

CHAPTER 2: SOURCES OF DATA

LEARNING OUTCOME

At the end of the chapter, you should be able to:

- TLO A2a : **Describe** sources of information from within and outside the organisation (including government statistics, financial press, professional or trade associations, quotations and price list).
- TLO A2b : **Explain** the uses and limitations of published information/data (including from the internet).
- TLO A2c : **Describe** the impact of general economic environment on cost/revenue.
- TLO A2d : **Describe** the main uses of big data and analytics for organisations.

Introduction

Continuing from Chapter 1, this chapter looks at the various types of data and sources of information that can be obtained internally within the organisation, and externally such as from government and financial news print.

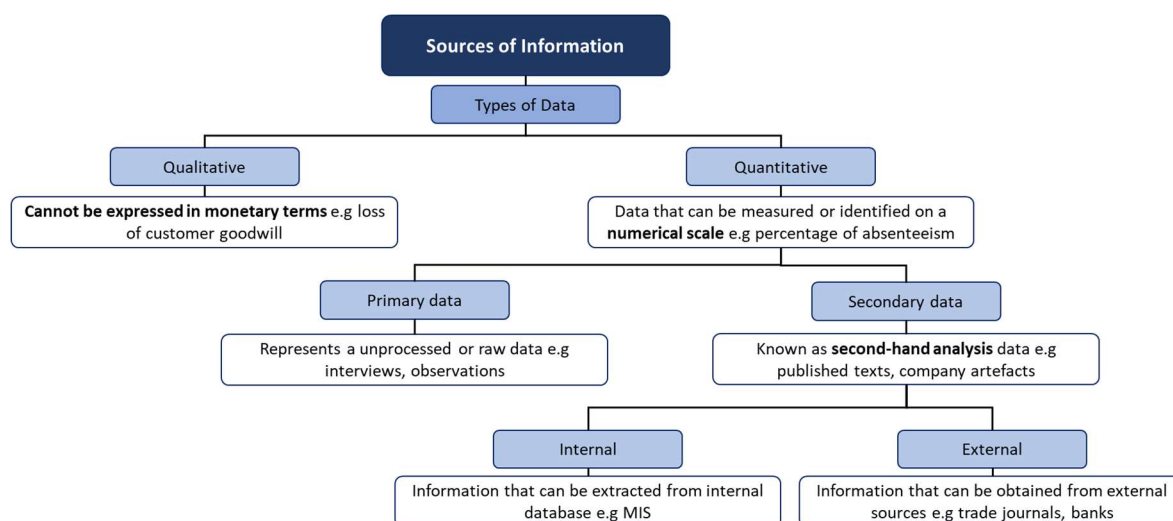
2.1 Sources of Information

Learning Outcome (ACCA Study Guide Area A)

A2a: Describe sources of information from within and outside the organisation (including government statistics, financial press, professional or trade associations, quotations and price list).

A2b: Explain the uses and limitations of published information/data (including information from the internet).

Diagram 2.1: Sources of information



Data

Information derives from the processing of data. Chapter 1 defines data as unprocessed raw materials such as facts, events, transactions etc. It may also be further categories into types:

Quantitative and Qualitative Data

Data that can be measured or identified on a numerical scale is known as quantitative data. Quantitative data can be analysed using statistical methods while its results can be displayed using tables, charts, histograms and graphs. Examples of quantitative data:

- i. Percentage of absentees for a lecture
- ii. Total profit earned for a financial period

Qualitative data is information that cannot be expressed in monetary terms. The nature of these data is to reflect some quality of what is being observed.

Examples of qualitative data:

- i. Redundancies arising from a closure decision have resulted in a decline in employee morale.
- ii. Loss of customer goodwill

The effect of these data may not be possible to be quantified in monetary terms. In such circumstances, the management should draw attention to those qualitative items that may have an impact on future profitability by presenting the relevant quantifiable financial information.

Primary and Secondary Data

Primary data represents an unprocessed or raw data. It can be input to an analysis procedure and is collected during a research process. Primary data is a reliable way to collect data because:

- i. Researchers are directly involved in this process. Hence, they will know where the data came from and how it was collected and analysed.
- ii. It is collected especially for a specific purpose.

Primary data is collected through interviews, observations, conversations, field notes, attending meetings.

Secondary data are data that has been collected by someone else. The analysis of secondary data is also known as second-hand analysis. It involves analysing pre-existing data differently or answering a different question than originally intended. Secondary data analysis utilizes secondary data to further a study that a user is interested in completing. However, it should be used with caution.

