

Advanced Performance Management

March 2020

Get to know your exam

These graphical representations are intended to give an indication of past exam requirements and associated question content.

Please note that you will not be able to complete answers within these documents and in isolation they will not sufficiently prepare you for your exam.

We encourage you to visit the ACCA Practice Platform in order to attempt up to date practice exams within the computer-based exam environment.

Instruction screens

Advanced Performance Management (APM)

Welcome [REDACTED] to the [REDACTED] exam.

You will now be presented with four instruction screens followed by an exam summary screen. The five screens will be available for 10 minutes in total.

Instructions (1 of 4)

The Workspace

- Your exam consists of a number of questions. Each question is presented in a workspace. Each workspace will include:
 - Introductory information about the question.
 - Exhibits – these contain the question scenario content broken down into sections or sources of information you will need to answer the question requirement(s).
 - Requirements – these list the requirement(s) you are expected to answer in the workspace.
 - Response Options – you may be presented with one or more word processor and/or spreadsheet response options within which to construct your answer.
- When selected, the exhibits, requirements and response options will display in windows, which can be moved and resized as required.
- You can close each window individually or close all windows at once by selecting  **Close All** on the top toolbar. Note that any answers you have entered into the response options will be saved and you can re-open them and change your answers at any time.
- There is a splitter bar which can be used for you to see more or less of the left or right hand side of the screen, as required.
- When using PDF exhibits in the exam, and you want to select text to highlight, strikethrough or copy, you need to select the 'text tool' button  at the top of the exhibit.
- You can highlight or strikethrough text in the introductory information, PDF exhibits or requirements by selecting  **Highlight** or  **Strikethrough**.
- You can copy and paste between exhibits, requirements and response options by using the Ctrl-C (Copy) and Ctrl-V (Paste) shortcuts. **Note:** When pasting into a spreadsheet response from elsewhere in workspace you must double-click the cell or select the formula bar.

Note: In a number of countries ACCA works in partnership with the national professional accountancy organisation in the delivery of examinations.

Next →

Instruction screens (continued)

Advanced Performance Management (APM)

Instructions (2 of 4)

Navigation

- The question number you are viewing is displayed in the top display bar. You can hide or restore this display by selecting .
- You can navigate between screens by selecting [Next →](#) or [← Previous](#), or by clicking on a question number from the Navigator or Item Review screens.
- You can revisit questions and change your answers at any time during the exam.

Time Remaining

- The time remaining for your exam continually updates and is displayed in the top display bar. You can hide or restore this display by clicking .
- You will be presented with a message confirming when you have 15 minutes remaining.

Flag for Review

- If you wish to revisit/review a question later in the exam, click  [Flag for Review](#).
- Click the button again to remove the flag.

Help

- Click the [Help](#) button provided to access:
 - A copy of these exam instructions.
 - Help and guidance on workspaces.
 - Formulae sheets/tax tables if your exam requires these. Note that the name of the Help button will indicate if formulae sheets/tax tables are available i.e. [② Help](#), [② Help/Formulae Sheet](#) or [② Help/Tax Tables](#)

Calculator

- You have the option to use the on-screen standard or scientific calculators by selecting  [Calculator](#).
- Note that you are also permitted to use your own calculator providing it does not have the facility to store or display text.

[← Previous](#) [Next →](#)

Instruction screens (continued)

Advanced Performance Management (APM)

Instructions (3 of 4)

Workings/Scratch Pad

- You may use an on-screen Scratch Pad to make notes/workings by selecting  **Scratch Pad**
- You can cut and copy text from the Scratch Pad and paste into your response options using the Ctrl-C (Copy), Ctrl-X (Cut) and Ctrl-V (Paste) shortcuts, or the on-screen buttons. **Note:** When pasting into a spreadsheet response you must double-click the cell or select the formula bar.
- The Scratch Pad retains all notes/workings entered for all workspaces. These are available for the duration of the exam but will not be submitted for marking.
- You will also be provided with paper for notes/workings should you prefer to use it. This will be collected at the end of the exam and must not be removed from the exam room.
- **Important:**
 - The notes/workings entered onto the Scratch Pad or your workings paper will not be marked.
 - If you want the marker to see any notes/workings for question requirements you must show them within the relevant response options.

Symbol

- You can add a selection of currency symbols to your answers by selecting  **Symbol** on the top toolbar.

Navigator Screen

- Navigator can be accessed at any time during the exam by selecting  **Navigator**.
- This screen allows you to jump to any question number in the exam.
- It also allows you to see the status of each question and whether it has been viewed, attempted or flagged for review.

