

ACCA

Applied Knowledge

**ACCA Diploma in
Business and Technology
(RQF Level 4)**

**Business and Technology
(BT/FBT)**

Study Text

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How to Use the Materials

These Kaplan Publishing learning materials have been carefully designed to make your learning experience as easy as possible and to give you the best chances of success in your examinations.

The product range contains a number of features to help you in the study process. They include:

- 1 Detailed study guide and syllabus objectives
- 2 Description of the examination
- 3 Study skills and revision guidance
- 4 Study text
- 5 Question practice

The sections on the study guide, the syllabus objectives, the examination and study skills should all be read before you commence your studies. They are designed to familiarise you with the nature and content of the examination and give you tips on how to best to approach your learning.

The **Study Text** comprises the main learning materials and gives guidance as to the importance of topics and where other related resources can be found. Each chapter includes:

- The **learning objectives** contained in each chapter, which have been carefully mapped to the examining body's own syllabus learning objectives or outcomes. You should use these to check you have a clear understanding of all the topics on which you might be assessed in the examination.
- The **chapter diagram** provides a visual reference for the content in the chapter, giving an overview of the topics and how they link together.
- The **content** for each topic area commences with a brief explanation or definition to put the topic into context before covering the topic in detail. You should follow your studying of the content with a review of the illustration/s. These are worked examples which will help you to understand better how to apply the content for the topic.
- **Test your understanding** sections provide an opportunity to assess your understanding of the key topics by applying what you have learned to short questions. Answers can be found at the back of each chapter.
- **Summary diagrams** complete each chapter to show the important links between topics and the overall content of the paper. These diagrams should be used to check that you have covered and understood the core topics before moving on.

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Icon Explanations



Definition – Key definitions that you will need to learn from the core content.



Key point – Identifies topics that are key to success and are often examined.



Tricky topic – When reviewing these areas care should be taken and all illustrations and Test your understanding exercises should be completed to ensure that the topic is understood.



Supplementary reading – These sections will help to provide a deeper understanding of core areas. The supplementary reading is NOT optional reading. It is vital to provide you with the breadth of knowledge you will need to address the wide range of topics within your syllabus that could feature in an exam question. Reference to this text is vital when self-studying.



Test your understanding – Exercises for you to complete to ensure that you have understood the topics just learned.



Illustration – Worked examples help you understand the core content better.



Progression – This symbol links the topics in the chapter to other relevant papers in the ACCA syllabus.

The business organisation

Chapter learning objectives

Upon completion of this chapter you will be able to:

- define 'business organisations' and explain why they are formed
- describe common features of business organisations
- describe how business organisations differ
- list the sectors in which business organisations operate
- identify the different types of business organisation and their main characteristics: commercial, not-for-profit, public sector, non-governmental organisations, cooperatives.



 Types of organisation are also explored in the Corporate and Business Law examination, the Financial Reporting examination and the Strategic Business Leader examination.

1 Business organisations and the reason they are formed

1.1 What is a business organisation?

Defining an organisation is difficult as there are many types of organisations which are set up to meet a variety of needs, such as clubs, schools, companies, charities and hospitals.

What they all have in common is summarised in the definition produced by **Buchanan and Huczynski**.

 'Organisations are social arrangements for the controlled performance of collective goals.'

Note the three key aspects of this definition:

- collective goals
- social arrangements
- controlled performance.



What is an organisation?

Consider the three aspects of Buchanan and Huczynski's definition in more detail:

- 'Collective goals' – organisations are defined by their goals. The main goal of a school is to educate pupils. It will therefore be organised differently to a company that aims to make profits.
- 'Social arrangements' – someone working alone cannot be classed as an organisation. Organisations are structured to allow people to work together towards a common goal. Usually, the larger the organisation, the more formal its structures.
- 'Controlled performance' – an organisation will have systems and procedures in place to ensure that group goals are achieved. For a company this could involve setting sales targets, or periodically assessing the performance of staff members.

It is worth noting that a major similarity between most organisations is that they are mainly concerned with taking inputs and transforming them into outputs.

For a manufacturing company, this could involve taking raw materials and transforming them into a finished product that can be sold onto its customers.

An accountancy training firm will also take inputs (students and syllabuses) and transform them into outputs (qualified accountants).



Illustration 1 – Football team

A football team can be described as an organisation because:

- It has a number of players who have come together to play a game.
- The team has an objective (to score more goals than its opponent).
- To do their job properly, the members have to maintain an internal system of control to get the team to work together. In training they work out tactics so that in play they can rely on the ball being passed to those who can score goals.
- Each member of the team is part of the organisational structure and is skilled in a different task: the goalkeeper has more experience in stopping goals being scored than those in the forward line of the team.
- In addition, there must be team spirit, so that everyone works together. Players are encouraged to do their best, both on and off the field.



Test your understanding 1

Which of the following would be considered to be an organisation according to the definition produced by Buchanan and Huczynski?

- (i) A sole trader
 - (ii) A tennis club
 - (iii) A hospital
- A (i), (ii) and (iii)
 B (i) and (ii) only
 C (ii) and (iii) only
 D (i) and (iii) only

1.2 Why do we need organisations?

Organisations enable people to:

- **Share skills and knowledge** – this can enable people to perform tasks that they would be unable to achieve on their own. Knowledge can also be shared between all the people within the organisation.
- **Specialise** – individual workers can concentrate on a limited type of activity. This allows them to build up a greater level of skill and knowledge than they would have if they attempted to be good at everything.
- **Pool resources** – whether money or time.

This results in **synergy** where organisations can achieve more than the individuals could on their own.



Test your understanding 2

Daniel is organising a social event. Which of the following would be benefits of him forming a committee to manage the planning process and the event itself?

- (i) It would help to overcome his limitations, by bringing on board other people with different skills to him.
 - (ii) It would save time through the joint efforts of everyone on the committee.
 - (iii) It would help to satisfy Daniel's social needs.
 - (iv) All members of the committee would have to be skilled in all aspects of managing the social event.
- A (i), (ii) and (iii) only
B (i), (iii) and (iv) only
C All of the above
D None of the above

2 Different types of organisation

As we have discussed, different organisations have different goals. We can therefore classify them into several different categories.

2.1 Commercial versus not-for-profit

Commercial organisations

Commercial (or profit-seeking) organisations see their main objective as maximising the wealth of their owners.



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