

Advanced Performance Management (P5) September 2016 to June 2017

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, learning and content providers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

Learning Materials

ACCA's Approved Content Programme is the programme through which ACCA approves learning materials from high quality content providers designed to support study towards ACCA's qualifications.

ACCA has three Approved Content Providers, Becker Professional Education, BPP Learning Media and Kaplan Publishing.

For information about ACCA's Approved Content Providers please go to ACCA's Content Provider Directory.

The Directory also lists materials by other publishers, these materials have not been quality assured by ACCA but may be helpful if used in conjunction with approved learning materials or for variant exams where no approved content is available. You will also find details of Additional Reading suggested by the examining teams and this may be a useful supplement to approved learning materials.

ACCA's Content Provider Directory can be found here –
<http://www.accaglobal.com/uk/en/student/acca-qual-student-journey/study-revision/learning-providers/alp-content.html>

Relevant articles are also published in Student Accountant and available on the ACCA website.

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension
Level 2: Application and analysis
Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student

progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS AND EDUCATION RECOGNITION

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus contains between 22 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations F5-F9 are paper

based exams containing a mix of objective and longer type questions with a duration of three hours 15 minutes. From September 2016 these exams will also be available as computer-based exams. Further information will be released on these in April 2016. The *Corporate and Business Law* (F4) paper is a two- hour objective test examination which is also available as a computer based exams for English and Global variants, as well as paper based for all variants.

The Professional level papers are all of three hours 15 minutes duration and, all contain two sections. Section A is compulsory, but there will be some choice offered in Section B.

ACCA has removed the restriction relating to reading and planning time, so that while the time considered necessary to complete these exams remains at 3 hours, candidates may use the additional 15 minutes as they choose. ACCA encourages students to take time to read questions carefully and to plan answers but once the exam time has started, there are no additional restrictions as to when candidates may start writing in their answer books.

Time should be taken to ensure that all the information and exam requirements are properly read and understood.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of both the P4 and P5 Options papers contain one 50 mark compulsory question, and Section B will offer a choice of two from three questions each worth 25 marks each.

Section A of each of the P6 and P7 Options papers contains 60 compulsory marks from two questions; question 1 attracting 35 marks, and question 2 attracting 25 marks. Section B of both these Options papers will offer a choice of two from three questions, with each question attracting 20 marks.

All Professional level exams contain four professional marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions..

For paper based examinations regulation *issued* or legislation *passed* on or before 31st August annually, will be examinable from 1st September of the following year to 31st August[†] of the year after that. Please refer to the examinable documents for the paper (where relevant) for further information.

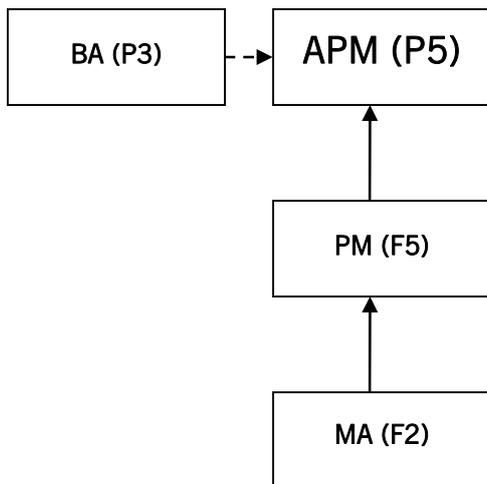
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the *effective* date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

Syllabus



AIM

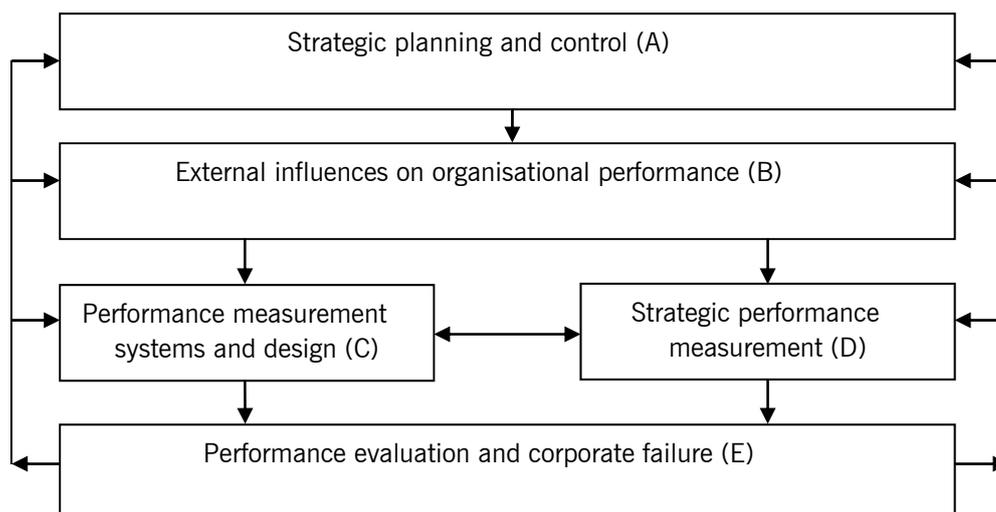
To apply relevant knowledge, skills and exercise professional judgement in selecting and applying strategic management accounting techniques in different business contexts and to contribute to the evaluation of the performance of an organisation and its strategic development.

