



This presentation will take about 10 minutes.

## Structure of presentation

Advice to future candidates:

Evaluation v Application v Knowledge

Answering the question

Level of answer expected

Learning the syllabus

- Areas done well
- Areas done poorly

Other issues

Future developments

- This presentation is about the general performance of candidates in the examinations.
- The presentation is structured towards giving advice to future candidates.
- The first 4 bullet points relate to common mistakes seen in previous diets
- Some points are illustrated with reference to past paper questions that may be useful during preparation for P5.

## Evaluation v Application v Knowledge

### Balance must be significantly towards evaluation

‘Evaluate’ at P5 – means more than ‘calculate’

Application will be in the context of the scenario

Knowledge will usually only score about 30% of marks

- P5 requires the ability to evaluate. Candidates need to establish what they are being asked to evaluate - if it is the performance of a company then the answer can be expected to be **descriptive but based on numerical measures** but if it is a performance system or a costing method or a remuneration package then a candidate is expected to weigh up the advantages and disadvantages of that method, say, possibly in comparison to other appropriate ways of doing things. It should also be noted that weighing up the advantages and disadvantages means more than simply listing them – **a recommendation should be provided.**
- Points should be **clearly linked to the context** that has been provided. This will allow candidates to demonstrate application of the knowledge. It is not sufficient to approach P5 with the assumption that simply knowing the syllabus will lead to a pass – it must be applied.

## Answering the question

‘Evaluate’

- A method
- A performance report

‘Justified’

Instructions in scenario

If the requirement says use a set of data then use it!

Evaluate a method: As mentioned earlier this means consider the pros and cons (in this context, thinking about the alternative methods is helpful). It does not mean ‘describe the implementation of the method’.

Examples:

D14 Q1 iii (Boltzman)

Evaluate the approach to benchmarking. The approach here was an external, competitive benchmarking candidates should have assessed its pros and cons which could have also included discussion of the alternative methods of benchmarking (functional/internal).

D13 Q1 (Lopten) Q2a (Graviton)

It was essential here to realise that an evaluation of a performance system is not an evaluation of performance, therefore the focus should be on evaluating the performance measurement systems of the company, which was what was required by the question. It would be worth reviewing the examining team’s article – ‘Reading the question requirements at paper P5’

- Evaluate a performance **report**

Example:

J14 Q1 (Cantor)

Question 1 (i), asked candidates to ‘Evaluate the current performance report in Appendix 1’ not ‘Evaluate the current performance of Cantor using Appendix

This question posed problems for candidates which was particularly surprising as this type of requirement has appeared in past papers such as Question 1 (June 2013, Kolmog) and Question 1 (June 2012, Metis). This issue was commented on in the examiner’s report to these papers and additionally, this issue is discussed in the article ‘Reading the question

requirements at paper P5'. There was also advice in the scenario that contained the clear instruction, 'The CEO has advised you that the board does not require an evaluation of Cantor's performance.'

- 'Justified'

**Give a reason for *that* business in *that* scenario to use the recommendation (of a metric)**

Examples:

J14 Q1 Part (v) Cantor

Candidates were asked 'Using the information in the appendices, provide **justified** recommendations for suitable performance measures to reflect the **proposed change** in the company's mission statement'. The requirement asked for 'justified' recommendations for suitable performance measures and so bullet point lists of every metric that a candidate could remember were of very limited value. This is an example of where application to the scenario is essential.

- Instructions in scenario

The examining team are trying to help candidates by specifying in the requirement and scenario what is actually required. This is to allow candidates the opportunity to save time and write focused answers. The scenario is also intended to mimic real life, in so far as possible in the examination context, and so instructions from the CEO of the company a candidate is advising in the question should be followed.

Examples:

J14 Q1 Cantor

In the scenario it clearly stated, 'The board does not require an evaluation of Cantor's performance'.

D14 Q1 ii Boltzman

The CEO suggested that 'you do not, at this stage, suggest long lists of additional indicators' so providing long lists of additional indicators was not relevant.

D13 Q1 ii Lopten

Candidates failed to recognise the requirement to comment on the 'suggested KPIs' and instead presented an unhelpfully long list of new KPIs.

- If the requirement says use a set of data then it is expected that it will be used in the answer

Example:

J14 Q1v Cantor

Requirement: '**Using the information in the appendices**, provide recommendations for suitable performance measures to reflect the proposed change in the company's mission statement.'

This considered issues around a proposed change in the mission statement to include the aim 'to provide a fair deal to our employees'. This part was worth 6 marks and should have represented some straight-forward marks to finish the question. However, most candidates did not answer the requirement set. There were a number of points about this requirement that need to be understood:

- the requirement asked about the 'change' to the mission statement and so comments about the existing mission statement were irrelevant

- the requirement asked for 'justified' recommendations for suitable performance measures and so bullet point lists of metrics was not appropriate
- the requirement stated that the answer should use 'the information in the appendices' and therefore, the aim of the question was to test if the candidate could identify suitable justified metrics from the information provided. Candidates who didn't do this were again not answering the question.

## Level of answer expected

### Key advice:

Use a logical approach

Defining technical terms

Use of supporting evidence

Just because it's new doesn't mean it's right (be critical)

Calculations

- **Use a logical approach**

Examples:

D13 Q2 a Graviton

An excellent example of using the mission of the company to help evaluate the performance system.

D13 Q2b Graviton

Question required 'Assess whether the three problems listed by the board apply to Graviton and suggest appropriate performance management solutions to them'. A successful structure for an answer to this part was to define the problem, then show how it related to a particular issue at Graviton and finally, suggest a solution to the issue.

