Examiner's report
P3 Business Analysis
March 2017

ACCA

General Comments

Performance in this examination was slightly better than in recent sittings. This improvement particularly reflected good answers to the mandatory question, question one, where many candidates scored over 60% of the marks on offer. Unfortunately, performance in the optional questions was not so good. Question three was the most popular question and was reasonably well answered. However, significant knowledge gaps were identified in part b of both questions two and four, principles of costing and the concept of boundary-less organisations. An article to support question two was available in the P3 resources area of the ACCA website. Also, question four part a, was not particularly well answered given that there is a very similar question in the sample paper, again available on the ACCA website. It seems that these resources are just not being used, or at least, not being used effectively.

Specific Comments

Question One

The scenario for this question concerned a privatised higher education technology college (ExCo) which was facing internal problems and encountering external pressures. Financial information about the college's performance was included in the scenario. The financial information pointed to weaknesses in performance (and one strength), but many candidates did not use or interpret this data at all.

The first part of the question asked candidates to analyse the current situation at ExCo using a SWOT analysis. This was worth eighteen marks. Most candidates produced a good analysis, correctly classifying the strengths, weaknesses, opportunities and threats described in the scenario. However, candidates must recall that strengths and weaknesses are internal to the organisation and opportunities and threats are external. So, for example, demotivated staff represent a weakness not a threat. Some candidates also discussed how strengths could be utilised, weaknesses addressed etc. This was not the point of the question, and indeed is not the focus of a SWOT analysis, which is primarily concerned with summarising the strategic positon, not outlining actions for change. Consequently, some candidates wasted a lot of time on answering this question, providing information that could not be given any credit.

The second part of the question asked candidates to evaluate the implications of four contextual features of change (time, preservation, capability and readiness) on any proposed strategic change at ExCo. This was worth twelve marks. The past examiner reports suggested that many candidates seemed unfamiliar with the Balogun and Hope Hailey framework, relying too much on common-sense interpretations of the features. However, in this sitting it was clear that such an observation was not true. Many candidates not only defined the features correctly but also went on to appropriately use them in the context of the scenario. Consequently, many candidates scored well in this part question.

The third part of the question asked candidates to analyse the nature and scope of change required at ExCo and discuss its implications for the company. This was worth seven marks. Scope and change also have specific meaning within the Balogun and Hope Hailey framework and many candidates picked up on this and explored strategic change within the scenario using this framework. They explored concepts such as big-bang, incremental, realignment, reconstruction, etc. appropriately in the context of change at ExCo. However, other candidates relied too much on common-sense interpretations of the nature and scope of change often describing them in the context of detailed operational implications and this was usually insufficient for them to gain a pass mark in this part question.

The final part of the question asked candidates to analyse three strategic routes within the strategy clock; no frills, differentiation and focussed differentiation in the context of developing an appropriate strategic direction for ExCo. This part question was worth ten marks. Many candidates answered this quite well, being familiar with the theory and realising that no frills was an unlikely strategy for ExCo, but recognising that both differentiation and focussed differentiation were both potential strategic routes for Exco. Like part b, most answers had a good balance of theory and application.

Four professional marks were awarded in question 1 for structure, coherence, style and clarity of your answer. Most answers were clearly written and well structured.

Section B

Question Two

The scenario for this question concerned a company which is considering three issues. Should they make or buy product A, cease production of product B and accept a one-off special contract for product C. The finance director of the company had suggested that relevant costing should be used in making decisions such as these.

The first part of the question asked the candidate to use relevant costing as the basis of a financial analysis which evaluated the case for each of the three options being considered, recommending what decision should be taken on each option. The analysis should include both financial and qualitative aspects in the evaluation. This was worth fifteen marks. This was fairly well answered, although not all candidates stuck to relevant costing. Candidates are reminded to lay out their numerical answers so that key values in the analysis are obvious and are not buried in descriptive text. Furthermore, the calculation of key elements should also be explicitly shown so that markers can understand how values have been calculated. This helps them implement an Own Figure Rule (OFR), which ensures that candidates are not penalised twice (or more) for simple errors in calculations or assumptions made earlier in the analysis. Too many answers were scruffy and unexplained.

The CEO of the company has heard that full (absorption) costing could have been used to make the decisions on the three options under review. The second part of the question required the candidate to discuss the advantages and disadvantages of using full (absorption) costing, as opposed to relevant or marginal costing, in making the decisions on the three options under review. This part question was worth ten marks. This was not answered as well, with many candidates unable to make many relevant points and very few answers discussed these advantages and disadvantages in the context of the decisions under review. There was evidence of significant knowledge gaps in this area.

Question Three

The scenario for this question concerned a public sector agency that was undertaking a process improvement programme in three areas. Two of these processes were the basis of the first part of this question. Candidates were asked to determine the position of these processes on Harmon's process-strategy matrix. And, given its position on the matrix, recommend how improvements in each of these processes should be implemented, stating any potential difficulties in making such improvements. This part question was worth ten marks. In general, this was well answered with candidates correctly identifying the process complexity and strategic importance of each of the two processes. Most candidates scored high marks on this part question.

The agency had already decided to implement the other process described in the scenario using a commercial off the shelf (COTS) solution. The second part of the question asked candidates to justify the decision to implement this process with such a solution as against developing a bespoke solution. It then asked candidates to explain

any risks associated with the commercial off-the-shelf package based approach and discuss how each risk might be handled. This part question was worth fifteen marks. This part question was not answered particularly well, which is surprising as it covers areas that have been regularly examined in the past. Candidates are also reminded to continually bear in mind the context of the scenario.

Question Four

The scenario for this question concerned an on-line retailer and provider of online leisure services. It currently has problems in its supply chain and the first part of the question, worth fifteen marks, asked candidates to analyse how the company could re-structure its upstream and downstream supply chain to increase its competitive advantage. Similar questions have been asked before and this question was very close to the one in the specimen exam. However, despite this, the question was poorly answered, with many answers simply repeating the content of the scenario, essentially restating the problems, rather than exploring how the company could re-structure its supply chain to address these problems. Many answers also lacked structure and included considerable repetition and it was often difficult to establish what unique points were being made.

The second part of the question, worth ten marks, asked candidates to discuss how the company could use the concept of boundary-less organisations to effectively organise itself internally and to structure its relationships with external suppliers. A similar question was asked relatively recently and was published in the September/December 2016 hybrid examination. Despite this, most candidates seemed to be unfamiliar with this part of the syllabus and so either omitted this part question completely, or answered inappropriately and scored very low marks, often none at all. Candidates are reminded again to study the complete syllabus. There was an obvious knowledge gap here.