Secondary data is collected from published texts, company artefacts, multimedia sources, textual analysis and so on.

Internal Source of Information

These are information that can be extracted from internal database such as:

- Accounting system
- Payroll system
- Management information system

This type of information is readily available and less time consuming to extract. It is also a cheap source of information.

However internal source of information does not provide sufficient input for decision making and planning purpose.

External Source of Information

Information can also be obtained from external sources. These are more expensive and time consuming. However, it can provide valuable input for decision making and planning purpose.

External sources of information include:

- Government sources
- Banks
- Financial newspapers
- Trade journals
- Trade associations
- Customers feedback
- Suppliers quotations, tender submission, pre-sales consultations
- Advice and information bureau
- Consultancies
- Internet such as Google search

Uses of Published Information/Data

Published information/data such as an organisation's published financial statements are secondary data that are readily available for users to further analyse and understand the financial performance of an organisation.

Limitations of Published Information/Data

These information/data has to be used with caution as the methods of collection and their sources are unknown, hence their authentication may be doubtful unless publishes by reliable and trustworthy authorities.



Check Understanding

Topic 2.1 Sources of Information

Learning Outcome (ACCA Study Guide Area A)

A2a: Describe sources of information from within and outside the organisation (including government statistics, financial press, professional or trade associations, quotations and price list).

A2b: Explain the uses and limitations of published information/data (including information from the internet).

1. A company used government produced data that showed the economy grew by 4.6% in the last year.

Which of the following describes the data used by the company?

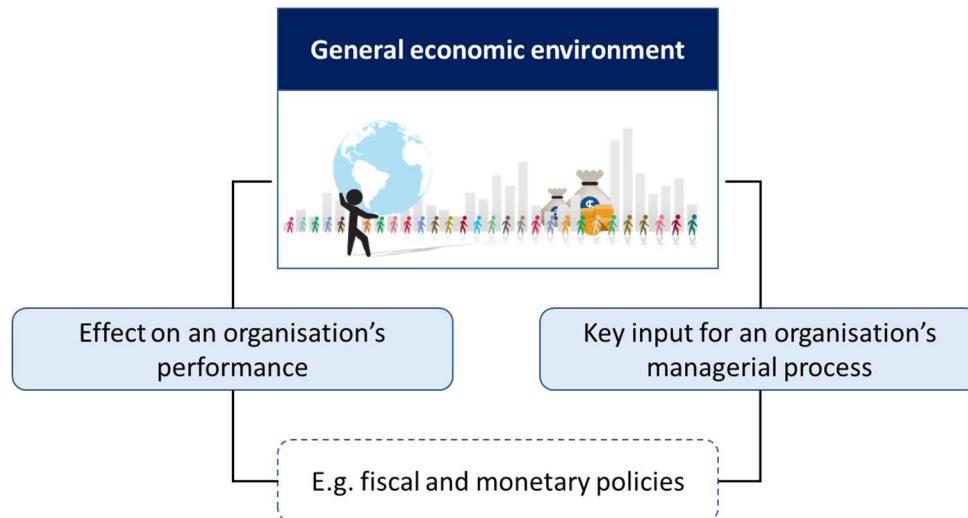
- A. Secondary and continuous.
 - B. Secondary and discrete.
 - C. Primary and discrete.
 - D. Primary and continuous.
2. Which of the following is an example of routine data collection from a secondary data source?
 - A. A request by the company secretary for a legal opinion for the effect of a change in employment law.
 - B. Market research carried out by Marketing department.
 - C. Discussion on the nature of impending cost cuts at a monthly staff meeting.
 - D. Reading trade magazines during a lunch break.
 3. Briefly explain the uses of published information/data.
 4. Provide two limitations of published information/data.

2.2 The Impact of General Economic Environment

Learning Outcome (ACCA Study Guide Area A)

A2c: Describe the impact of general economic environment on cost/revenue.

Diagram 2.2: General economic environment



Economic environment affects the domestic and international business activities of an organisation. Hence economic environmental information is a key input for an organisation's planning, control and decision-making process.

The following are key economic information that can be affecting an organisation's performance:

- a. Inflation
- b. Economic policy (fiscal and monetary policies)
- c. Interest rate
- d. Foreign exchange rate control
- e. Taxation policies (direct and indirect taxation) and tax rates
- f. Government spending
- g. The economic cycle



Check Understanding

Topic 2.2 The Impact of General Economic Environment

Learning Outcome (ACCA Study Guide Area A)

A2c: Describe the impact of general economic environment on cost/revenue.

