



# Examiner's report

## P5 Advanced Performance Management

June 2009

### General Comments

Firstly I would like to offer my congratulations to all of those candidates who achieved a pass at this diet and my commiserations to those who did not.

The examination paper comprised two sections, A and B. Section A consisted of two compulsory questions for 35 and 25 marks respectively. Section B consisted of three optional questions for 20 marks each from which candidates were required to answer two questions.

The consensus of opinion from the marking team is that the paper was well balanced between computational and discursive elements, providing candidates with the opportunity to obtain relatively high marks. It was pleasing to see that well-prepared candidates passed the examination comfortably. However the examination revealed a very large number of candidates who fell well short of achieving a pass. Indeed, there were relatively few marginal candidates at this diet. The overall results suggest that far fewer candidates than expected were adequately prepared for this examination.

Sadly, many candidates did not answer all of the question subsections and in not doing so imposed limitations on the marks available to them.

Candidates should avoid the temptation to undertake 'question spotting'. The P5 examination paper continues to examine the full syllabus and as such will continue to reveal those candidates who are poorly prepared. That said there was still much in this examination that was consistent with previous examination papers (Questions 1, 2 and 4) which should have given the more able and prepared candidates a sound foundation for success.

Candidates need to be aware whether they have the knowledge to answer discursive questions. If they do not then it is essential that they realise that the quantity of work produced is not a substitute for quality. This was particularly evident from candidates' answers to Question 3.

Workings were generally shown but were at times difficult to follow. Many candidates continue to display their answers poorly, with a lack of clear labelling to indicate which questions are being attempted. Each question should be started on a new page and candidates must give more thought to the layout and organisation of their answers. This is especially the case given the potential to earn professional marks in this or any other of the professional level examination papers.

### Question One

In general, the answers to this question were poor. Whilst there were a significant number of candidates who achieved very high marks, there were a large number who did not provide answers of a pass standard. In part (a) a large number of candidates confined their comments to 'higher than' or 'lower than' or 'better than or worse than budget' using only absolute figures for the purposes of comparison. Many candidates made insufficient use of the numerical data contained in the question. Whilst many used percentage calculations, few calculated meaningful ratios. Indeed, there were some candidates who arrived at a bed occupancy rate in excess of 100%! Furthermore, many candidates prepared their report to the management of the Glasburgh Trust using no statistics whatsoever. All too often calculations were undertaken and then not explained or explained in such terms that they did not address the requirements of the question. In their answers to part (b) a large number of candidates did not evaluate the balanced scorecard used by the Glasburgh Trust or provide recommendations which would improve its usefulness as a performance management tool. A significant minority of candidates wrote all they knew about the balanced scorecard including inappropriate profitability measures, and mentioned products, delivery times and other measures not relevant to the scenario. Some candidates chose to discuss the 'performance pyramid' of Lynch and Cross or the work of Fitzgerald and Moon either in addition to or in place of the balanced scorecard of the Glasburgh Trust.

### Question Two

There were significant variations in the quality of candidates' answers to this question. Answers to part (a) revealed that the majority of candidates were unable to calculate correctly the discount rate. A large number of candidates also included the development costs in the tax calculations of F4U. In general, answers to part (b) were poor. A significant number of candidates appeared to attempt to 'guess' the answer and a sizeable number made no attempt to answer part (b) which was potentially worth six marks. There were a large number of very good answers to part (c) which achieved high marks. However, in answering part (c) many candidates offered a discussion of a variety of non-financial performance measures instead of discussing ways in which reliance solely on financial performance measures can detract from the effectiveness of the performance management system within an organisation, as required by the question. There were many correct answers to part (d) with candidates achieving maximum marks. However, a significant number of candidates demonstrated a lack of knowledge of maximax, maximin and minimax regret decision rules. What is more, a significant number of candidates made no attempt to answer this subsection of the question which was potentially worth seven marks.

### Question Three

This question was the least popular of the optional questions which, in general, candidates found rather challenging. There were some very good answers to parts (a)(i) and (a)(ii) which achieved very high marks. However, there were a large number of answers which demonstrated a misunderstanding of the nature of the relationships which were the focus of the requirements of these parts of the question. In particular, there were many confused efforts to explain expectancy theory. There were also a significant number of candidates who completely ignored the scenario contained in the question. In part (b) candidates were unable to explain 'hard accountability' in the context of the three specific areas within the Universal University.

### Question Four

There were significant variations in the quality of candidates' answers to this question. Many candidates who observed the relationship between price and quantity demanded in the scenario and applied  $MR = MC$  to calculate correctly the profit-maximising fee per double room, achieved maximum marks in part (a)(i). Three common errors in part (a)(i) were as follows:

- using 1,800 rooms instead of 1,440
- being unable to calculate  $P_0$  as 760, and
- using a marginal cost figure of 100 instead of 200.

As a consequence of achieving maximum marks in part (a)(i) many candidates were able to achieve maximum marks in part (a)(ii). Where candidates had not reached the correct solution in part (a)(i) credit was given accordingly to answers to part (a)(ii) which, in general, was satisfactory.

There were few correct solutions to part (b) with only a minority of candidates undertaking the required calculations to reflect the revised marginal cost. There were a large number of answers to part (c) which earned maximum marks. However, there were some answers where candidates simply ignored the scenario of the McIntyre Resort and were therefore unable to gain any of the four available marks

### Question Five

In general, answers to part (a) were of a good standard with the majority of candidates being able to identify and explain the six-sigma DMAIC methodology and thereby achieving high marks. It was obvious that a significant number of candidates were not familiar with the methodology and attempted to guess the answer to this part of the question and in so doing achieved very few marks whilst at the same time losing valuable examination time. There were a large number of good answers to part (b) in which candidates demonstrated their abilities to apply the six-sigma DMAIC methodology and consequently achieved high marks. However, many candidates who had been able to explain the methodology were unable to apply it to the scenario of The There 4 U Company and often did little more than provide a list of problems, often repeating what was contained in the question, with little or no attempt to analyse and address the issues therein.