← Previous Next →

Instruction screens (continued)

Advanced Performance Management (APM)

Instructions (4 of 4)

Exiting the Exam

- The exam will automatically end when the allocated time has been reached.
- If, however, you wish to end the exam before this time you must:
 - Navigate to the **last question** in the exam.
 - Click **Next →**.
- This takes you to the Item Review screen:

Item Review Screen

- This screen gives you an opportunity to see the flag and completion status of all questions before you finally exit the exam.
- You can select individual questions you wish to revisit, or quickly access groups of questions from this screen.
- During the item review period Navigator is not available however you can navigate to questions by selecting **Next →**, **← Previous** or **Review Screen**
- Once you have completed your item review and wish to finally end the exam click **End Exam**

Select **Next** to move to the Exam Summary screen.

← Previous **Next →**

Exam summary screen

Advanced Performance Management (APM)

Exam Summary

Time allowed: 3 hours 15 minutes.

This exam is divided into two sections:

Section A

- One question worth 50 marks.
- 50 marks in total.

Section B

- Two questions, each worth 25 marks.
- 50 marks in total.

All questions are compulsory.

Select **Next** to start your exam.

← Previous Next →

Section A Introduction

Advanced Performance Management (APM)

Flag for Review

Section A

This section of the exam contains **one question**.

This question is worth **50 marks** and is compulsory.

This exam section is worth **50 marks** in total.

Important:

You must:

- Indicate which requirement each of your responses relate to so that this is clear for markers.
- Show all notes/workings that you want the marker to see within your responses. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to continue.

 Navigator **Next** →

Question 1

Advanced Performance Management (APM)

1 of 3

Symbol Highlight Strikethrough Calculator Scratch Pad

Close All Flag for Review

Exhibits

1. Company information

2. Current performance reporting

3. Other proposed performance indicators

4. Role of the management accountant

5. Data warehouse

6. Appendix 1

7. Appendix 2

The following **exhibits**, available on the left-hand side of the screen, provide information relevant to the question:

1. Company information – the background, mission and objectives, and current position of the company; Achilti Retail (Achilti).
2. Current performance reporting – details of the chief executive officer's (CEO) request for an evaluation of the current performance report.
3. Other proposed performance indicators – explanation of the work required on a number of new performance indicators discussed at a recent board meeting.
4. Role of the management accountant – information relating to the introduction of an Enterprise Resource Planning System (ERPS) with a request for an explanation on how the role of the management accountant is changing.
5. Data warehouse – instructions from the CEO for an assessment of the possible opportunities and risks of introducing a new data warehouse.
6. Appendix 1 – the most recent Strategic Performance Report for Achilti.
7. Appendix 2 – proposed performance indicators for Achilti and supplementary information.

This information should be used to answer the question **requirements** within your chosen **response option(s)**.

Requirements

Requirements (50 marks)

