

Business Environment and Concepts (BEC) – Content Outline Effective January 2014

The Business Environment and Concepts section tests knowledge and skills necessary to demonstrate an understanding of the general business environment and business concepts. The topics in this section include knowledge of corporate governance; economic concepts essential to understanding the global business environment and its impact on an entity's business strategy; financial risk management; financial management processes; information systems and communications; strategic planning; and operations management.

In addition to demonstrating knowledge and understanding of these topics, candidates are required to apply that knowledge in performing audit, attest, financial reporting, tax preparation, and other professional responsibilities as certified public accountants. To demonstrate such knowledge and skills, candidates will be expected to perform the following tasks:

- Demonstrate an understanding of globalization on the business environment
- Distinguish between appropriate and inappropriate governance structures within an organization (e.g. tone at the top, policies, steering committees, strategies, oversight, etc.).
- Assess the impact of business cycles on an entity's industry or business operations.
- Apply knowledge of changes in the global economic markets in identifying the impact on an entity in determining its business strategy and financial management policies, including managing the risks of: inflation, deflation, commodity costs, credit defaults, interest rate variations, currency fluctuation, and regulation.
- Assess the factors influencing a company's capital structure, including risk, leverage, cost of capital, growth rate, profitability, asset structure, and loan covenants.
- Evaluate assumptions used in financial valuations to determine their reasonableness (e.g. investment return assumptions, discount rates, etc.).
- Determine the business reasons for and explain the underlying economic substance of transactions and their accounting implications.
- Identify the information systems within a business that are used to process and accumulate transactional data, as well as provide monitoring and financial reporting information.
- Distinguish between appropriate and inappropriate internal control systems, including system design, controls over data, transaction flow, wireless technology, and internet transmissions.
- Evaluate whether there is appropriate segregation of duties, levels of authorization, and data security in an organization to maintain an appropriate internal control structure.
- Obtain and document information about an organization's strategic planning processes to identify key components of the business strategy and market risks.
- Develop a time-phased project plan showing required activities, task dependencies, and required resources to achieve a specific deliverable.

- Identify the business and operational risks inherent in an entity's disaster recovery/business continuity plan.
- Evaluate business operations and quality control initiatives to understand its use of best practices and the ways to measure and manage performance and costs.

The outline below specifies the knowledge in which candidates are required to demonstrate proficiency:

I. Corporate Governance (16% - 20%)

A. Rights, Duties, Responsibilities, and Authority of the Board of Directors, Officers, and Other Employees

1. Financial reporting
2. Internal control (including COSO or similar framework)
3. Enterprise risk management (including COSO or similar framework)

B. Control Environment

1. Tone at the top – establishing control environment
2. Monitoring control effectiveness
3. Change control process

II. Economic Concepts and Analysis (16% - 20%)

A. Changes in Economic and Business Cycles – Economic Measures/Indicators

B. Globalization and Local Economies

1. Impacts of globalization on companies
2. Shifts in economic balance of power (e.g. capital) to/from developed from/to emerging markets

C. Market Influences on Business Strategies

D. Financial Risk Management

1. Market, interest rate, currency, liquidity, credit, price, and other risks
2. Means for mitigating/controlling financial risks

III. Financial Management (19% - 23%)

A. Financial Modeling, Projections, and Analysis

1. Forecasting and trends

2. Financial and risk analysis

3. Impact of inflation/deflation

B. Financial Decisions

1. Debt, equity, leasing

2. Asset and investment management

C. Capital Management, including Working Capital

1. Capital structure

2. Short-term and long-term financing

3. Asset effectiveness and/or efficiency

D. Financial Valuations (e.g. Fair Value)

1. Methods for calculating valuations

2. Evaluating assumptions used in valuations

E. Financial Transaction Processes and Controls

IV. Information Systems and Communications (15% - 19%)

A. Organizational Needs Assessment

1. Data capture

2. Processing

3. Reporting

4. Role of information technology in business strategy

B. Systems Design and Other Elements

1. Business process design (integrated systems, automated, and manual interfaces)

2. Information Technology (IT) control objectives

3. Role of technology systems in control monitoring

4. Operational effectiveness

5. Segregation of duties

6. Policies

C. Security

1. Technologies and security management features

2. Policies

D. Internet – Implications for Business

1. Electronic commerce

2. Opportunities for business process reengineering

3. Roles of internet evolution on business operations and organization cultures

E. Types of Information System and Technology Risks

F. Disaster Recovery and Business Continuity

V. Strategic Planning (10% – 14%)

A. Market and Risk Analysis

B. Strategy Development, Implementation, and Monitoring

C. Planning Techniques

1. Budget and analysis

2. Forecasting and projection

3. Coordinating information from various sources for integrated planning

VI. Operations Management (12% - 16%)

A. Performance Management and Impact of Measures on Behavior

1. Financial and nonfinancial measures

2. Impact of marketing practices on performance

3. Incentive compensation

B. Cost Measurement Methods and Techniques

C. Process Management

1. Approaches, techniques, measures, and benefits to process-management-driven businesses

2. Roles of shared services, outsourcing, and off-shore operations, and their implications on business risks and controls
3. Selecting and implementing improvement initiatives
4. Business process reengineering
5. Management philosophies and techniques for performance improvement such as Just in Time (JIT), Quality, Lean, Demand Flow, Theory of Constraints, and Six Sigma

D. Project Management

1. Project planning, implementation, and monitoring
2. Roles of project managers, project members, and oversight or steering groups
3. Project risks, including resource, scope, cost, and deliverables