



# Understanding Public Sector Governance for the ACCA SBL Exam



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## INTRODUCTION

# Syllabus B SBL

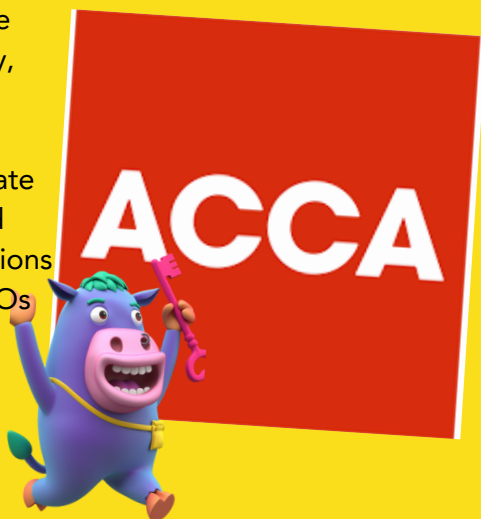
The syllabus states that students must be able to:

*'Discuss public sector, private sector, charitable status and non-governmental (NGO and quasi-NGOs) forms of organisation, including agency relationships, stakeholders' objectives and performance criteria.'*

Understanding these forms is fundamental, as it shapes the way you think about strategy, stakeholder objectives, and performance criteria. We'll cover the public sector, private sector, charitable status, and non-governmental organizations (NGOs), including quasi-NGOs in this e-book.

We'll also explore how they differ in terms of agency relationships, stakeholder objectives, and performance criteria.

Plus, we'll show you how this has been examined in previous years by ACCA and give you the examiners feedback and advice on how gain maximum marks -what's not to love!



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# Public Sector Organisations

## Who/What

Public sector organisations are entities created and operated by the government. They provide public goods and services that are essential to society, such as healthcare, education, and infrastructure.



## Key

### Characteristics

- **Funding:** Primarily funded by taxpayers' money.
- **Objectives:** Focused on providing public services efficiently and equitably rather than making a profit.
- **Agency Relationships:** Operate under government control, with public officials and civil servants acting as agents.
- **Stakeholder Objectives:** Aim to meet the needs and expectations of the public and elected officials.
- **Performance Criteria:** Success is measured by the quality, accessibility, and efficiency of services rather than financial performance.

## Example

Think about the National Health Service (NHS) in the UK, whose primary goal is to provide healthcare services to everyone, regardless of their ability to pay.

## CHAPTER ONE

# Private Sector Organisations

### Who/What

Private sector organisations are businesses that operate to make a profit. They range from small businesses to multinational corporations.



### Key Characteristics

- Funding: Funded through private investments, sales of goods and services, and capital markets.
- Objectives: Primarily focused on generating profits and providing returns to shareholders.
- Agency Relationships: Managed by private owners or shareholders who appoint directors and executives to run the business.
- Stakeholder Objectives: Shareholders aim for financial returns, while customers seek quality products and services.
- Performance Criteria: Measured by financial metrics such as revenue, profit margins, and return on investment.

### Example

Companies like Apple or Google, whose performance is evaluated based on their profitability and market share.

# Charitable Status Organisations

## Who/What

Charitable organisations, often known as charities, are established to provide a specific public benefit, typically focusing on social, environmental, or humanitarian causes.



## Key

### Characteristics

- **Funding:** Rely on donations, grants, and fundraising activities.
- **Objectives:** Aim to address societal issues and improve the welfare of specific groups or causes rather than making a profit.
- **Agency Relationships:** Governed by a board of trustees or directors who oversee operations to ensure alignment with the charitable mission.
- **Stakeholder Objectives:** Beneficiaries seek support and aid, while donors expect transparency and effective use of their contributions.
- **Performance Criteria:** Evaluated based on the impact of their activities and the efficient use of funds.

## Example

Organisations like Oxfam or the Red Cross, whose effectiveness is judged by their ability to alleviate poverty or respond to disasters.

# NGOs & Quasi-NGOs

## Who/What

NGOs are independent organisations that pursue activities to relieve suffering, promote interests, or support community development. Quasi-NGOs (QANGOs) operate similarly but often receive partial funding or guidance from the government.



