

Think Ahead



P3

Business
Analysis

P3 Examiner

February 2015

Business Analysis – change 2007 - 2015

- Origins heavily influenced by the Johnson, Scholes and Whittington model of strategic analysis, strategic choice and strategic implementation
- Now there is more focus on the implementation side in terms of resources (IT), processes and project management
- There is also a conscious consideration of the role of the accountant and the tools and information they use to analyse strategic and operating decisions
- People are a key part of the whole process
- Change will continue!

The origins of P3 were heavily influenced by the Johnson, Scholes and Whittington model of strategic analysis, strategic choice and strategic implementation outlined in their seminal textbook *Exploring Corporate Strategy* and these elements still form the basis of many questions. However, increasingly there has been more focus on the implementation side of strategy, in terms of resources (particularly IT), processes and project management

There is also a conscious consideration of the role of the accountant and the tools and information they need to analyse strategic and operating decisions. This consideration has now been enshrined in a forthcoming study guide objective recognising the potential transformational role of the accountant. More of this later.

People are a key part of the whole process of strategic change and are recognised in the POPIT (people, organisation, processes and IT) model of business change, now formally included in the syllabus.

The P3 experience: 2007 - 2014

- Pass rates have remained relatively stable
- The 'pattern' of candidate answers has remained relatively stable
- Time management remains a problem, but has to be solved by the candidate not the examiner

Since the first sitting in December 2007, the pass rate has remained relatively stable (usually between 47% and 51%). The content of the syllabus has been continually updated to reflect changing requirements. The original pilot paper was re-drafted to reflect these changes. Overall, the quantitative elements of the questions has increased.

Despite these changes, the pattern of candidates' answers have also remained relatively stable, with the first part of question one supported by elaborate introductions with supporting (often irrelevant) theory and the optional question answers short on content and poorly organised.

Time management will always be a problem in this examination because of the nature of the subject and the need to provide sufficient information in the scenario to ensure that tacit environmental knowledge is not required. The responsibility for managing time appropriately lies with the candidate.

Interestingly, this is acknowledged in the online forums, where candidates berate their peers, pointing out the simple principles of time management and answer presentation.

P3 scripts in general

- There are some really excellent scripts
- However, in poorer scripts there is usually evidence of:
 - Too much theory not enough application
 - Too little accurate analysis of presented data
 - Evidence that certain learning objectives have not been covered.

We must point out that there are many well written, well presented scripts that show great understanding of the syllabus. Many candidates are not only familiar with the well established models of the syllabus (Porter) but with the newer models (such as Harmon) which have formed the basis of several questions.

However, in the poorer scripts, particularly in the marginally poorer scripts, there is too much evidence of:

- Theory unattached to practice, for example a page and a half (supported by an appropriate diagram) of the BCG Matrix, with appropriate guidance for each quadrant of the matrix.
- Too little use, or inaccurate use, of presented quantitative data. For example in Q1i of December 2014, many candidates used the figures badly e.g. SRRT's revenue went up by 15.00% (2009-2013) & operating profit by 21.17% and many simply took the operating profit in Table 1 i.e. 9.98% subtracted the same figure for 2009 i.e. 9.57% & then argued that operating profit had only increased by 4.3%
- Evidence that certain areas of the syllabus have not been covered by the candidate. So, part questions are not answered at all (for example Q4 in the December 2014 paper, on regression analysis)

General guidance on crafting a pass examination script

- Most scripts answering within the questions set would be about 12 pages long
- This would equate to about 15 minutes per page
- About five cogent points per page
- Results in a good pass paper

Candidates should realise that crafting a pass examination script in this examination is not incredibly onerous.

In practice, many good scripts are about 12 pages long, ignoring the ones with giant handwriting.

In a three hour examination this equates to 15 minutes per page.

The candidate only needs to make about five cogent, coherent points per page to get a good pass paper. But make sure that those cogent, coherent points are relevant and clear

Such an approach forms the basis of good examination technique.

Be aware of recent syllabus changes

Relatively recent additions

- IT controls (E1)
- Business change (D1)
- Integrated reporting (A6)

Upcoming revisions (September 2015)

- 'Big' data (C1)
- Transformational role of accountant (G1)

It is important that learning providers and candidates are aware of recent and upcoming syllabus additions. All of these will be examined in the future. The need for IT controls; both external to the system (secure computer facility etc), and within the system itself (passwords, data verification etc) The formal recognition of a business change lifecycle and the POPIT model that supports the four aspects of most business change (processes, organisation, people and information technology) The role of integrated reporting as an opportunity for the organisation to report on all aspects of business performance. So strategic aspirations are monitored in the public eye.

Upcoming changes for the annual syllabus revision (September 2015) are:
The concept of big data and its management and reliability.
The wider transformational role of the accountant as part of the profession's progression from being a financial gatekeeper to a significant stakeholder and contributor to strategic change



Thank you