MAIN CAPABILITIES

On successful completion of this paper, candidates should be able to:

- A** Use strategic planning and control models to plan and monitor organisational performance
- B** Assess and identify key external influences on organisational performance
- C** Identify and evaluate the design features of effective performance management information and monitoring systems
- D** Apply appropriate strategic performance measurement techniques in evaluating and improving organisational performance
- E** Advise clients and senior management on strategic business performance evaluation and on recognising vulnerability to corporate failure

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

The Advanced Performance Management syllabus further develops key aspects introduced in Paper F5, *Performance Management*, at the skills level and draws on aspects of the material covered from a more strategic and operational planning perspective in Paper P3, *Business Analysis*.

The syllabus introduces candidates to the strategic role of management accounting as a discipline for planning and controlling performance so that strategic objectives can be set, monitored and controlled. It also covers the impact of external factors on strategic management issues, such as macro-economic, fiscal, market and environmental impacts on performance. From appreciating the strategic context of performance management and the impact of wider factors, the syllabus examines, at an operational level, the issues relating to performance measurement systems and their design.

The syllabus then moves from performance management systems and their design to the scope and application of high-level performance measurement techniques in a variety of contexts, including not-for-profit organisations and multi-national businesses. Having covered the strategic aspects of performance management and operational systems for the measurement and control of performance in a variety of contexts, candidates are then expected to synthesise this knowledge in the role of an advisor to senior management or independent clients on how to assess and control the performance of an entity, including the recognition of whether a business is facing difficulties or possibly failure.

DETAILED SYLLABUS

A. Strategic planning and control

1. Strategic management accounting
2. Performance hierarchy
3. Performance management and control of the organisation
4. Changes in business structure and management accounting
5. Other environmental and ethical issues

B. External influences on organisational performance

1. Impact of risk and uncertainty on performance management
2. Impact of other external factors on performance management

C. Performance measurement systems and design

1. Performance management information systems
2. Sources of management information
3. Recording and processing methods
4. Management reports

D. Strategic performance measurement

1. Strategic performance measures in the private sector
2. Divisional performance and transfer pricing issues
3. Strategic performance measures in not-for-profit organisations
4. Non-financial performance indicators
5. The role of quality in management information and performance measurement systems
6. Performance measurement and strategic human resource management issues

7. Other behavioural aspects of performance measurement

E. Performance evaluation and corporate failure

1. Alternative views of performance measurement and management
2. Strategic performance issues in complex business structures
3. Predicting and preventing corporate failure

APPROACH TO EXAMINING THE SYLLABUS

Paper P5 builds on paper F5, *Performance Management*, and candidates are expected to have a thorough understanding of the paper F5 syllabus. In addition, candidates will also be required to apply the principles and techniques covered in paper F2, *Management Accounting*.

Paper P5 has a link with Paper P3, *Business Analysis*, in the areas of strategic planning and control and performance measurement

EXAMINATION STRUCTURE

The syllabus is assessed by a three-hour 15 minutes paper-based examination.