## Key Characteristics

- Funding: Typically funded through donations, grants, and, for QANGOs, partial government funding.
- Objectives: Focus on addressing specific issues such as human rights, environmental protection, or economic development.
- Agency Relationships: Operate independently of government control, but QANGOs might have some government oversight or partnership.
- Stakeholder Objectives: Serve the needs of specific communities or causes, while supporters seek meaningful impact and advocacy.
- Performance Criteria: Success is gauged by the effectiveness in achieving their mission, advocacy impact, and operational efficiency.

## Example

NGOs like Greenpeace or Doctors Without Borders, whose success is measured by their ability to campaign for environmental change or provide medical aid in crisis areas

# Understanding The Differences

Each type of organisation operates within its unique framework of objectives and performance metrics. As future business leaders, recognising these distinctions will enhance your strategic thinking and decision-making capabilities.

## **Agency Relationships**

Think about who is in control and accountable for the organization's operations. This varies significantly between government-controlled public entities and privately managed businesses or independent NGOs.

## **Stakeholder Objectives**

Identify who the stakeholders are and what they seek from the organisation. This can range from public satisfaction in the public sector to financial returns in the private sector.

## **Performance Criteria**

Determine how success is measured. This can be financial performance, impact on society, or operational efficiency.





# Past Exams

The topic of different types of organisations, including public sector, private sector, charitable status, and non-governmental organisations (NGOs), has been featured in several ACCA Strategic Business Leader (SBL) exams. Here's a brief overview of its recent appearances

## December 2022 SBL Exam

The exam included a question about analysing the differences in objectives and performance criteria between a public sector organisation and a private sector business. Candidates were required to compare how these organisations define success and measure performance.

## March 2022 SBL Exam

This exam tested candidates on agency relationships and the implications for stakeholder management in different organisational contexts. It included scenarios involving public sector and NGO operations, requiring students to analyse stakeholder objectives and how they are met.

## September 2021 SBL Exam

A case study presented in this exam focused on a charitable organisation and an NGO, exploring their funding models, stakeholder engagement, and performance measurement. Candidates needed to discuss how these organisations balance their mission-driven objectives with operational efficiency.

# Examiners Reports

Here's a summary of the key insights from the examiner reports for the SBL exams from December 2022.

## December 2022 SBL Exam

In the December 2022 exam, the examiners highlighted the need for candidates to deeply understand the distinctions between different types of organisations. **The feedback emphasised the importance of recognising how public and private sector entities differ in their objectives, governance structures, and performance measures.**

Candidates were expected to analyse these differences comprehensively and relate them to practical scenarios provided in the exam.

## December 2022 SBL Exam

One of the recurring issues noted was the **superficial treatment of organisational objectives and the failure to connect them to broader strategic implications.**

**Candidates** often struggled with explaining how these objectives influence the organisation's strategy and stakeholder relationships. For instance, understanding how a public sector organisation's focus on service delivery and equity impacts its operational decisions was a key expectation not consistently met by many candidates.

Check out our **Youtube** Video for this Report [\*\*HERE!\*\*](#)

**Common Pitfalls: Lacked depth in connecting objectives to strategic decisions.**

# Examiners Reports

Here's a summary of the key insights from the examiner reports for the SBL exams March 2022.

## March 2022 SBL Exam

The March 2022 exam required candidates to explore agency relationships within different organisational forms. **Examiners pointed out that many candidates found it challenging to effectively analyse the implications of these relationships on stakeholder objectives and organisational performance.**

[March 2022 SBL  
Examiners Report  
HERE](#)

## March 2022 SBL Exam

Feedback highlighted that a **stronger grasp of agency theory was needed**, particularly how it applies to governance in public, private, and non-profit sectors. Candidates were expected to discuss how agency relationships could lead to potential conflicts of interest and how these are managed differently across sectors.

The importance of aligning stakeholder expectations with organisational objectives and the role of governance in mitigating agency problems were key areas where many candidates fell short.

**Common Pitfalls: Inadequate understanding and application of agency theory.**

# Examiners Reports

Here's a summary of the key insights from the examiner reports for the SBL exams September 2021

## September 2021 SBL Exam

For the September 2021 session, the feedback focused on the performance criteria and measurement in charitable and NGO contexts.