Response Options

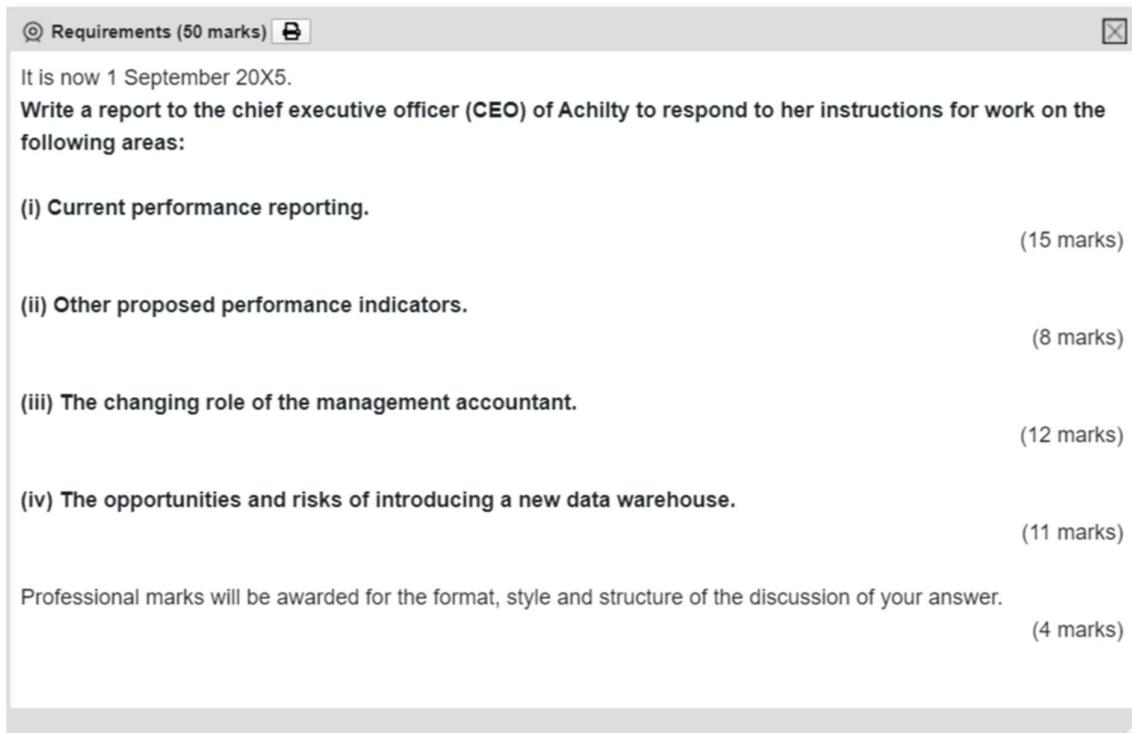
Word Processor

Spreadsheet

Help/Formulæ Sheet

← Previous  Navigator Next →

Requirements

A window titled 'Requirements (50 marks)' with a close button. The content area contains instructions and a list of tasks with their respective marks.

It is now 1 September 20X5.
Write a report to the chief executive officer (CEO) of Achilty to respond to her instructions for work on the following areas:

(i) Current performance reporting. (15 marks)

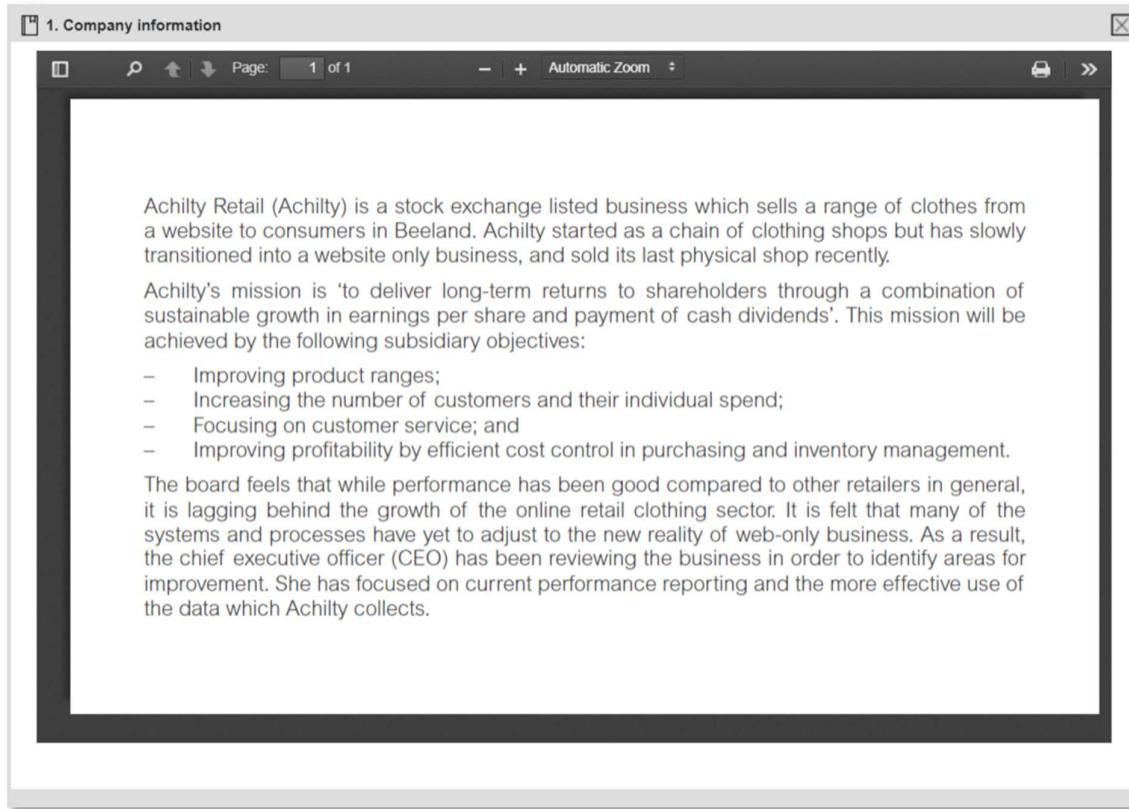
(ii) Other proposed performance indicators. (8 marks)

(iii) The changing role of the management accountant. (12 marks)

(iv) The opportunities and risks of introducing a new data warehouse. (11 marks)