D14 Q3a Maxwell Electricity generation

Question: An assessment of two proposed plans for new power stations at Maxwell, given the company's stated environmental goal. Those candidates that took the goal of the company and calculated how the company was performing against two suitable measures and then compared this to the targets set scored well.

- **Defining technical terms**

Previously we have said 'Don't leave jargon unexplained so many candidates have clearly been taught that they should define in their answer any 'jargon' terms in the question requirement, however a good, professional-level answer will go beyond the mere repetition of how a technique works and focus on relating it to the entity's specific environment. This is

again focusing on application.

#### Examples

##### D14 Q1 iv (Boltzman)

Many candidates that probably could have scored full marks failed to do so as they did not discuss the 'problems' of moving to JIT. Instead, there was *a discussion of how to implement JIT* or the benefits of JIT with the problems only appearing incidentally. Again, candidates could have scored more marks, more quickly, by focussing on the question asked.

- **Use of supporting evidence**

Use the data in the question and the specifics of the scenario to provide evidence to support recommendations and opinions expressed. It is also important to not be afraid to be critical.

#### Examples:

##### J14 Q4 Part (b) Godel Goodies

This question for 11 marks required an evaluation of the current budgeting system at Godel. Too many candidates only saw the negatives of the existing system and few identified its positives for a traditional company like Godel in a mature market. This then led to a failure to grasp that the budgeting system at Godel was in fact well-fitted to its needs.

##### J14 Q4 Part (c) Godel

This requirement was worth 8 marks and requested an evaluation of a proposal to move beyond budgeting at Godel. This is where being critical was essential as many candidates seemed to assume because beyond budgeting was 'new' and the existing approach was 'old/traditional' that the correct answer was to recommend a move to beyond budgeting. It is vital that candidates can perform an objective evaluation of a situation and draw a conclusion. The scenario was loaded to be very much in favour of a simple, traditional approach and the beyond budgeting one would have probably been more time-consuming, more expensive and have generated little value in the circumstances in which Godel found itself.

- **Calculations**

When performing calculations care needs to be taken. These should represent straightforward marks to be gained.

#### Examples:

##### D14 Q1 iii Boltzman

Simple calculations being done incorrectly through an inability to round answers.

##### D13 Q1i Lopten

Basic profit calculations and the margin of safety calculation were incorrect.

#### **Avoiding calculations**

#### Examples:

##### J13 Q2 Navier and Q4 Landual

It was notable that most candidates avoided those questions in section B that involved detailed working with quantitative techniques picked up at earlier papers (e.g. question 2 on



activity-based costing and question 4 on transfer pricing). P5 is a paper about making and supporting **quantitative** decision-making at a strategic level within an organisation.

D13 Q1 v Lopten

Evaluate whether the two proposed marketing strategies result in a performance gap was required and frequently, in the responses no gap was calculated, so how could a conclusion be drawn?

## Learning the syllabus 1

- ✓ Areas done well
- ✓ EVA
- ✓ Quality systems esp. JIT
- ✓ Models from Section E of syllabus

Candidates are demonstrating good knowledge of these areas, however they need to ensure that they cover all areas of the syllabus in their studies.

## Learning the syllabus 2

### Areas done poorly

- Confused terms
- Other specific issues
- Learn the jargon/theory

### Confused terms

Generally, value/cashflow/profit not being clearly distinguished or being used almost interchangeably. This is vital at P5 as the candidate is in the role of the expert in the questions and if they don't demonstrate the difference then it is unlikely that non-experts will be able to.

Example:

D14 Q4 Culam – cash flow was often confused with profit when discussing the Altman and Q-score models which are profit based.

D14 Q1 Boltzman - performance prism confused with the performance pyramid

D14 Q3 b Maxwell - lifecycle costing confused with product lifecycle

### Specifics

Inability to calculate the return on capital employed - e.g. D14 Q1iii Boltzman

Transfer pricing – J13 Q4 Landual - Many candidates failed to realise that changing a transfer pricing policy doesn't change the entity's overall profit.

Operating and planning variances - J14 Q4a Godel - This indicates a lack of knowledge from the previous underpinning exams.

Financial indicators v NFPIs; quantitative/qualitative factors - D14 Q2 BLA – A surprising number of candidates think budget variances/cost indicators are NFPIs.

This is underpinning knowledge that it is assumed candidates know for P5.

### **Learn the theory**

J13 Qi v - Fitzgerald and Moon (Building Block model) – weak on what dimensions, standards and rewards mean.

J14 Q1iv Cantor – Value Based Management

D13 Q3 Quark - Lean systems

D13 Q2 b Graviton - Myopia, gaming and ossification

D14 Q4 a Culam (Quantitative failure prediction models - answers for this part were generally of mixed quality with the general advantages and disadvantages of qualitative models well discussed but with most candidates failing to demonstrate understanding of how such models are constructed. This did not require detailed discussion of statistical techniques but did require that the candidates realised that the model equations came from an analysis of particular samples of companies whose relevance to Culam was in doubt.)

## Summary

### Areas for improvement:

- Answer the requirement
- Logical answers – use the general objectives
- Study the whole syllabus

1. Evaluate means more than calculate; assess a report is different from assess performance
2. Use the company's mission to help judge the performance metrics chosen
3. Avoid question spotting – learn the syllabus
4. Commentary on numerical work - do more than just rewrite the table of data in sentences and demonstrate commercial understanding by showing what the numbers mean

## Future developments

### Syllabus changes

- big data introduced
- Integrated reporting introduced
- general tidying up

### Articles

- Addressing weaknesses noted in candidates' answers
- Updating existing articles
- Remember that older articles remain relevant



Thank you  
Questions?