

THE BUSINESS ENVIRONMENT SYNOPTIC

STUDY TEXT

Qualifications and Credit Framework

Q22 Level 2 Certificate in Accounting

This Study Text supports study for the following AAT qualifications:

AAT Level 2 Certificate in Accounting

AAT Level 2 Certificate in Bookkeeping

AAT Certificate in Accounting at SCQF Level 6

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INTRODUCTION

HOW TO USE THESE 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 chance of success in your AAT assessments.

They contain a number of features to help you in the study process.

The sections on the Unit Guide, the Assessment and Study Skills should be read before you commence your studies.

They are designed to familiarise you with the nature and content of the assessment and to give you tips on how best to approach your studies.

STUDY TEXT

This study text has been specially prepared for the revised AAT qualification introduced in September 2022.

It is written in a practical and interactive style:

- key terms and concepts are clearly defined
- all topics are illustrated with practical examples with clearly worked solutions based on sample tasks provided by the AAT in the new examining style
- frequent activities throughout the chapters ensure that what you have learnt is regularly reinforced
- 'pitfalls' and 'examination tips' help you avoid common mistakes and focus on what is required to perform well in your examination.

ICONS

The study chapters include the following icons throughout.

They are designed to assist you in your studies by identifying key definitions and the points at which you can test yourself on the knowledge gained.



Definition

These sections explain important areas of knowledge which must be understood and reproduced in an assessment.



Example

The illustrative examples can be used to help develop an understanding of topics before attempting the test your understanding exercises.



Test your understanding

These are exercises which give the opportunity to assess your understanding of all the assessment areas.

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Our Quality Co-ordinator will work with our technical team to verify the error and take action to ensure it is corrected in future editions.

The English legal system

Introduction

The AAT Business Environment unit introduces some of the main areas of business and company law that are relevant to the work of accountants. The purpose of the unit is to introduce some key aspects of commercial law and to demonstrate how the law affects the role of the professional accountant on a daily basis.

This unit also provides practical knowledge about the law that is useful in personal as well as work situations.

ASSESSMENT CRITERIA

- 1.1 The different classifications of law
- 1.2 The main sources of law

CONTENTS

- 1 Sources of law
- 2 Case law and judicial precedent
- 3 Statute law
- 4 Public law and private law
- 5 Criminal law and civil law

1 Sources of law

1.1 What is law?



Definition

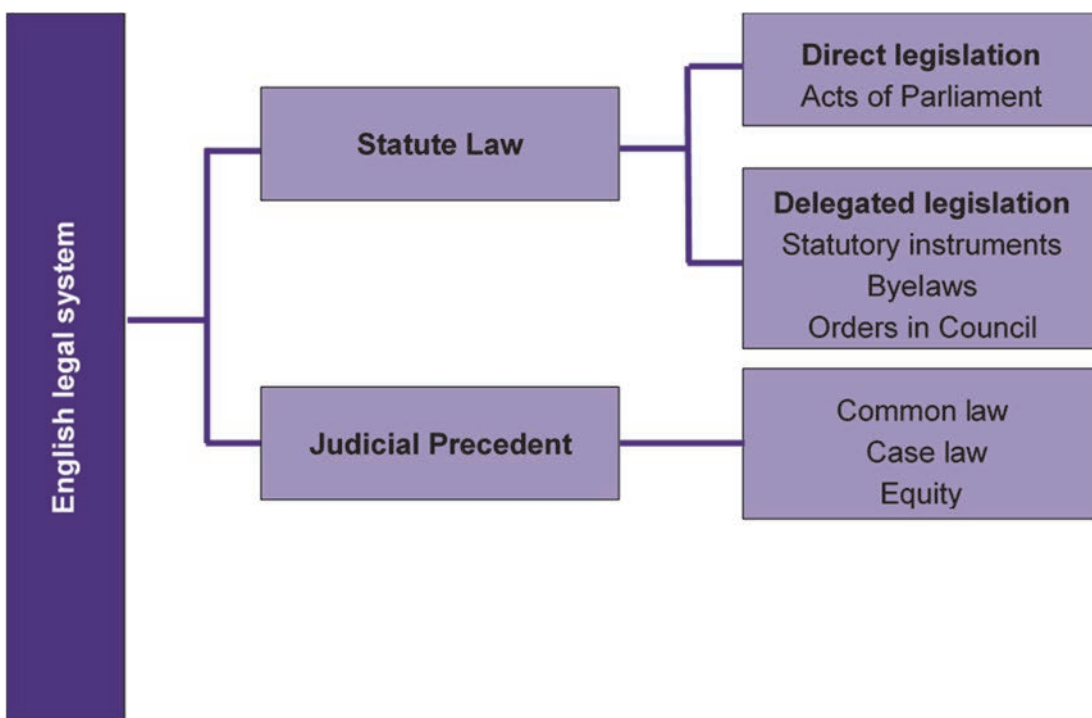
Law: The principles and regulations established in a community by some authority and applicable to its people whether in the form of legislation or of custom and policies recognised and enforced by judicial decision.