Section A

Section A will contain one compulsory question comprising of 50 marks

Section B

In section B candidates will be asked to answer two from three questions comprising of 25 marks each

Total 100 marks

Study Guide

A STRATEGIC PLANNING AND CONTROL

1. Strategic management accounting

- a) Explain the role of strategic performance management in strategic planning and control. ^[2]
- b) Discuss the role of performance measurement in checking progress towards the corporate objectives. ^[2]
- c) Compare planning and control between the strategic and operational levels within a business entity. ^[2]
- d) Discuss the scope for potential conflict between strategic business plans and short-term localised decisions. ^[2]
- e) Evaluate how models such as SWOT analysis, Boston Consulting Group and Porter may assist in the performance management process. ^[3]
- f) Apply and evaluate the methods of benchmarking performance. ^[3]
- g) Assess the changing role of the management accountant in today's business environment as outlined by Burns and Scapens. ^[3]

2. Performance hierarchy

- a) Discuss how the purpose, structure and content of a mission statement impacts on performance measurement and management. ^[2]
- b) Discuss how strategic objectives are cascaded down the organisation via the formulation of subsidiary performance objectives. ^[2]
- c) Apply critical success factor analysis in developing performance metrics from business objectives. ^[3]
- d) Identify and discuss the characteristics of operational performance. ^[2]

- e) Discuss the relative significance of planning as against controlling activities at different levels in the performance hierarchy. ^[3]

3. Performance management and control of the organisation

- a) Evaluate the strengths and weaknesses of alternative budgeting models and compare such techniques as fixed and flexible, rolling, activity based, zero based and incremental. ^[3]
- b) Evaluate different types of budget variances and how these relate to issues in planning and controlling organisations. ^[3]

4. Changes in business structure and management accounting

- a) Identify and discuss the particular information needs of organisations adopting a functional, divisional or network form and the implications for performance management. ^[2]
- b) Assess the changing accounting needs of modern service orientated businesses compared with the needs of a traditional manufacturing industry. ^[3]
- c) Assess the influence of Business Process Re-engineering on systems development and improvements in organisational performance. ^[3]
- d) Analyse the role that performance management systems play in business integration using models such as the value chain and McKinsey's 7S's ^[3]
- e) Discuss how changing an organisation's structure, culture and strategy will influence the adoption of new performance measurement methods and techniques. ^[3]
- f) Assess the need for businesses to continually refine and develop their management accounting and information systems if they are to maintain or improve their performance in an increasingly competitive and global market. ^[3]
- g) Highlight the ways in which contingent (internal and external) factors influence management accounting and its design and use. ^[3]

5. Other environmental and ethical issues

- a) Discuss the ways in which stakeholder groups operate and how they influence an organisation, its strategy formulation and implementation and business performance (e.g. using Mendelow's matrix).^[2]
- b) Discuss the social and ethical issues that may impact on strategy formulation, and consequently, business performance.^[3]
- c) Discuss, evaluate and apply environmental management accounting using for example lifecycle costing and activity-based costing.^[3]

B EXTERNAL INFLUENCES ON ORGANISATIONAL PERFORMANCE

1. Impact of risk and uncertainty on performance management

- a) Assess the impact of the different risk appetites of stakeholders on performance management.^[3]
- b) Evaluate how risk and uncertainty play an important role in long term strategic planning and decision-making that relies upon forecasts of exogenous variables.^[3]
- c) Apply different risk analysis techniques in assessing business performance such as maximin, maximax, minimax regret and expected values.^[3]

2. Impact of other external factors on performance management

- a) Discuss the need to consider the environment in which an organisation is operating when assessing its performance using models such as PEST and Porter's 5 forces, including such areas as:^[2]
 - i) Political climate
 - ii) Market conditions

C PERFORMANCE MEASUREMENT SYSTEMS AND DESIGN

1. Performance management information systems

- a) Discuss, with reference to performance management, ways in which the information

requirements of a management structure are affected by the features of the structure.^[2]

- b) Evaluate the compatibility of management accounting objectives and the management accounting information systems.^[3]
- c) Discuss the integration of management accounting information within an overall information system, for example the use of enterprise resource planning systems.^[2]
- d) Evaluate whether the management information systems are lean and the value of the information that they provide.^[3]
- e) Evaluate how anticipated human behaviour will influence the design of a management accounting system.^[3]

2. Sources of management information

- a) Discuss the principal internal and external sources of management accounting information, their costs and limitations.^[2]
- b) Demonstrate how the information might be used in planning and controlling activities e.g. benchmarking against similar activities.^[2]
- c) Discuss the development of Big Data and its impact on performance measurement and management, including the risks and challenges it presents.^[3]

3. Recording and processing methods

- a) Demonstrate how the type of business entity will influence the recording and processing methods.^[2]
- b) Discuss how IT developments e.g. unified corporate databases, RFIDs and network technology may influence management accounting systems.^[2]
- c) Explain how information systems provide instant access to previously unavailable data that can be used for benchmarking and control purposes and help improve business performance (for example, through the use of enterprise resource planning systems and data warehouses).^[2]

- d) Discuss the difficulties associated with recording and processing data of a qualitative nature.^[2]

