done to improve/market the asset?
Circumstances of sale	Forced sale vs planned sale
Motive	Was profit-seeking the intention from the start?
Method of acquisition	Purchased vs inherited/gifted

> **MEMORY TIP:** Ask: "Would a normal investor do this, or does it look like a BUSINESS activity?"

Capital Allowances & CGT

Term	Formula / Rule
Writing Down Allowance (typical rates)	Tax WDV × 18% (main pool) or 6% (special rate pool) — confirm current year
Annual Investment Allowance (AIA)	100% relief up to the annual limit on most plant & machinery

Term	Formula / Rule
Chargeable gain (CGT)	Disposal proceeds − Allowable costs (cost + incidental costs + enhancement expenditure)

Corporation Tax

- Taxable Total Profits = Trading profit + Property income + Investment income + Chargeable gains − Qualifying donations

FR — Financial Reporting

Builds directly on FA. Consolidation and ratio analysis are the highest-weighted, most formula-dense areas.

Key Ratios

Ratio	Formula
Return on Capital Employed (ROCE)	PBIT ÷ Capital employed × 100
Gearing ratio	Debt ÷ (Debt + Equity) × 100
Interest cover	PBIT ÷ Finance costs
Earnings Per Share (EPS)	Profit attributable to ordinary shareholders ÷ Weighted avg number of shares

MEMORY TIP: Higher gearing = more debt = higher financial risk but potentially higher returns to equity (financial leverage effect).

Consolidation

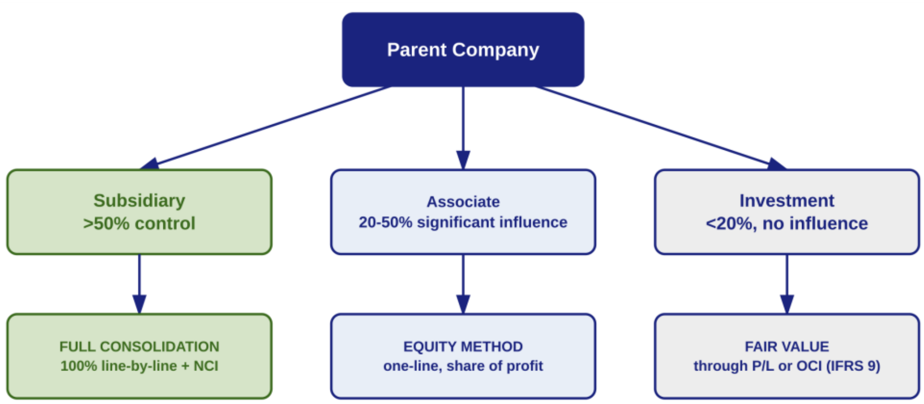

Figure 8 — How the parent-investee relationship determines consolidation method

Term	Formula
Goodwill on acquisition	(Consideration transferred +

Term	Formula
	NCI at acquisition) − Fair value of net assets acquired

MEMORY TIP: "Add it all, then take away what they owe each other" — combine 100% of the subsidiary line by line, then eliminate intercompany transactions.

Key Standards to Remember

Standard	Key Rule
IAS 2 Inventories	Lower of cost and net realisable value (NRV)
IAS 16 PP&E	Cost model or revaluation model
IAS 36 Impairment	Carrying amount vs recoverable amount (higher of FV less costs to sell, and value in use)
IFRS 15 Revenue	5-step model: Identify contract → Identify obligations → Determine price → Allocate → Recognise
IFRS 16 Leases	Almost all leases on lessee SOFP (right-of-use asset + lease liability)

Standard	Key Rule
MEMORY TIP: IFRS 15's 5 steps, in order: Identify contract, Identify obligations, Determine price, Allocate price, Recognise revenue.	

AA — Audit and Assurance

Conceptual/judgement-based rather than formula-based. Focus on the audit risk model and assertions.

Audit Risk Model

Term	Formula
Audit Risk	Inherent risk × Control risk × Detection risk
MEMORY TIP: "I Can't Detect" — Inherent, Control, Detection — multiply together for overall audit risk.	

Financial Statement Assertions

Category	Assertions
Classes of transactions	Occurrence, Completeness, Accuracy, Cutoff, Classification
Account balances	Existence, Rights & obligations, Completeness, Valuation & allocation
MEMORY TIP: Transactions = "OCACC". Balances = "ERCV".	

