



**ACCA Strategic Business Leader/SBL
Preseen Application Note (PAN)
March 2025**

Historic Places (HP Charity)

(SAMPLE)

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Accounting
Practise
Center



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Preseen Application

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Historic Places (HP):

A charity in Eardisia focused on preserving historical sites.

Charitable Sector in Eardisia:

- ✓ Promote public welfare in areas such as health, poverty relief, education, history preservation, and social issues.
- ✓ Raised through donations, commercial activities, and other fundraising methods.
- ✓ Includes large national charities and smaller, single-site charities.

Donations - Sackler family

The Sackler family, through their company **Purdue Pharma**, donated large amounts of money to the museum to support art exhibitions and cultural projects.

Early on, **The Met (Metropolitan Museum of Art)** used the Sackler name for several major exhibitions, exhibitions' visibility and also strong cultural reputation. The museum also placed donation, linking their name to the museum's cultural values.

However, as Purdue Pharma became involved in the opioid crisis, the Sackler family's negative image began to affect the museum. Purdue Pharma had heavily marketed opioid drugs like **OxyContin**, which contributed to a widespread addiction crisis in the U.S., leading to many deaths and broken families.

Public criticism grew, with people questioning the museum's acceptance of funding from such a controversial source, especially since the museum had not fully examined the donor's background or legal issues.



which increased the helped the Sacklers build a



Although The Met had confidentiality agreements in place for large donations, the museum did not disclose the details of its donors at first. When the opioid crisis linked to Purdue Pharma was revealed, the museum faced significant public pressure. Critics argued that The Met should have done more to investigate its donors earlier. This loss of trust harmed the museum's reputation.

Amid growing criticism and public outrage, The Met decided to **cut ties with the Sackler family**, stop accepting their funds, and remove the family's name from donation plaques, especially in key exhibition areas. This decision restored some of the museum's moral standing but also led to a short-term loss of funding.

This is the risk of charities relying too heavily on one source of funding, especially when that source has ethical or legal issues. For The Met, the question remains whether it should have an independent **ethics committee** to review donors and ensure their funds align with the museum's cultural mission and social responsibility.

Culture and Donation (Strategic Alliance – Licensing)



The proposal was put forward by **Jean-Luc Martinez**, the current Director of the **Louvre Museum**. After taking on the role in 2013, he recognized the growing financial pressure due to the decreasing government funding for cultural heritage preservation. In order to sustain the museum's operations and its mission to protect artworks, Jean-Luc proposed seeking private sponsorship, particularly through partnerships with luxury brands. However, this idea was met with strong opposition from some senior figures within the museum.

At that time, several curators and art experts were shocked by the idea of collaborating with

In response to both internal and external resistance, Jean-Luc Martinez took a **centralized approach** to decision-making. Rather than seeking broad consultation, he took full responsibility for the decision. Specifically, he limited the scope of discussions and minimized external feedback, strongly asserting that this strategic move was essential for the museum's survival.

Measures are in place:

1. The Louvre's agreement with Chanel prevented them from influencing the curation.....
2. Chanel's commercial activities were limited to specific areas, with no products or ads displayed near the exhibition. Promotion was only allowed in official materials and after-event signage.
3. The Louvre made all collaboration details public, including Chanel's donations transparency.
4. The Louvre set up a committee of independent experts to review whether Chanel's support influenced exhibition content, ensuring artistic independence.

The Garden Bridge Project

The Garden Bridge was a proposed pedestrian bridge over the River Thames, designed to connect the South Bank to St Paul's Cathedral. It was meant to be a public green space with trees and plants. Joanna Lumley introduced the idea in 2013, gaining support from then-..... private donations, but due to cost overruns, site concerns, transparency issues, and financial problems, the project was cancelled in 2017, resulting in a £70 million loss, mostly from public funds.

Budget Overruns and Funding Gap

Initially estimated at £60 million, the cost of the Garden Bridge later soared to £200 million. The increase was due to complex while others argued for better cost control. Though the government initially supported the project, public criticism led to the withdrawal of some funding, worsening the financial gap.



Site Selection Debate and Public Opposition

The bridge, many citizens believed their concerns were ignored, seeing it as a public relations exercise rather than a genuine attempt to listen to feedback.

Transparency Issues and Internal Conflicts

Internal debates arose over how much financial information should be made public. Some trustees and external advisors wanted full transparency, pushing for reports on budget details,, opposed full disclosure, fearing negative media coverage, which could discourage private donors and slow decision-making. Ultimately, the Garden Bridge Trust only submitted regulators and refused to fully disclose funding details. Later, media investigations found missing financial records, which further damaged public trust.