1.2 Sources of law

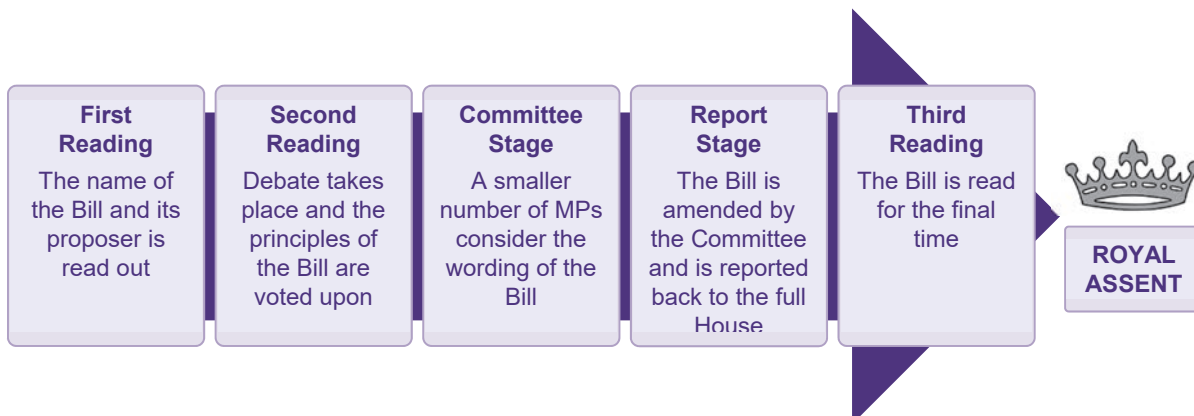
There are two main sources of law in the English legal system:

- **Case law** – law which has been developed over time by judges when deciding the outcome of cases brought before the courts. This law has evolved through the **common law** and **equity** systems.
- **Statute law** – laws made by Parliament through **direct legislation** and **delegated legislation**.

This chapter will explain these sources and summarise the court structure.



The path of the Bill through Parliament is shown below:



For more information about how parliament works visit www.parliament.uk.

As statute law takes precedence over case law the courts cannot question the validity of an Act of Parliament.

3.3 Delegated legislation

The Government can make changes to a law without going through the process of passing an Act of Parliament if there is a provision within the original Act for **delegated legislation**.

🔍

Definition

Delegated legislation (or secondary legislation) is law that has been passed otherwise than in an Act of Parliament. It is usually concerned with detailed changes to the law, without the need for further Acts to be passed.

For this to occur, the original Act (or primary legislation) would have had provisions that allow for future delegated legislation to alter the law to a specified extent.

The changes made under delegated legislation range in degree from technical details, for example altering the level of a fine, to filling out the substantial details of an enabling Act.

Examples of delegated legislation:

Statutory Instruments Statutory instruments are made by government ministers who have been given powers in a parent Act to authorise detailed orders, rules or regulations. Statutory instruments are usually drafted by the legal office of the relevant government department following consultation with interested parties.

Byelaws

Byelaws are made by local authorities and only apply within a specific geographic area. They are created when there is no general legislation which deals with particular local concerns.

They must be approved by a Secretary of State (government minister) before they can come into force.

Orders in Council

In times of emergency, the Crown and Privy Council have the power to introduce delegated legislation.