Audit Report Opinions

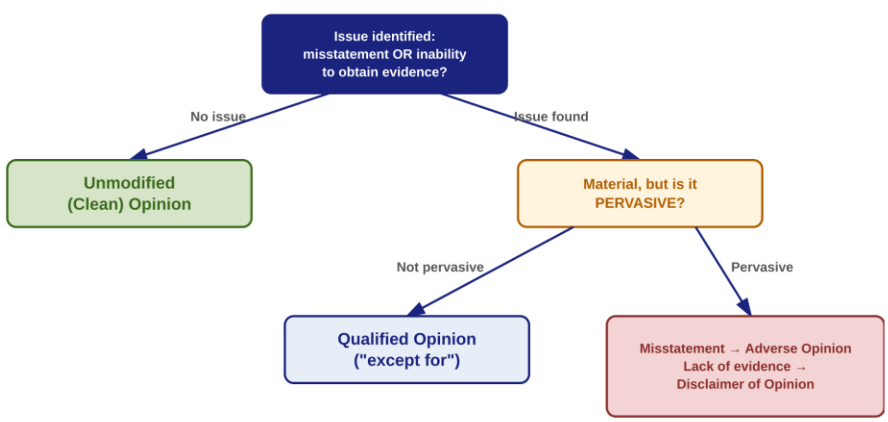

Figure 9 — Deciding which audit opinion applies

MEMORY TIP: Ask two questions: (1) Is there a problem? (2) Material-but-not-pervasive, or PERVASIVE? Material + not pervasive = Qualified. Pervasive misstatement = Adverse. Pervasive lack of evidence = Disclaimer.

FM — Financial Management

The most formula-heavy Applied Skills paper. Master NPV, WACC, and working capital formulas — they recur constantly.

Investment Appraisal

Term	Formula
Net Present Value (NPV)	NPV = SUM[Cash flow in year t / (1+r)^t] − Initial investment
Payback period	Time for cumulative cash flows to equal the initial investment
IRR (interpolation)	IRR = A% + [NPV@A% / (NPV@A% − NPV@B%)] × (B% − A%)

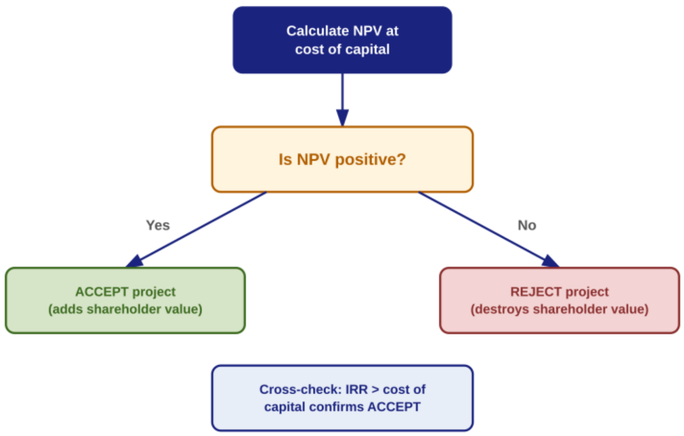

Figure 10 — The investment appraisal accept/reject decision

MEMORY TIP: Accept if NPV is positive, or if IRR exceeds the cost of capital. NPV is in £, IRR is in %.

Cost of Capital

Term	Formula
Cost of equity (dividend growth)	Ke = D1 ÷ P0 + g
Cost of equity (CAPM)	Ke = Rf + β(Rm − Rf)
WACC	WACC = [E/(E+D)]×Ke + [D/(E+D)]×Kd×(1−T)

MEMORY TIP: The (1−T) tax adjustment only appears on the DEBT side of WACC, since interest is tax-deductible while dividends are not.

Working Capital Management

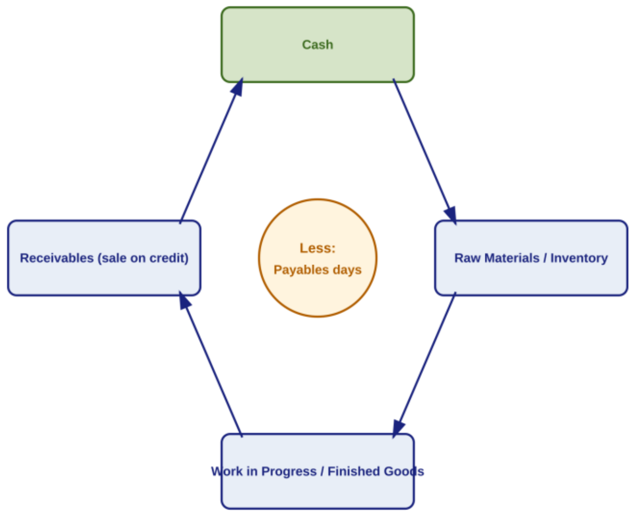

Figure 11 — The cash operating cycle

Term	Formula
Cash Operating Cycle	Inventory days + Receivables days − Payables days
EOQ	EOQ = SQRT(2 × D × Co ÷ Ch)
MEMORY TIP: A SHORTER operating cycle is better — cash is tied up for less time.	