Project Cancellation and Aftermath

In 2017, the Garden Bridge project was cancelled due to lack of funding, public opposition, and poor management. A total of £70 million was lost, with most of it coming from after.

Companies Limited by Guarantee (CLG)

The Garden Bridge Trust was registered as a Company Limited by Guarantee (CLG), which protected its trustees from personal financial responsibility.

CLG structure limits liability

CLGs do not have shareholders, only trustees or members. Trustees only guarantee a small Project funding came from government grants & donations, not loans
Private donations were voluntary contributions, meaning donors accepted the financial risk.

..... decisions led to failure.

Charity law protects trustees from honest mistakes

Under UK charity law, trustees must act in the best interests of the charity. However, they are not legally required to guarantee success.

Croce Rossa Italiana – Accept Personal Responsibility (CLG).

The Italian Red Cross was founded in the 19th century and had long been respected for its emergency, misusing public funds, and other financial misconduct, shocking the public and damaging the organisation's reputation.

Misuse of Funds

One senior official allegedly used charity funds to buy a €20,000 Rolex watch, but in the accounts, the purchase was listed as "volunteer project equipment." Another high-ranking leader bought a Hermès handbag, which was recorded as "promotional materials," pretending it was for charity events.



One executive claimed expenses for a business trip to Dubai, officially listed as a "medical equipment seminar." In reality, he stayed in the luxury Burj Al Arab hotel, costing €2,

..... - Guo Meimei scandal

In 2011, the Red Cross Society of China faced a major trust crisis due to the "[Guo Meimei scandal](#)." A woman claiming to be associated with the organization showcased a luxurious lifestyle on social media, sparking public concerns over the misuse of funds.

Although the Red Cross denied any transparency and integrity.

As a direct consequence, its fundraising efforts were significantly



Funding Problems – Oxfam Sexual Scandal

In 2018, Oxfam, a well-known charity, faced a major scandal. Reports revealed that some of its staff members had engaged in, launching one of its largest humanitarian aid missions to provide food, water, and shelter to the affected population.

During the relief efforts, several Oxfam employees were accused of led to accusations of covering up the misconduct.

When the scandal became widely known in 2018, it caused public outrage. Many people lost trust in Oxfam, and media reports criticized the organization's failure to act new internal policies to improve oversight of staff behavior and increase transparency in its operations.

The behavior of Oxfam's staff in Haiti was widely condemned. As a humanitarian organization, involving minors, is illegal in many countries. The incident highlighted the need for stricter monitoring and accountability in humanitarian work.



Reference to SBL Speedy Note:

- Staff problems (lower paid, part time staff at HP) – Risk implications, and Competitive Advantages assessment

Example of Statement of Financial Activities (Income & Expenditure Statement)

Currently governed by governed by a statement of recommended practice (SORP)

Income	£	Affected by
Membership Fees	X	- High membership retention rates - Effective marketing to attract new members - Tiered pricing models to increase revenue per member
.....
Investment Income	X	- Strategic investment portfolio for long-term financial sustainability - Market performance of investments
Total Income	X	- Overall economic environment - Public perception of charity's effectiveness
Expenditure	£	Affected by
Charitable Activities	X	- Efficient site maintenance & conservation spending - Maximizing impact per dollar spent
Fundraising Costs	X	- Cost-efficient marketing & donor outreach - Maximizing donations per dollar spent
.....
Total Expenditure	X	- Efficiency of cost management
Surplus/(Deficit) for the Year	X	- Overall income vs cost control effectiveness

How I assess the Performance of Charity?

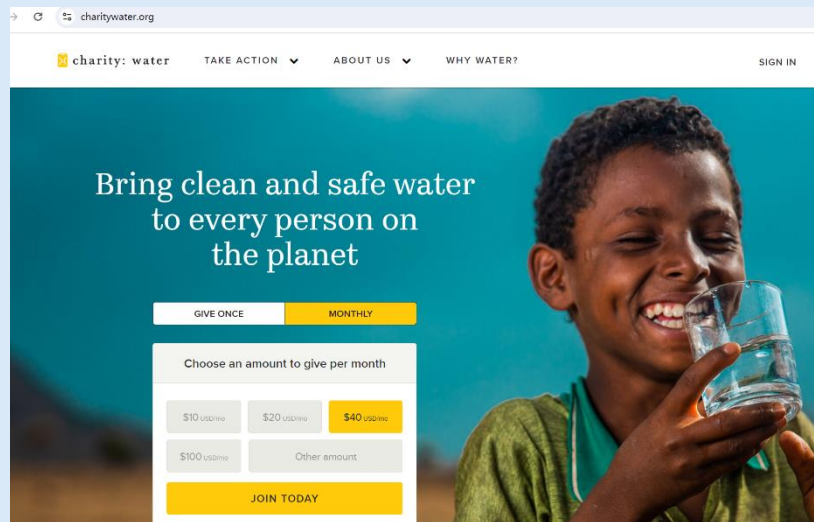
- ✓ Sustained revenue growth with multiple income sources (not over-reliant on one).
- ✓ High impact-to-cost ratio (most funds go directly into programs, not overhead).
- ✓ Public disclosure of fund allocation & impact reports
- ✓ Demonstrating measurable outcomes from spending

