Examiner's report
P3 Business Analysis
December 2016

General Comments

In general, performance in this examination was in line with performance in recent sittings. Candidates continue to appear to know what is expected of them, but many are let down by poor knowledge of certain areas of the syllabus. In this examination, candidates seemed to have knowledge gaps in project management, big data, competency frameworks and the learning organisation. This is surprising, given that there is an article on each of these in the learning resources on the ACCA website.

Candidates need to be aware of the examination support resources provided by ACCA. Here is a list of resources which would have been relevant to this paper. They can be found at;

www.accaglobal.com/uk/en/student/exam-support-resources/professional-exams-study-resources/p3/technical-articles.html

Big Data
Now that big data is part of the P3 syllabus, we define what exactly 'big data' is, how it can be used to inform and implement business strategy and examples of how it is being used by different industries today.

The Learning Organisation
This article discusses why it is vital for organisations to continue to learn and retain that learning, their skills and abilities, to sustain their position in the dynamic marketplace.

Culture and configuration
This article focuses on two areas of P3's syllabus on preparing and evaluating a cultural web of an organisation, and the importance of organisational structure and configuration.

Conflict management and the accountant as project manager
This article looks at project management, an important issue relevant to P3. It considers the skills required by accountants in the role of project manager to ensure projects are delivered on time and managing potential areas of conflict.

Business forecasting and strategy
This article outlines key forecasting techniques for students to use when preparing for the P3 exam.

Project management
If you are aware that danger accompanies an undertaking, then it makes sense to understand the nature of the undertaking and how the danger can be managed.

Competency frameworks
This article explains the purpose of competency frameworks for professionals at work and the benefits of these for trainees, qualifying bodies, tuition providers and ultimately to business organisations.

Evidence from candidate answers suggests that these resources are just not being used.

Specific Comments

Question One
The scenario for this question concerned a global company with a large portfolio of companies in the publishing, education and knowledge management markets. It had started a process to systematically review each company in its portfolio, including the three described in the scenario.

The first part of question one was worth eighteen marks. It asked candidates to evaluate the performance and contribution of the three companies described in the scenario and assess their relative significance to the parent company's future strategy. This was a fairly standard portfolio analysis question, which has been asked frequently in the past. Enough quantitative and qualitative information was provided to allow candidates to locate the companies in both the Boston Box and the Ashridge portfolio classification. In general, candidates scored well in this part question. However, a significant number of candidates only used the data provided to discuss changes in industry and company revenue. They did not recognise that the data on market growth and marked share enabled a Boston Box analysis which would allow them to classify each company (dog, star, cash cow) which, in turn, would suggest a suitable strategy for dealing with each company. Candidates need to look carefully at data given in the question to see if it allows more than just an analysis of increases and decreases. In most circumstances the data allows the application of a theoretical model or framework from the syllabus.

The second part of question one asked the candidate, as a member of the finance team at MKI, to write a report for the Chief Executive Officer which covered a number of issues raised in the scenario.

The first issue concerned the project initiation document included in the scenario. Candidates were asked to identify omissions in this document and justify the need for the inclusion of this omitted information. This was worth six marks. Too many candidates focused, incorrectly, on omitted costs and benefits which, in any case, are primarily part of the business case, not the project initiation document. Candidates failed to identify the *structural* defects of the document. For example, it had no sponsor and so no-one would be available to promote and support the project. Overall, this part question was not particularly well answered.

The second issue concerned the financial feasibility of the project. Candidates were asked to analyse this feasibility using appropriate financial investment appraisal techniques based on the predicted costs and benefits given in the scenario. This was worth five marks. It required standard payback and present value calculations, together with an appropriate conclusion. In general, this was answered well and many candidates gained all five marks on offer. However, some candidates did not answer this part question at all. The calculation and interpretation of Net Present Value and Payback should be a basic competency of a candidate in this examination.

The third issue also concerned the investment appraisal, asking the candidate to critically analyse the three benefits identified in the appraisal and include a recommendation about whether each benefit should be included in the financial investment appraisal. This was worth nine marks, three for each benefit. Too many candidates questioned the actual values of the benefits, rather than whether any values attached to these benefits were likely to be realistic. However, overall, this part question was relatively well answered, with many candidates relating their answers to contemporary benefits classification.