True or False?

1. Inflation affects the decisions taken by businesses.
2. Economic policy includes fiscal policies, monetary policies and taxation policies.
3. Economic cycle and government spending will not affect a company's cost and revenue.

2.3 Big Data and Analytics for Organisations

Learning Outcome (ACCA Study Guide Area A)

A2d: Describe the main uses of big data and analytics for organisations.

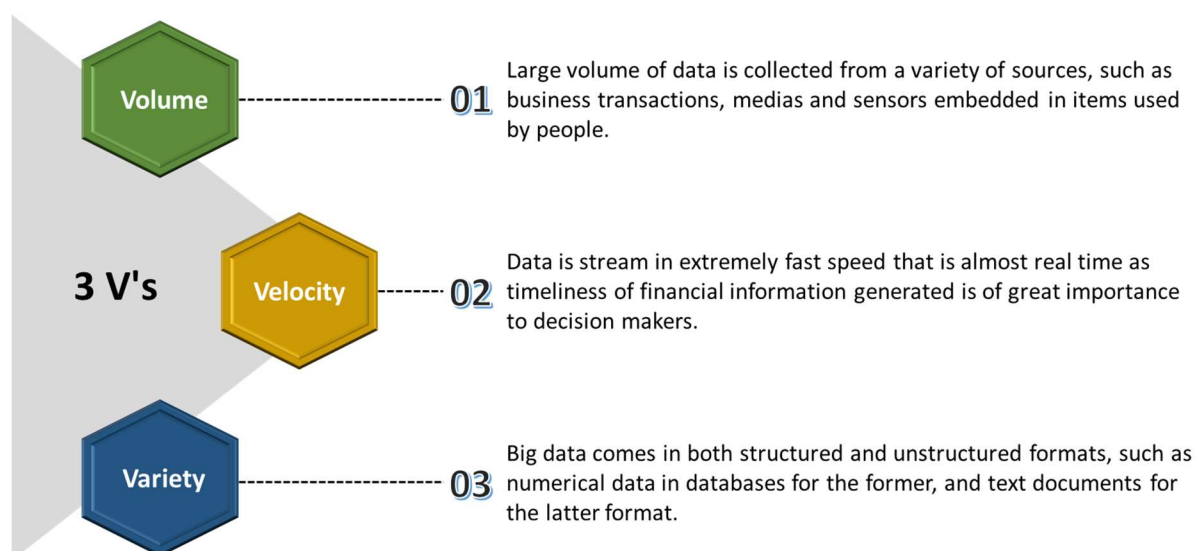
Definition

Big data: The term that describe those data sets whose size is beyond the ability of typical database software to capture, store, manage and analyse.' (McKinsey Global Institute, *Big data: The next frontier for innovation, competition and productivity*).

An alternative definition is provided by Gartner.

Big data: It concerns 'high-volume, high-velocity and high-variety information assets that demand cost-effective, innovative forms of information processes for enhanced insight and decision making.' (Gartner)

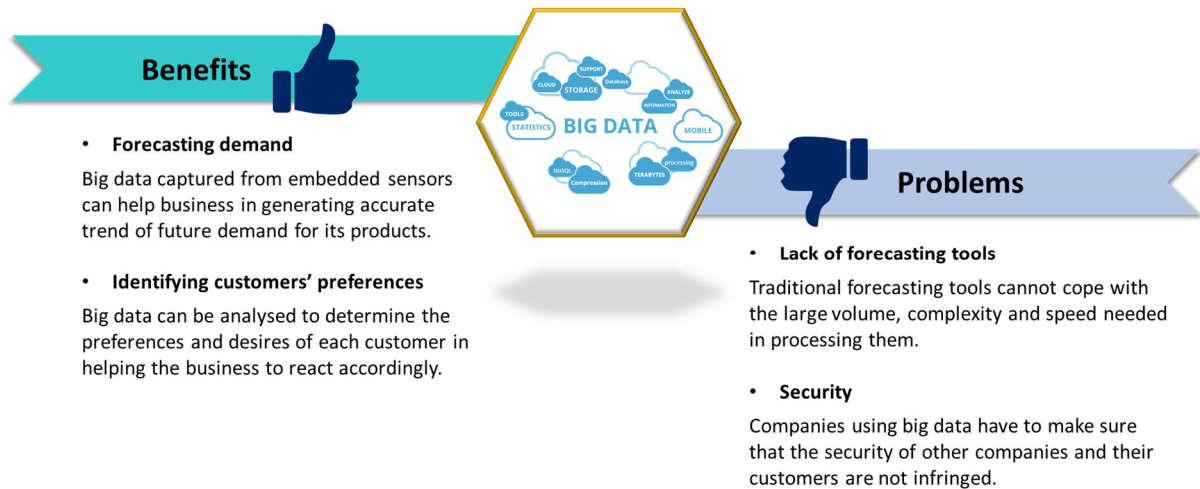
Big data describes the large volume of data, both structured and unstructured, that is characterised by the 3V's of volume, variety and velocity, which is used by businesses in analysing trends that may exist in helping their decision making.



