

Examiner's approach

Paper P5



Paper P5, *Advanced Performance Management*, is one of four papers in the Options module at the Professional level of the new ACCA Qualification. While not a completely new paper, it should be remembered that Paper P5 is not the previous syllabus Paper 3.3 with a new title. Indeed, Paper P5 is a challenging and innovative paper that aims to improve students' understanding of performance management – a subject which touches on all management activity in today's business organisations.

Candidates who pass the Paper P5 exam will be able to:

- evaluate the strategic performance of an organisation and recommend appropriate performance measures
- assess the impact on organisational performance of macro-economic, fiscal and market factors, and key external influences
- identify the information needs of management and contribute to the development of appropriate systems in order to improve organisational performance
- understand the significance of the relationship between financial and non-financial indicators of organisational performance
- identify where current developments in management accounting and performance management may be used to improve organisational performance.

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

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

The syllabus and relational diagram

The syllabus contains six sections – designed to provide the comprehensive knowledge necessary to enable students to make a significant contribution to today's business organisations. All sections are interconnected, and the syllabus, as a whole, focuses on the issues that are essential to the understanding of how performance management contributes to organisational performance.

Section A of the syllabus focuses on strategic planning and control. This involves a detailed examination of the role that strategic management accounting should play in today's organisations. This section also requires students to appraise alternative approaches to budgeting in order to facilitate better control of business organisations. We live in an ever-changing business environment and Section A considers the effects of both evolving business structures and information technology on modern management accounting practices.

Section B of the syllabus considers the impact of world economic and market trends, as well as the impact of national fiscal and monetary policy on the performance of business organisations. This section also explores other environmental and ethical issues facing business organisations.

Section C is focused on performance measurement systems and their design. Particular consideration is given to management accounting and information systems, and the sources of internal and external information available to business organisations. In addition, Section C considers the recording and processing methods and management reports used in business organisations.

Section D of the syllabus is focused on the need for strategic performance management in both public and private sector organisations. This section considers strategic performance issues in complex organisations as well as divisional performance and transfer pricing issues. Consideration is also given to behavioural aspects of performance management.

Section E of the syllabus is focused on the evaluation of business performance and corporate failure. Consideration is given to alternative views of performance measurement and the use of non-financial performance indicators. This section also considers the prediction and prevention of corporate failure.

In an area as fast moving as management accounting, the importance of keeping abreast of current developments is essential for management accountants across the globe. Therefore, the final part of the syllabus, Section F, is focused on current developments and emerging issues in management accounting and performance management.

Study Guide and intellectual levels

The *Study Guide*, which breaks the syllabus down into separate subject areas, is available on the ACCA website. The superscript numbers at the end of each outcome in the *Study Guide* indicate the level at which students should understand a particular subject or topic area. These levels of understanding, known as cognitive levels, are important as they indicate the depth to which each part of the syllabus may be examined.

Because Paper P5 is at the Professional level, higher cognitive challenges – represented by the number 3 – are prominent. This means that this paper is much more likely to use higher levels of questioning. Whereas level 1 tasks might concern knowledge and comprehension (asking students to ‘list’, ‘define’, ‘identify’, ‘calculate’, ‘explain’, and so on), levels 2 and 3 are more demanding. Level 2 tasks concern application and analysis (‘compute’, ‘contrast’, ‘explain’, ‘discuss’, etc), and level 3 tasks concern synthesis and evaluation. Level 3 requirements might therefore ask students to ‘evaluate’, ‘assess’, ‘design’ ‘formulate’, ‘recommend’ or ‘advise’.

It is probable that each Paper P5 exam will contain several questions at levels 2 and 3, and the *Study Guide* reflects this emphasis. It is important to realise that if *Study Guide* outcomes indicate that learning is required at levels 2 or 3 then it is probable that the exam will test that area at that cognitive level. The marking scheme will reflect this fact, and answers that do not demonstrate this higher cognitive ability will be marked accordingly. If, therefore, a question asks a candidate to ‘assess’ or ‘evaluate’ an argument or a statement, answers that merely ‘describe’ will not achieve a ‘pass’ standard.

The syllabus for Paper P5 aims to ensure that candidates can apply relevant knowledge and skills, and exercise professional judgement in selecting and applying strategic management accounting techniques in different business contexts. It also enables students to make a significant contribution to the evaluation of the performance of an organisation and its strategic development. Candidates should remember that Paper P5 is equivalent in standard to a Masters degree, and the emphasis is on higher-level skills.

Structure of the exam paper

The exam comprises two sections. Section A includes two compulsory questions usually worth 60 marks in total; a maximum of 40 marks is available for either question in Section A. As Section A is compulsory, candidates must not only attempt it in the exam, but must also allocate an appropriate amount of time.

Section B contains three optional questions worth 20 marks each; candidates are required to answer two of these questions. At least one of the questions in Section B will require an entirely discursive answer.

In viewing the paper as a whole, the balance between computational and discursive questions will not vary significantly from diet to diet.

There will not always be a unique or ‘correct’ solution to many of the questions that feature in Paper P5 exams. A range of solutions will be equally valid, provided they are supported by appropriate evidence. It is therefore important that if assumptions are made concerning a given scenario, these assumptions are clearly stated. Some

questions may require candidates to draw on their experience, and interpret a topic within the context of an organisation with which they are familiar.

One of the features of the Professional level exam papers is the awarding of 'professional marks'. These are marks allocated, not for the content of an answer, but for the degree of professionalism with which certain parts of the answer are presented. They will usually be awarded in Section A (the compulsory part of the exam paper) and will total between four and six marks.

It may be, for example, that one requirement asks you to present your answer in the form of, say, a letter, a presentation, a memo, a report, briefing notes or similar. Some marks may be awarded for the form of the answer in addition to the content of the answer. This might be for the structure, content, style and layout, or the logical flow of arguments in your answer. You should assume that if the question asks for a specific format of answer that some marks may be awarded for an effective presentation of that format.

Key areas

As indicated in the syllabus, the key or core areas are:

- using strategic planning and control models to plan and monitor organisational performance
- assessing and identifying relevant macro-economic, fiscal, and market factors and key external influences on organisational performance
- identifying and evaluating the design features of effective performance management information and monitoring systems
- applying appropriate strategic performance measurement techniques in evaluating and improving organisational performance
- advising clients and senior management on strategic business performance evaluation, and on recognising vulnerability to corporate failure
- identifying and assessing the impact of current developments in management accounting and performance management on measuring, evaluating, and improving organisational performance.

Conclusion

In order to pass the Paper P5 exam, students should:

- clearly understand the objectives of the exam as explained in the *Syllabus* and *Study Guide*
- ensure that preparation for a Paper P5 exam has been based on a programme of study set for the required syllabus and exam structure
- use an ACCA-approved textbook for Paper P5. Not only are they written especially for the syllabus, but they are also reviewed by the examiner, making them invaluable in terms of coverage and insight into what is examinable
- practise computational, analytical, and discursive questions under exam conditions in order to improve speed and presentation skills
- carefully study all articles that appear in *student accountant* (or elsewhere), which are relevant to topics within the syllabus for Paper P5
- be able to clearly communicate understanding and application of knowledge in the context of a Professional level exam.

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