4. Management reports

- a) Evaluate the output reports of an information system in the light of^[3]
 - i) best practice in presentation;
 - ii) the objectives of the report/organisation;
 - iii) the needs of the readers of the report; and
 - iv) avoiding the problem of information overload
- b) Advise on common mistakes and misconceptions in the use of numerical data used for performance measurement.^[3]
- c) Explore the role of the management accountant in providing key performance information for integrated reporting to stakeholders.^[2]

D STRATEGIC PERFORMANCE MEASUREMENT

1. Strategic performance measures in private sector

- a) Demonstrate why the primary objective of financial performance should be primarily concerned with the benefits to shareholders.^[2]
- b) Discuss the appropriateness of, and apply different measures of performance, including:^[3]
 - i) Gross profit and operating profit
 - ii) Return on Capital Employed (ROCE)
 - iii) Return on Investment (ROI)
 - iv) Earnings Per Share (EPS)
 - v) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)
 - vi) Residual Income (RI)
 - vii) Net Present value (NPV)
 - viii) Internal rate of return and modified internal Rate of Return (IRR, MIRR)
 - ix) Economic Value Added (EVATM)
- c) Discuss why indicators of liquidity and gearing need to be considered in conjunction with profitability.^[3]

- d) Compare and contrast short and long run financial performance and the resulting management issues.^[3]
- e) Assess the appropriate benchmarks to use in assessing performance.^[3]

2. Divisional performance and transfer pricing issues

- a) Describe, compute and evaluate performance measures relevant in a divisionalised organisation structure including ROI, RI and Economic value added (EVA).^[3]
- b) Discuss the need for separate measures in respect of managerial and divisional performance.^[2]
- c) Discuss the circumstances in which a transfer pricing policy may be needed and discuss the necessary criteria for its design.^[2]
- d) Demonstrate and evaluate the use of alternative bases for transfer pricing.^[3]
- e) Explain and demonstrate issues that require consideration when setting transfer prices in multinational companies.^[2]

3. Strategic performance measures in not-for-profit organisations

- a) Highlight and discuss the potential for diversity in objectives depending on organisation type.^[3]
- b) Discuss the difficulties in measuring outputs when performance is not judged in terms of money or an easily quantifiable objective.^[2]
- c) Discuss the use of benchmarking in public sector performance (league tables) and its effects on operational and strategic management and client behaviour.^[3]
- d) Discuss how the combination of politics and the desire to measure public sector performance may result in undesirable service outcomes e.g. the use of targets.^[3]
- e) Assess 'value for money' service provision as a measure of performance in not-for-profit organisations and the public sector.^[3]

4. Non-financial performance indicators

- a) Discuss the interaction of non-financial performance indicators with financial performance indicators.^[3]
- b) Identify and discuss the significance of non-financial performance indicators in relation to employees and product/service quality e.g. customer satisfaction reports, repeat business ratings, customer loyalty, access and availability.^[3]
- c) Discuss the difficulties in interpreting data on qualitative issues.^[2]
- d) Discuss the significance of brand awareness and company profile and their potential impact on business performance.^[3]

5. The role of quality in management information and performance measurement systems

- a) Discuss and evaluate the application of Japanese business practices and management accounting techniques, including:^[3]
 - i) Kaizen costing,
 - ii) Target costing,
 - iii) Just-in-time, and
 - iv) Total Quality Management.
- b) Assess the relationship of quality management to the performance management strategy of an organisation including the costs of quality.^[3]
- c) Justify the need and assess the characteristics of quality in management information systems^[3]
- d) Discuss and apply Six Sigma as a quality improvement method using tools such as DMAIC for implementation.^[2]

6. Performance measurement and strategic Human Resource Management issues

- a) Advise on the relationship of HR management to performance measurement (performance rating) and suitable remuneration methods.^[3]
- b) Advise on the link between achievement of the corporate strategy and the management of human resources (e.g. through the Building Block model) [2]

- c) Discuss and evaluate different methods of reward practices.^[3]
- d) Assess the potential beneficial and adverse consequences of linking reward schemes to performance measurement, for example, how it can affect the risk appetite of employees.^[3]

7. Other behavioural aspects of performance measurement

- a) Discuss the accountability issues that might arise from performance measurement systems.^[3]
- b) Assess the statement; 'What gets measured, gets done.'^[3]
- c) Demonstrate how management style needs to be considered when designing an effective performance measurement system.^[3]