Small charity beats larger one - charity: water

charity: water, founded in 2006, is a non-profit organization focused on providing clean drinking water to regions with limited access. Unlike traditional large 100% of donations go directly to projects (operating costs are covered by other sources), charity: water has built strong public trust.

charity: water's

most rent, are covered by independent funding sources. Donors can track their contributions on the charity's website, greatly increasing trust.



Social Media and Digital Marketing

charity: water uses social media platforms, especially Instagram and Facebook, to connect with younger donors. By sharing emotional stories and visuals from water-scarce areas, it engages millions globally.

..... ds and family to donate directly to water projects, celebrating birthdays while helping provide clean water globally.

******,..... **(Exam Hint)**

It formed partnerships with well-known brands and individuals, including Google, Apple, and Uber.



An exam question may potentially ask students about the motives of strategic alliances, ie why HP should form into partnerships with other companies:

1. *Scale Alliance* - donating to projects directly through the Uber app.
2. enhanced the donation process by using Uber's familiar interface to attract more donors.
3. *Access Alliance* - Gain access to new markets: Uber, with its strong, which might not traditionally engage with traditional charity platforms.

Potential Privatisation - Cassa Depositi e Prestiti (CDP)

CDP's privatization occurred within broader financial reforms in Italy during nted to enhance CDP's efficiency and access to capital to support Italy's economic and social development.

Key investors in CDP's privatization included:

- *Italian Banks: UniCredit and BNL:* Both major banks purchased shares and influenced CDP's strategic direction.
- *Private Equity Firms: CVC Capital Partners and BlackRock:* They invested capital into CDP, enabling international expansion and market-oriented operations.

Multi tier governance structure:



Tier 1: Strategic Layer (Government Oversight)

The government retains 50%+ shares to ensure control over strategic decisions, especially for public interests like heritage preservation.

Golden Share:

The government may hold a golden share, allowing it to veto key decisions, such as foreign expansion or high-risk investments.

Tier 2: representatives (to drive market efficiency), with representatives from government.

Tier 3: and market expansion. They are hired based on merit and expertise rather than political influence.

Principal-Agent Problem (4 TIERS):

1. with social missions.

2. Private Shareholders (e.g., UniCredit, CVC Capital Partners-maximizing profitability) as Principal & CDP Management as Agents (cost-efficiency and asset allocation)

Shareholders may use stock options or performance-based bonuses to align management's interests with long-term shareholder returns.

3. cultural and social value. The public, as an agent, may feel the pressures of commercializing public services.

4. when privatization or commercialization enters the picture. The public might feel that their interests are sidelined for the sake of profit.

Charities' activities are determined by their governing document (constitution).

Changing Constitution - Bloomsbury House by Historic England

..... a decision about whether to demolish or redevelop it due to structural issues.

Private shareholders (such as investors and corporate donors) wanted to redevelop the building into a high-end hotel and office

space to gain quick returns. However, government representatives and development.

Some of the key private shareholders included Barclays Bank and representatives from major investment groups, notably John Pendergast, a board member, who advocated for demolition and commercial development.

The government's stance was represented by Simon Wilson, the Chief strongly opposed it. They argued that demolishing the building would not only lose historical value but also harm the cultural atmosphere of the area.

Ultimately, **the proposal passed due to the dominance of private shareholders**, which led to significant controversy and prompted changes in the governance structure. (*Bloomsbury House has been refurbished and repurposed. It primarily serves as office space for various companies*).

Historic England's constitution was amended:

1. To ensure the government's leading role in heritage protection, the government representatives' votes would carry more weight.
2. The constitution introduced standards for evaluating returns on cultural preservation projects. It specified that the returns should not only focus on short-term profits but also consider long-term



social benefits of heritage protection. For example, if a heritage site was I value was not overlooked for profit.

3. In some compromised under market pressure.

Many charities raise funds by means of surpluses from commercial activities, for example, running shops. Commercial activities are carried out through subsidiary companies which charities wholly own.