Examiners noted that while candidates could identify the broad objectives of these organisations, **many struggled to explain how success is measured differently from profit-driven entities.**

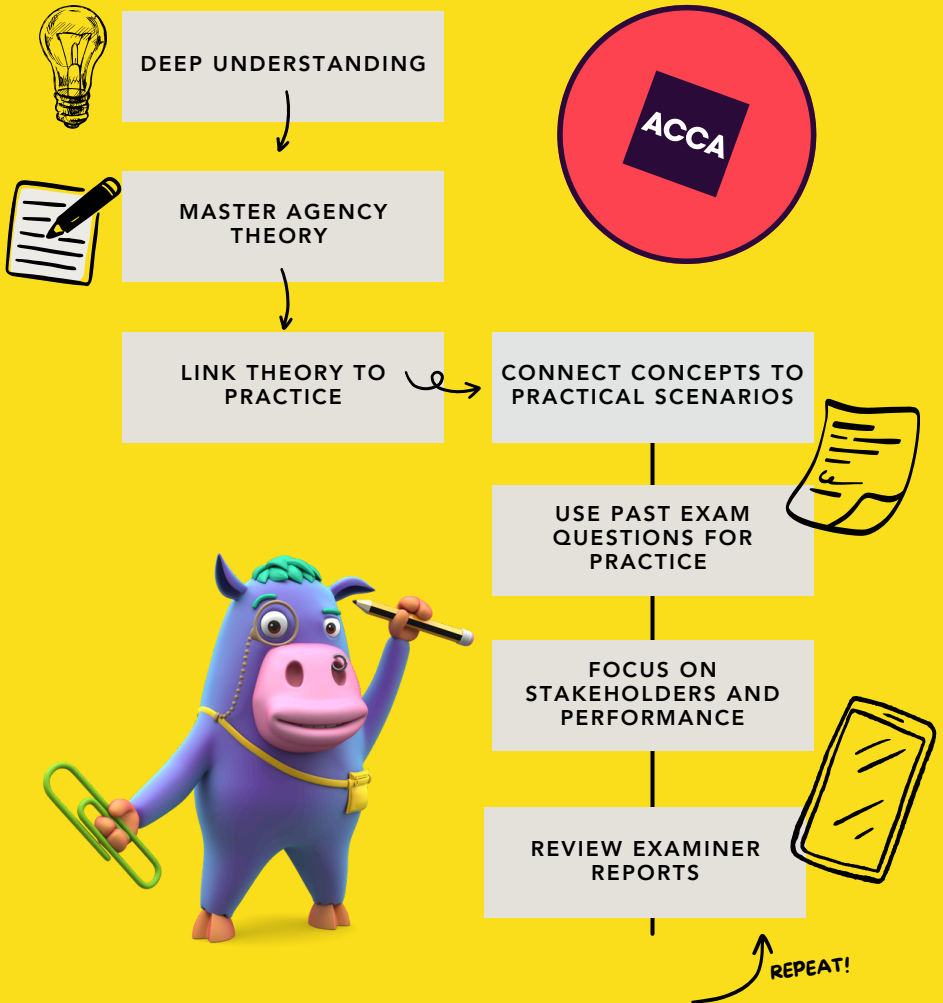
## September 2021 SBL Exam

The examiners stressed the need for candidates to understand and articulate how impact and mission fulfillment are evaluated in charitable and NGO settings. For example, **assessing how effectively a charity uses its resources to achieve its social mission, or how an NGO measures its advocacy success, were areas where deeper analysis was expected.**

[September 2021 Examiners Report HERE](#)

**Common Pitfalls: Insufficient analysis of impact and mission fulfillment.**

# Final Study Tips



## CONCLUSION

# Key Recommendations

1. **Deep Understanding of Organisational Types:** Go beyond basic definitions and explore how different sectors operate, their unique challenges, and strategic priorities.
2. **Agency Relationships:** Develop a solid grasp of agency theory and its implications for governance and decision-making across various organizational forms.
3. **Stakeholder Objectives and Performance Metrics:** Be able to identify and analyze the diverse objectives of stakeholders and how different organisations measure success, especially in non-profit and public sectors.
4. **Practical Application:** Always connect theoretical concepts to practical examples and scenarios. Use case studies to illustrate how these concepts play out in real-world settings.
5. **Exam Technique:** Structure your answers clearly, ensuring you address all parts of the question comprehensively. Link your analysis to the specific requirements of the exam task.



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