The final issue concerned the composition of the project team. The candidate was asked to justify the inclusion of a finance team member in the team. This justification should focus on their potential contribution to the four businesses and management support roles identified in the scenario: business case, change management, project management and risk management. This part question was worth eight marks. Most candidates missed the point here and provided very narrow interpretations about an accountant's contribution to business projects. This is contrary to the fictional report quoted in the scenario (from numbers to partnership) and from the real-world efforts of professional accountancy bodies to encourage the wider business participation of accountants. The P3 Business Analysis syllabus includes elements of all four of these support roles and these should have been used in the answer. For example; knowledge of Balogun and Hope Hailey's contextual features of strategic change would help in change management. Overall, this part question was poorly answered, with candidates too often writing answers that stereotyped finance professionals as making very narrow contributions to business, restricted to advice about numbers, which is exactly the perception the question is asking candidates to contradict.

Four professional marks were awarded for the structure, coherence, style and clarity of the report for the CEO. Generally, answers were well structured and well presented.

Section B

Question Two
The first part of this question asked candidates to analyse the data given in the time series analysis and least squares regression analysis presented in the scenario. It also asked candidates to evaluate the appropriateness of each technique in forecasting future sales and developing strategic plans. This part question was worth fifteen marks. In general, candidates were more confident with the least squares analysis and produced correct forecasts and correct values and interpretation of the coefficient of determination. Most recognised that one of the data sets was much more useful for forecasting than the other. However, the seasonal nature of sales (quarter 1 and quarter 4 were much higher than the other two quarters) did suggest that time series analysis was likely to be appropriate. Candidates were less confident here, often producing forecasts which did not take the seasonal variations into account at all. Overall, this question was reasonably well answered.

The second part of the question asked candidates to discuss how three 'Vs' of big data (volume, velocity and variety) could be used to enhance strategic development in the retail company described in the scenario. This part question was worth ten marks. Many candidates were unfamiliar with this area of the syllabus and produced very simplistic answers, such as 'variety refers to the variety of data' and many failed to apply their answer at all to the context of the scenario. Retail is a major user of big data, using it to continually update its buying, promotion and distribution tactics. This should have been recognised in candidates' answers. Overall, this part question was not particularly well answered.

Question Three
The first part of this question, worth fifteen marks, asked candidates to evaluate the use of e-marketing, at the company described in the scenario, to enhance each of following five elements of the marketing mix: price, promotion, place, processes and physical evidence. This was relatively well answered by most candidates and most related their answers to the scenario. Candidates seemed to be very familiar with this part of the syllabus and most scored well in this part question.

The second part of the question asked candidates to describe the principles of e-procurement and to explain the benefits and risks of e-procurement to the scenario company. Although there was evidence that some candidates were unfamiliar with this part of the syllabus, most candidates answered this part question well, making appropriate references to the question scenario. They also correctly followed the requirements of the question, focusing on benefits and risks and making the distinction clear to the marker.

Question Four
The first part of this question asked the candidate to analyse the current culture of the company described in the scenario using the cultural web, highlighting how elements of the current culture are detrimental to staff development. Most candidates were familiar with the cultural web and correctly described elements of the web in theory and then appropriately applied them to the scenario. Overall, this part question, worth fifteen marks, was answered well by candidates with the correct balance of theory and application.

The second part of the question asked candidates to explain how the following could contribute to staff development and workplace learning at the scenario company:

- Competency frameworks; (5 marks)
- The development of a learning organisation. (5 marks)

Most candidates were unfamiliar with both of these concepts. In the context of competency frameworks, many answers just discussed job descriptions. Very few candidates highlighted that ACCA itself has a competency framework which might have been useful in the small accountancy practice described in the scenario. In the development of a learning organisation, most answers just discussed individual learning. So, overall, this part question was poorly answered, despite technical articles being available on both of these concepts in the learning resources supporting P3 on the ACCA website.