The wth)

The Salvation Army operates several commercial ventures, particularly through its network of charity shops. These shops sell second-hand goods like clothes..... Army's shops or commercial ventures are fully owned by the charity itself.

This is the trading arm of The Salvation Army, which operates the charity shops. Some of these shops are set up in joint ventures with external retail partners, where the profits are shared based on the ownership split. The percentage ownership in these cases varies, but a common split might involve the charity owning 51% (a controlling stake) and the external partner owning 49%.



Charity regulation:

- Charities in Eardisia are regulated by the Charity Supervisory Board (..... donations.
- The CSB investigates allegations of charities not adhering to their objectives, acting unethically, misusing funds, or breaching regulations.
- Charities' accounts are governed by a statement of accounts to be audited.
- Charities with annual income over \$10m must report on internal controls and risk management, with the report reviewed by external auditors.
- Charities and their wholly owned commercial subsidiaries are exempt from taxation in Eardisia.

Is Audit so Useful in this Industry? - The Bernie Madoff Charity Scandal (USA)

Bernie Madoff, a prominent investment advisor in the United States, founded Madoff, invested significant portions of their funds into his "investment programs," unknowingly becoming part of the scheme.



In 2008, the Ponzi scheme collapsed, revealing that Madoff had defrauded, among many others. These charities had invested large sums in Madoff's fund, believing them to be part of legitimate investment opportunities. As a result, they suffered substantial financial losses, threatening their ability to continue their missions and operations.

Madoff was arrested and sentenced to 150 years in prison for his role in the were oses.

Recommendations using CCRIM (Internal Control):

1. Control Environment

- for breaches.
- Segregation of duties, where different people are responsible for both approving and processing financial transactions.

2. Control Procedures

- Require board-level approval.
- Automate financial controls through accounting software that flags unusual transactions and prevents unauthorized spending.
- Conduct monthly reconciliations of bank accounts, cash flow, and grants to ensure no missing funds.

Our view:

In the charity sector, audits often serve as a formality and lack the vital to ensure audits are meaningful and financial integrity is maintained.

Heritage sub-sector

Charities in the heritage sub-sector conserve and maintain historical sites (including buildings and museums) and objects kept at those sites. They generally allow public admission to the sites which they maintain.

Balance between Ethics and Commercialisation - London Docklands

In the early 1980s, the UK government, in collaboration with the London Docklands Development Corporation (LDDC), government



decided to modernize the area, creating commercial and residential spaces to attract investment and stimulate economic growth, **this includes Demolition of Historic Buildings, and the Relocation of Local Residents.**

Oppositions:

1. Many long-term residents, particularly working-class families in the Docklands..... that they were losing their emotional connection to the historical sites.
2. Several heritage preservation organizations, such as The Victorian Society, e long-term cultural impact of demolishing historic buildings. They felt that the project would erode the unique historical character of London.



The London Conservation Trust also joined the opposition, focusing on the destruction of historically significant buildings and landscapes. They believed these sites should be preserved and that the

Stakeholders	
Trustees	<p>Power - High They have the authority to make strategic decisions, set long-term directions, and ensure the organization's financial integrity.</p> <p>Interest - High Trustees, while not paid, play a key role in directing financial resources (including fundraising efforts) and ensuring they are used in a manner that aligns with HP's mission.</p> <p>Key player. Establish a succession plan for Trustees. This ensures continuity in leadership and governance while maintaining high standards for those entering the board.</p>
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Heritage charities' challenges

The principal challenge which charities face is the variety of factors which can cause deterioration in the sites and objects which they are trying to preserve. These include the passage of time and change can accelerate deterioration or result in significant damage. Wear and tear from having a large number of visitors can also affect sites.

Challenges	Our thoughts of how this can be done (Way 1)	Our thoughts of how this can be done (Way 2)
Aging & Natural Deterioration (Humidity, Time, Structural Decay)	Use climate control systems (dehumidifiers, ventilation) to regulate humidity levels.	Regular structural assessments and preventive conservation treatments to reinforce materials.
.....
.....

Larger charities are also dependent on recruiting sufficient volunteers to ensure there are enough staff at each site. Volunteers are unpaid, thus saving charities salary costs, but their hours and attendance may not be regular and they may decide to stop volunteering suddenly.

Problems	Why It's a Risk
Last-minute absences (volunteer scheduling system (e.g., online shifts, commitment tracking) to ensure adequate staffing and backup plans.)	Volunteers are not contractually obligated, leading to last-minute absences that disrupt daily operations. If key volunteer roles (e.g., tour guides, site maintenance) are unfilled, service quality may drop.
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Heritage charities face the challenge that non-heritage charities are also seeking donations. Potential donors are likely to **receive communications from many charities (COMPETITION)**. Charities which are in the news at particular times may raise considerable sums of money, but this may mean that donors give less to other charities which they normally support.