Data analytics: Involve the collection of, organising and analysing large data sets to determine the trend and other information that an organisation can use for its future decision making.

Big data

Let us look at the benefits and problems of big data.



Check Understanding

Topic 2.3 Big Data and Analytics for Organisations

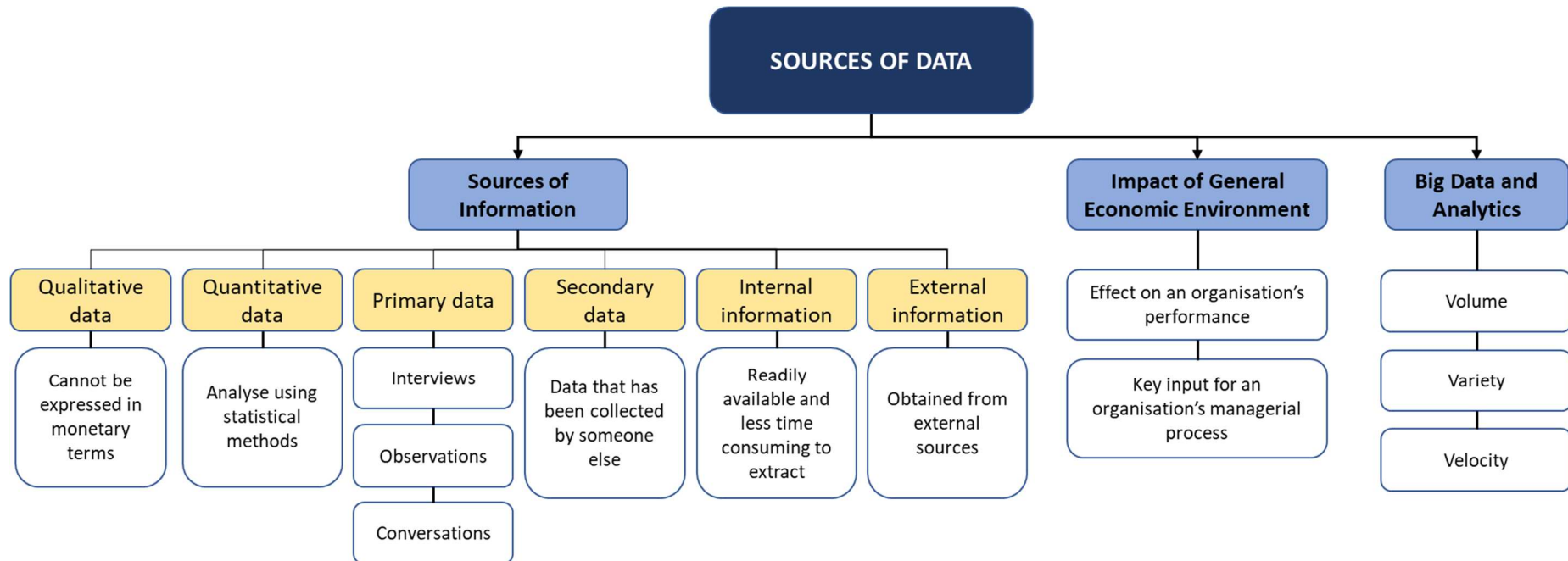
Learning Outcome (ACCA Study Guide Area A)

A2d: Describe the main uses of big data and analytics for organisations.

1. Briefly describe the meaning of 'big data'.
2. Briefly describe the meaning of 'data analytics'.
3. Describes the benefits and problems of big data.

2.4 Chapter 2 Summary

Chapter 2: Summary of Sources of Data



2.5 Chapter 2 Understanding Checker: Answer

Topic 2.1 Sources of Information

1. A
2. D

Topic 2.2 The Impact of General Economic Environment

1. True
2. True
3. False