



Examiner's report

P3 Business Analysis

December 2009

General Comments

The pass rate on this paper was slightly lower than in previous sessions. This was primarily due to relatively poor candidate performance in section B, where questions three and four were not well answered. A significant number of candidates only answered two questions; the compulsory question one and the optional question two. This seems to suggest that candidates are unfamiliar with quality and project management, two significant parts of the syllabus. Candidates and lecturers are reminded that this paper is not paper 3.5 with a new title. There are significant new areas which must be taught and learnt. Furthermore, the P3 Study Guide explicitly builds on knowledge gained in paper F1. Candidates exempt from this earlier paper are encouraged to review the content of the F1 syllabus. In this examination, candidates were able to use Mendelow's power/interest grid, examined at recall level in F1, but assessed by application in P3.

Specific Comments

There was some evidence of poor time management, perhaps caused by candidates spending too much time on question 1a. However, this might also reflect the fact that candidates were more familiar with Porter rather than Project Management. Overall, this paper highlighted important gaps in knowledge and application which must be addressed.

Question One

Question one was a three part question worth fifty marks based on an extended case study scenario about an organisation, ABCL, who are considering entering the business analysis certification market (BACTI), in the neighbouring country of Erewhon. This compulsory question was answered relatively well, with good use of the case study material.

The first part of the question asked candidates to use Porter's framework to analyse the business analysis certification industry (BACTI) in Erewhon and to assess whether it was an attractive market for ABCL to enter. Most candidates answered this question relatively well, showing an understanding of Porter's framework and an ability to apply it to the case study scenario. The scenario explicitly stated that Xenon analyses an industry by using Porter's **five forces** framework. It was expected that candidates would use this in their analysis. However, some candidates elected to use his "diamond" analysis instead. The two frameworks overlap to some extent and so candidates using this approach were able to gain some marks, although there was probably insufficient information in the case study scenario to get a pass mark using this approach.

The second part of the compulsory question assumed that Xenon had decided to enter the BACTI market by acquiring one of the three big companies currently dominating the marketplace. Ecoba Ltd had been identified as the most appropriate target and candidates were required to write a short report evaluating Ecoba Ltd, analysing whether it was the most appropriate and attractive of the three possible acquisition targets of ABCL. Overall, candidates answered this part question relatively well, calculating and using financial information that had been signposted in the scenario. Some candidates took the suitability, feasibility, acceptability approach which sometimes led to answers with little reference to the case study scenario. A straightforward financial evaluation would have been more appropriate. Furthermore, some candidates questioned the attractiveness of the marketplace as a whole. This was not the point of this part question, it had already been considered in the first part of the question. ABCL have already decided to enter this marketplace, it is now just a question of which company to acquire.

The final part of the compulsory question asked candidates to identify and analyse the stakeholders in Ecoba Ltd and analyse how ABCL could successfully manage them during the ownership transition. Markers were instructed to interpret stakeholders quite widely and to include some that are not identified in the model answer. Most

candidates answered this part question relatively well, with appropriate use of the Mendelow matrix often leading to high marks for this part question.

Section B

Section B consisted of three questions. Candidates were required to answer two of these questions. Each question is worth twenty five marks

Question Two

Question Two concerned an organisation called Independent Living (IL) which is a charity that provides living aids to help elderly and disabled people living independently in their own home. The first part of the question requested candidates to analyse the primary activities of the value chain for the product range at IL. Most candidates answered this fairly well, recognising that there were two value chains at IL, one concerned with manufactured goods and the other with “bought in” products. However, it was also clear that a significant number of candidates were not familiar with the terminology and structure of the value chain. The “Service” element of the value chain was also particularly misunderstood.

The second part of the question asked candidates to evaluate what changes IL might consider to the primary activities in the value chain to improve their competitiveness, *whilst continuing to meet their charitable objectives*. This part question was also answered fairly well although the inappropriateness of some solutions in the light of the charitable objectives was not sufficiently explored. Charities are an important part of the “not-for-profit” sector of the economy and their structure and objectives should be understood by candidates. Question scenarios will not always be drawn from the private or public sectors of the economy.

However, overall question two was answered relatively well. It was questions three and four that posed problems.

Question Three

Question Three concerned a bank that had acquired one of its smaller rivals. The scenario described a number of ways in which good project management had contributed to a successful subsequent branch rationalisation project. Candidates were asked to identify and analyse the elements of good project management that had helped make this project successful. This first part question was poorly answered in two ways. Firstly, too many candidates developed answers that discussed project management in general and did not apply them to the scenario, although these links were relatively easy to make. Unsuccessful candidates are encouraged to read the model answer to see how this part question should have been structured.

Secondly, a significant number of candidates constructed theoretical answers around aspects of project management which were irrelevant or inappropriate to the case study scenario. Such answers seemed to be answering a different question – identify the principles of good project management – to the one set in the examination. Project management appears to be a significant area of weakness despite its relevance to accountants and real-world business. Candidates need to understand the principles of project management and, more importantly, apply them to a case study scenario. The link between theory and application was very poor.

The second part of the question asked candidates to explain the principles of Paul Harmon’s process-strategy matrix and then apply them to three process initiatives at the bank. This part of the question was answered slightly better, although the suggested solutions were often unjustified and many marks could not be given for very brief answers. There were three marks on offer for each solution. Answers such as “buy a software package” or “outsource to a specialist” are clearly insufficient to gain such marks. Answers need to be expanded and clearly justified.

Overall, answers to question three were poor and insufficient for the marks on offer.

Question Four

Question Four concerned the production of high quality aircraft engine monitoring software. It asked candidates to identify the characteristics of software quality and explain the appropriateness of each characteristic to the engine monitoring software. The second part of this question required candidates to explain the principles of the V model and evaluate its use in defining and testing *changes* to the company's established software solution. This was not a popular question and was not answered well. For the first part, candidates failed to pick up clues from the scenario (reliability is needed in such a critical environment, usability is an issue after a recent accident) and this compounded a lack of knowledge. Many facets of software quality were misunderstood and in most answers there was insufficient content to gain the marks on offer. In the second section of the question, some candidates were able to draw the V model. However, very few answers applied it to the case study environment. Marks for this question were very low. The impression markers gained was that candidates had studied the subject, but not in sufficient depth to answer a twenty-five mark case study based question.