Respond to Competition - Emphasizes public benefit using PPP (Public Private Partnership) – National Trust

The National Trust (UK) is one of the largest heritage charities. It ecures funding while maintaining its mission.

1. Government Partnerships (Public Sector)

- a) **The UK** tional Trust to manage natural landscapes and cultural heritage sites.
- b) **Land**, rather than outright owning or co-managing sites. It is a performance-based funding system—the Trust receives payments based on environmental outcomes.



Hint: nt.

2. Corporate Partnerships (Private Sector)

- a) **Licensing** - The for using the Trust's name and reputation.
- b) **Joint venture** - Revenue is shared, and both parties collaborate on marketing.



Media Impact – Reduce Donation Volatility

Charities often face donation volatility, making it risky to rely solely on public contributions. To build financial sustainability, charities must diversify income sources through commercial ventures and long-term donor commitments.

1. Expand Event-Based Fundraising

- a) **Charity** proceeds to charity.
Christie's Charity Auctions support UNICEF through art sales.
- b) Gala **an annual charity gala with celebrities & corporate sponsors.**



2. Boost Membership Income



British Museum (UK) - Offers

Personal exclusive exhibitions.

3. Monthly Giving Programs

(Rather than just one-off donation)

Encourages small, recurring contributions instead of, and branded gifts.

World Wildlife Fund (WWF) Runs the "Guardian Program", where members donate monthly and receive eco-friendly merchandise + conservation impact reports.



4. Legacy & Estate Donations

Promotes inheritance-based giving, where donors include the charity in their will. Charities fers a Planned Giving Program, allowing donors to leave assets, property, or funds in their wills.



Heritage charities' key performance indicators

Exam hint: A past exam question asked students to suggest additional KPIs. Please make sure you understand the current financial and non-financial KPIs, most of them are fine, except the fact not showing efficiency of how to run the charity.

Each Financial KPI	Meanings
Income (not considering risks of cash flows)	
Additional improvement (our thoughts), to add the following KPI:	
<p>Total Operating Costs / Income per Visitor If visitor numbers drop below this point, HP may face financial losses.</p> <p>Cash Reserves / Average Monthly Expenses A low ratio (<3 months) is a financial risk, especially in economic downturns.</p>	
Membership Fees	Annual membership payments, lifetime membership fees, renewal fees, and premium membership tiers.
Donations	One-time donations, recurring donations, corporate sponsorships, grants from government or foundations.
.....
.....
.....
Expenditure (not measuring the efficiency at the moment)	
Additional	
Site Operating Costs	Utilities (electricity, water, heating), security, visitor services (ticketing, guides), cleaning, and insurance for site operations.
.....
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.....

Each Non-Financial KPI	Meanings
Commitment (not showing engagement quality) Additional improvement (our thoughts), to add the following KPI:	
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.....
.....
Education and development (not measuring the impact of education efforts) Additional improvement (our thoughts), to add the following KPI:	
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.....
Conservation/preservation (current KPIs focus on effort, not impact, add the following index would help) Additional improvement (our thoughts), to add the following KPI:	
.....
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.....
Satisfaction (very strong KPIs already, however, adding NPS could be more objective) Additional improvement (our thoughts), to add the following KPI: specific reasons behind dissatisfaction.	
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.....
Environment (OK, but lack measures relating to \$) Additional improvement (our thoughts), to add the following KPI: <div style="text-align: center;"> Environmental Cost Savings Ratio ie Amount saved per \$1 spent on sustainable initiatives. </div>	
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Financial analysis – HP:

	A	B	C	D	E	F	G	H
1	Split of income	\$m		% Analysis				
2	Membership	320	43%	Given that membership represents 43% of total income, HP Charity should ensure				
3	Donations							
4	Admission							
5	Catering							
6	Shops							
7	Total							
8	Income from							
9								
10								
11	Membership							
12								
13								
14								
15								
16								
17	20x0							
18	20x1							
19	20x2							
20	20x3							
21	Growth							
22								
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While the number of visitors is steadily increasing (with 3.0% growth annually), the charity's revenue from commercial activities (shops, catering, admission) is not growing as quickly.

rent no

revenue per visitor through better pricing, offering exclusive experiences, or enhancing the product offerings in shops and catering.

boost growth by improving member retention and acquisition strategies. If not, the charity may struggle to sustain its membership-driven income.

The rest of the content will be shown in the course.