STRATEGIC PROFESSIONAL LEVEL (2 Compulsory + 2 of 4 Optional)

SBL — Strategic Business Leader (Compulsory)

Integrated case-study paper — combines strategy, governance, risk, and ethics. Frameworks matter more than formulas here.

Ansoff's Matrix — Growth Strategy

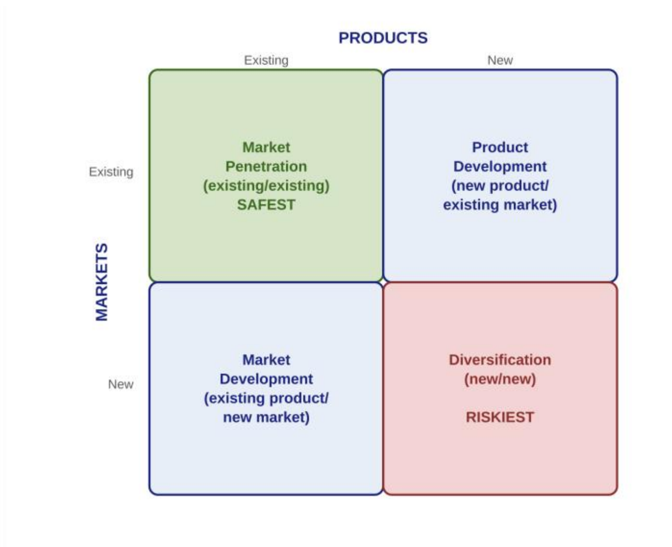

Figure 12 — Ansoff's Matrix: four growth strategies by product/market combination

MEMORY TIP: Existing/existing = Market Penetration (safest). New + new = Diversification (riskiest).

Mendelow's Matrix — Stakeholder Analysis

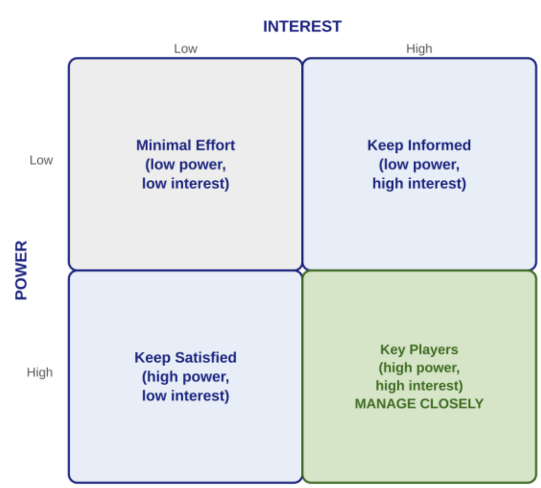

Figure 13 — Mendelow's power/interest matrix for stakeholder management

MEMORY TIP: High power + high interest = "Key Players" — manage closely.

Risk Management — TARA

Response	Meaning
Transfer	Pass the risk to a third party (e.g. insurance)
Avoid	Do not undertake the risky activity at all
Reduce	Take action to lessen the likelihood or impact
Accept	Take no action — the risk is within tolerance

Balanced Scorecard

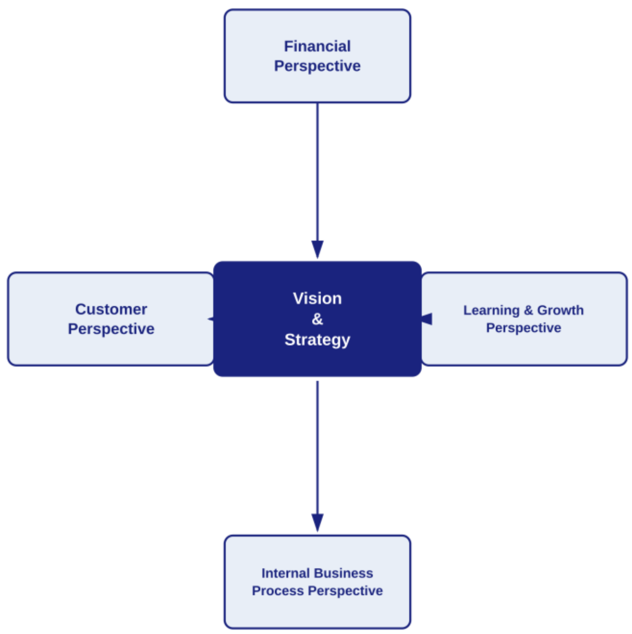

Figure 14 — The Balanced Scorecard: four perspectives around strategy

MEMORY TIP: "FCIL": Financial, Customer, Internal process, Learning & growth — balances financial AND non-financial measures.