E PERFORMANCE EVALUATION AND CORPORATE FAILURE

1. Alternative views of performance measurement and management

- a) Apply and evaluate the 'balanced scorecard' approach as a way in which to improve the range and linkage between performance measures.^[3]
- b) Apply and evaluate the 'performance pyramid' as a way in which to link strategy, operations and performance.^[3]
- c) Apply and evaluate the work of Fitzgerald and Moon that considers performance measurement in business services using building blocks for dimensions, standards and rewards.^[3]
- d) Discuss and evaluate the application of activity-based management.^[3]
- e) Evaluate and apply the value-based management approaches to performance management.^[3]

2. Strategic performance issues in complex business structures

- a) Discuss the problems encountered in planning, controlling and measuring performance levels, e.g. productivity, profitability, quality and service levels, in complex business structures. ^[3]
- b) Discuss the impact on performance management of the use of business models involving strategic alliances, joint ventures and complex supply chain structures. ^[3]

3. Predicting and preventing corporate failure

- a) Discuss how long-term survival necessitates consideration of life-cycle issues. ^[3]
- b) Assess the potential likelihood of corporate failure, utilising quantitative and qualitative performance measures and models (such as Z-scores and Argenti). ^[3]
- c) Assess and critique quantitative and qualitative corporate failure prediction models. ^[3]
- d) Identify and discuss performance improvement strategies that may be adopted in order to prevent corporate failure. ^[3]
- e) Identify and discuss operational changes to performance management systems required to implement the performance improvement strategies. ^[3]

SUMMARY OF CHANGES TO P5

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

There are changes to the syllabus to reflect the latest business and educational developments affecting this paper. These are summarised in the table below.

Section and subject area	Syllabus content
A Strategic planning and control	<p>There are still 5 subject areas, however these have been reordered.</p> <p>A1b has been changed to ‘Discuss the role of performance measurement,,,’</p> <p>A1d has been deleted and the subsequent learning outcomes reordered</p> <p>A1e now includes the models from E2a</p> <p>A1g was formerly F2a</p> <p>A2 was formerly D1</p> <p>D1b, c, e and f have been deleted and the remainder reordered under A2.</p> <p>A3 was formerly A2</p> <p>A3b is now focused on the use of variance analysis in performance measurement</p> <p>The former A2c has been deleted</p> <p>A4 was formerly A3</p> <p>There have been some deletions, additions and reordering</p> <p>A4b was A4a from the previous syllabus</p> <p>A4f was A4e from the previous syllabus</p> <p>A4e was F2c</p> <p>A4g was C1e</p> <p>The former A3c and A3e have been deleted</p> <p>The former A4b and A4c have been deleted</p> <p>A5a has been rephrased</p> <p>A5b has been rephrased</p> <p>A5c has been replaced with the former F1b and input/output analysis has been deleted</p>
B External influences on organisational performance	<p>Subject area B1 has been renamed</p> <p>B1a has been deleted and subsequent learning outcomes have been reordered</p> <p>Subject area B2 has been renamed</p> <p>B2aiii has been deleted</p> <p>B2b has been deleted</p>

C Performance measurement systems and design	<p>C1e has moved to A4g C1g has been deleted</p> <p>C2c has been replaced with a new learning outcome</p> <p>C3c was formerly A4d and the previous C3c is now C3d</p> <p>C4b is a new learning outcome focused on how data can be used to misrepresent performance C4c was formerly F2d</p>
D Strategic performance measurement	<p>D1 has moved to A2 and the subject areas have been consequently reordered</p> <p>The former D2b and D2f have been deleted D1bi has been added and the subsequent list of performance measures renumbered D1e was formerly D2g and has been rephrased</p> <p>D3 was formerly D4 The former D4b and D4c have been deleted D3c was formerly F1c D3d has been amended slightly to include 'e.g. the use of targets'</p> <p>The former D5b and D5c have been deleted</p> <p>D5 was formerly D6 The former D6b and D6d have been deleted D5b has been amended to include reference to the costs of quality</p> <p>D6 is now the previous D7 and D8 combined D6a and D6b are new learning outcomes which link together a number of the former learning outcomes</p> <p>D7 was formerly D9 The former D9b has been deleted D7b has been added</p>
E Performance evaluation and corporate failure	<p>E1d has been deleted</p> <p>E2a has been moved to A1e</p> <p>E3 has been reordered</p>
	Former syllabus area (F)

	F1a, F1d, F2b have been deleted F1b has been moved to A5c F1c has been moved to D3c
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	F2a has been moved to A1g F2c has been moved to A4e F2d has been moved to C4c
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