



Examiner's report

P5 Advanced Performance Management December 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 30 marks each. 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 examination paper was very well balanced between computational and discursive elements, providing well prepared candidates with the opportunity to obtain high marks. It was pleasing to see a large number of candidates providing good answers to every question they attempted and consequently achieving high marks.

Sadly, the examination revealed a large number of candidates who were inadequately prepared for the examination. Nevertheless it was pleasing to observe that there were far fewer candidates scoring very low marks than in recent diets and, in general, the overall performance of candidates was much improved.

Many candidates continue to display their answers poorly, with a lack of clear labelling to indicate which questions are being attempted. Hence, many candidates would benefit by giving more thought to the presentation of their answers. This would not only improve the organisation of their answers but would also assist the marker by ensuring that they commence each question on a new page within their answer booklet.

Many candidates would clearly benefit from planning their answers to discursive parts of questions. For example, In their answers to Question 5 a number of candidates discussed the mission statement of CFD in part (a)(i) although this was in fact a requirement of part (a)(ii).

It was noticeable that many candidates begin their answers to discursive parts of questions by rewriting the requirement of the question and in doing so waste valuable time.

Many candidates had clearly memorised solutions to past examination questions and were determined to include them in their answers to questions on the examination paper. Question 5 was the most common place for this to happen e.g. using a past question on hotels as a template for dog kennels and suggesting surveying the dogs on quality of meals and room cleanliness!

Specific Comments

Question One

In general, answers to requirement (i) were satisfactory with a number of candidates gaining maximum marks. However, it was noticeable that a large number of candidates were unable to flex the budget of BEC correctly. There was a significant variation in the quality of candidates' answers to requirement (ii) in which poorer answers offered little in terms of 'assessment' and tended to limit their analysis to 'this has gone up', 'this has gone down' etc.

Again, there was a significant variation in the quality of candidates' answers to requirement (iii). Poorer answers tended to discuss performance measurement systems in a very general manner with very little,

if any, 'discussion of the issues that might restrict the extent to which a performance measurement system is accepted and supported by management and employees.

Question Two

There were significant variations in the quality of candidates' answers to this question. A significant number of candidates provided good answers to part (a) and in doing so achieved very high marks. However, it was apparent that many candidates knew little of 'Beyond Budgeting' providing answers that were not only lacking in 'depth' but also far too brief given the fact that there were fourteen marks available. It was pleasing to see a large number of candidates providing very good answers to part(b)(i) and consequently achieving very high marks. In general, answers to part (b)(ii) were satisfactory with most candidates being able to provide some relevant discussion of the potential benefits from the KPI and bonus approach both for Alpha division and throughout the RRR group.

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. In their answers to part (a)(i) a significant number of candidates did not recognise that Division A had spare production and consequently were unable to provide a correct solution. It was disappointing to observe a number of candidates being unable to correctly identify which of the products yielded the lowest contribution. In general, answers to part a (ii) were satisfactory with a significant number of candidates achieving all four available marks. There were a significant number of poor answers to part (b). Some candidates confused themselves by applying the 30% discount to the market price of the buying division (B), not that of the selling division (A).

Question Four

In general this question was well done with most candidates using the scenario in a satisfactory manner. A large number of candidates achieved maximum marks by providing a very good evaluation of the financial performance of CAP and the vast majority of candidates achieved high marks. However, it was noticeable that a significant number of candidates did not recognise that CAP would need to redeem preference shares in 2010 and would require additional finance of \$110 million in order to do so. Poorer answers were simply confined to ratio analysis with very little, if any, evaluation of financial performance. In general, answers to part (b) were of an acceptable quality. This part of the question did reveal a significant number of candidates who assumed that retained earnings were available to finance the redemption of preference shares or the proposed expansion into Robland, which is a major conceptual misunderstanding that is particularly worrying at this stage of the qualification.

Question Five

In general, this question was well answered. A large number of candidates provided very good answers to part (a)(i) and achieved maximum or very high marks. In contrast, there was a significant variation in the quality of candidates' answers to part (a)(ii). Poorer answers tended to completely ignore the scenario contained in the question in which candidates were required to 'advise the directors of CFD of the appropriateness of its mission statement'. That said a large number of candidates who used the scenario gained the three available marks. There were a large number of very good answers to part (b) and, in general, the quality of candidates' answers to part (b) was satisfactory. The majority of answers to part (c) were satisfactory with a large number of candidates gaining the three available marks. That



said a significant number of candidates ignored the scenario choosing instead to simply list a number of irrelevant performance measures to the scenario of CFD.