Governance

- UK Corporate Governance Code: Board leadership, Division of responsibilities, Composition/succession/evaluation, Audit/risk/internal control, Remuneration
- Agency theory — the conflict of interest between shareholders (principals) and directors (agents)

SBR — Strategic Business Reporting (Compulsory)

The advanced version of FR. Expect complex group accounting, financial instruments, and judgement-heavy standard application.

Complex Group Structures

Relationship	Typical Holding	Accounting Treatment
Subsidiary	>50% control	Full consolidation (100% + NCI)
Associate	20-50% significant influence	Equity method (one-line)
Joint venture	Joint control	Equity method (IFRS 11)
Investment	<20%, no influence	Fair value (IFRS 9)

MEMORY TIP: Subsidiary = CONTROL → consolidate. Associate = INFLUENCE → equity method.

Deferred Tax & EPS

Term	Formula
Deferred tax liability/asset	Temporary difference × Tax rate [Temp diff = Carrying amount − Tax base]
Diluted EPS	Adjusted earnings ÷ (Weighted avg shares + Dilutive potential shares)

MEMORY TIP: Carrying amount > Tax base = Deferred TAX LIABILITY. Carrying amount < Tax base = Deferred TAX ASSET.

Financial Instruments (IFRS 9) & Foreign Currency (IAS 21)

- IFRS 9 classification depends on business model AND contractual cash flow characteristics: Amortised cost, FVOCI, or FVTPL
- Expected credit loss model — impairment recognised BEFORE a default actually occurs
- IAS 21: monetary items retranslated at closing rate; non-monetary items at historic rate (unless revalued)

MEMORY TIP: "Monetary moves, non-monetary stays" at each reporting date.

Strategic Professional — Optional Papers (choose 2 of 4)

These are examined by fewer candidates but are summarised here for completeness.

AFM — Advanced Financial Management

Term	Formula
Adjusted Present Value (APV)	Base-case NPV (all-equity) + PV of financing side effects
CAPM (project-specific)	Ke = Rf + β(Rm − Rf) — ungear/regear beta for different risk/gearing
Hedge Type	**Key Feature**
Forward	Fixed rate agreed now, no flexibility, OTC
Future	Exchange-traded, standardised contract size
Option	Right but not obligation — premium paid
Swap	Exchange of cash flow streams (e.g. fixed for floating)

MEMORY TIP: "Forwards and Futures FIX it, Options give a CHOICE" — options are the only hedge you can walk away from.

APM — Advanced Performance Management

Framework	Components
Building Block Model (Fitzgerald & Moon)	Dimensions, Standards, Rewards
Performance Pyramid (Lynch & Cross)	Links corporate vision to daily

Framework	Components
	operations across 4 levels
MEMORY TIP: Building Block Model = "DSR": Dimensions, Standards, Rewards.	

ATX — Advanced Taxation

- Builds on TX with deeper reliefs: Business Asset Disposal Relief (CGT), Inheritance Tax (IHT) planning, trusts, complex corporate restructuring
- IHT — no charge on the first portion of a chargeable estate up to the nil rate band threshold (always confirm the current-year figure)

AAA — Advanced Audit and Assurance

Ethical Threat	Example
Self-interest	Auditor holds shares in the client
Self-review	Auditor reviews their own prior work (e.g. bookkeeping they performed)
Advocacy	Auditor promotes the client's position (e.g. in a legal dispute)
Familiarity	Long association with client staff reduces professional scepticism
Intimidation	Client pressure or threats deter objective judgement
MEMORY TIP: "SAFI+I" — Self-interest, Advocacy, Familiarity, Intimidation, Self-review — the five threats to independence.	

Quick Revision Checklist

- Applied Knowledge (BT, MA, FA): master double entry, contribution/break-even, and basic frameworks — these underpin everything later.
- Applied Skills (LW, PM, TX, FR, AA, FM): this is where formulas peak — NPV, WACC, variances, ratios, consolidation basics. Practice calculations daily.
- Strategic Professional (SBL, SBR + 2 optional): less about memorising formulas, more about APPLYING judgement to case-study scenarios.

Good luck with your ACCA journey — practice free ACCA questions and connect with other candidates on the PCC forum.