3.4 Advantages and disadvantages of delegated legislation

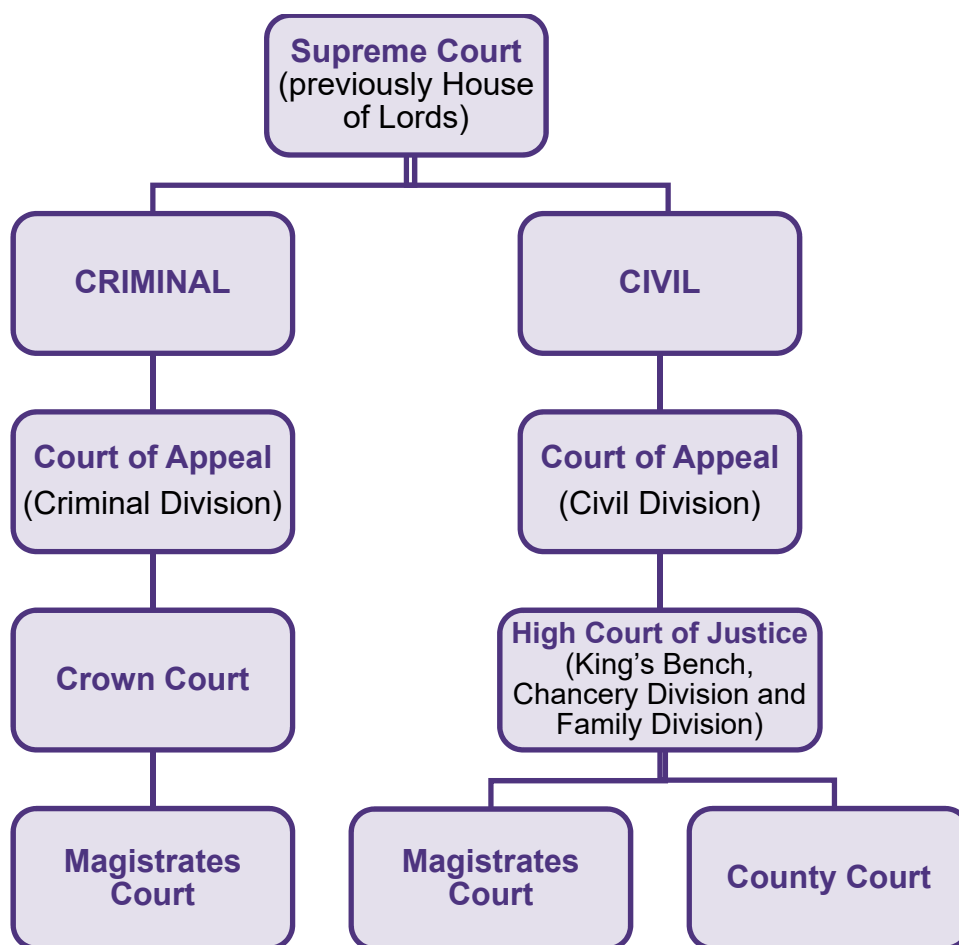
Advantages	Disadvantages
Saves Parliamentary time	The volume involved and lack of publicity means that it is difficult to keep up with changes introduced
Access to technical expertise leaves Parliament free to consider and debate the underlying principles	Could be challenged as being undemocratic as changes are enacted without review by the elected House of Commons
Flexibility – it is quick and easy to make and to change	



Test your understanding 2

Which of the following statements regarding delegated legislation are correct? Tick all that apply.

Statement	Correct?
Delegated legislation must be passed in Parliament the same way as direct legislation.	
Byelaws are an example of delegated legislation.	



Examples – the civil courts

SUPREME COURT

Normally it consists of five Justices of Supreme Court hearing appeals from the Court of Appeal and very occasionally from the High Court.

COURT OF APPEAL

Three Lord Justices of Appeal hear appeals from both the High Court and County Courts.

HIGH COURT OF JUSTICE

One High Court judge in the first instance, two or three for appeals.

The High Court is split into three divisions, based on the type of claims heard.

The King's Bench Division hears the first instance cases of contract and tort. The Chancery Division deals with land law, trusts, company law, insolvency, etc. The Family Division hears matrimonial cases.



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