

For PER support and advice on answering challenge questions
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FOCUS ON PER

PO 15: EVALUATE BUSINESS/INVESTMENT OPPORTUNITIES AND THE REQUIRED FINANCE OPTIONS LINKED TO ACCA QUALIFICATION PAPERS F9 AND P4

ACCA students aspiring to a career in business or industry can be in no doubt about how the role they will play will amount to much more than simply recording historic figures. Today, accountants are required to be business partners, working closely with, and advising, those in key sales and operational roles, often at senior management or board level.

A key component of your role will be to evaluate potential business or investment opportunities. So, what would you need to demonstrate to your line manager or employer? Relevant activity might include:

- ▣ assessing the risks and potential returns associated with new opportunities (eg new territories, relocations, acquisitions or product launches)
- ▣ investigate the costs, features and benefits of different finance options, before making specific recommendations based on your employer's own financial circumstances
- ▣ performing cost-benefit analysis of potential investments (considering aspects of risk and potential return)
- ▣ identifying advantages and constraints of potential corporate action (eg buyout, merger, takeover, relocation – even closing down a site/office)
- ▣ appraising different potential capital investment opportunities (considering issues such as how quickly the investment might be realised if needed)

A KEY COMPONENT OF YOUR ROLE WILL BE TO EVALUATE POTENTIAL BUSINESS OR INVESTMENT OPPORTUNITIES. THESE MAY INCLUDE ASSESSING RISKS ASSOCIATED WITH NEW OPPORTUNITIES, INVESTIGATING COSTS AND PERFORMING COST-BENEFIT ANALYSIS OF POTENTIAL INVESTMENTS.

- ▣ researching and appraising available sources of finance (which might include thinking about previously unconsidered options, such as factoring, leasing or grants).

The next step is to answer the challenge questions for this objective in the trainee development matrix (TDM):

- ▣ Outline your experience in this area:
 - This could be an explanation of how you might revise a budget, depending on the outcome of a particular investment, and demonstrating the potential impact on figures such as sales, profitability or payroll.
 - You might include work carried out to determine, as much as is feasible, the profitability of all new investment opportunities, as stand-alone investments or as a multiple exercise, comparing and contrasting each investment and keeping in mind the non-financial implications (such as environmental impact, or effect on workforce numbers).
 - ▣ What have you done to fully analyse investment opportunities?
 - Perhaps you've been given responsibility for assessing the value of a long-term investment project, either at the outset or completion, or even as a work-in-progress.
- Activity could include determining associated revenue and costs (such as resources and people), comparing the different elements of the project, assessing their individual and joint merits (paying attention to net cash flow and cost of capital).
- You might attend a client meeting regarding a change to service delivery (at your company's or the client's request), before which you might calculate potential post-change profitability and make recommendations to your managers – or, if you're calculating the cost implications for the client, then recommending alternatives to them instead.
 - ▣ How has research you have done been integrated into a recommendation for management?
 - Consider what has happened to your research once it's been submitted to your line manager or departmental head. How has it impacted on any investment decision? If the investment went ahead, how did your recommendations influence the way the project or action was organised and planned? Illustrate this with specific examples of where your figures have been used, eg to assist with cost control or in forecasting profitability.