Professional marks will be awarded for the format, style and structure of the discussion of your answer. (4 marks)

Exhibit 1



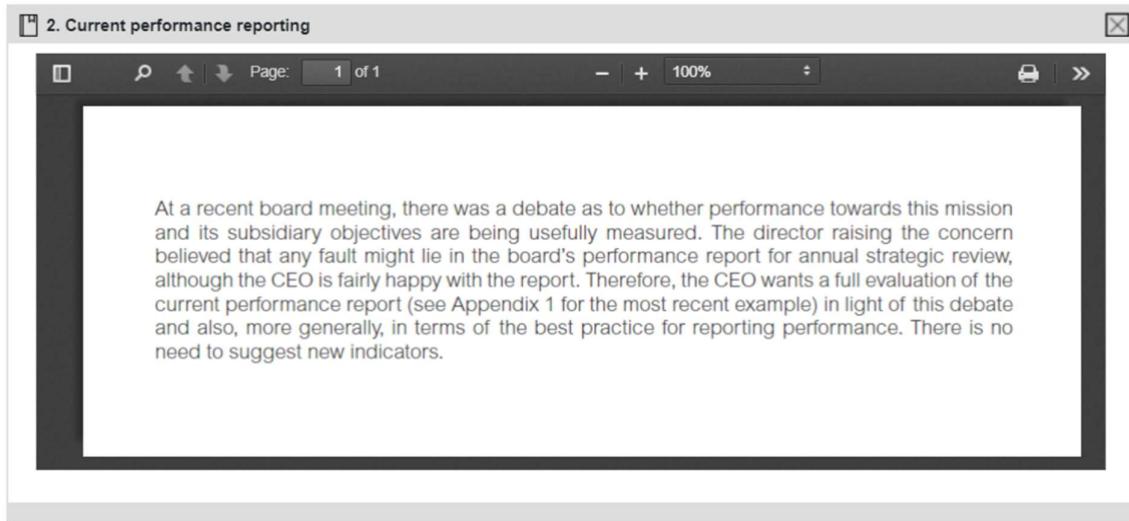
Achilty Retail (Achilty) is a stock exchange listed business which sells a range of clothes from a website to consumers in Beeland. Achilty started as a chain of clothing shops but has slowly transitioned into a website only business, and sold its last physical shop recently.

Achilty's mission is 'to deliver long-term returns to shareholders through a combination of sustainable growth in earnings per share and payment of cash dividends'. This mission will be achieved by the following subsidiary objectives:

- Improving product ranges;
- Increasing the number of customers and their individual spend;
- Focusing on customer service; and
- Improving profitability by efficient cost control in purchasing and inventory management.

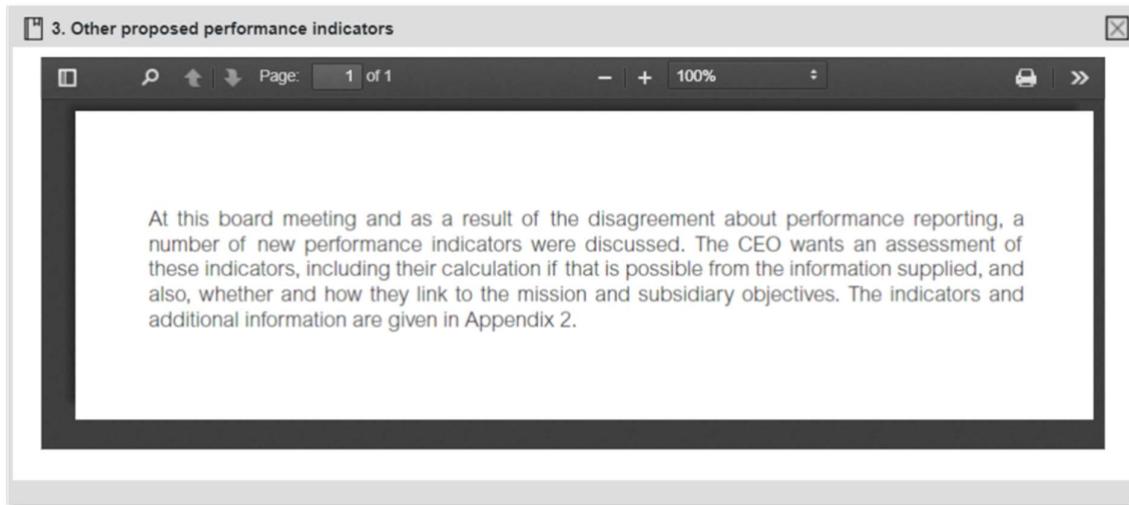
The board feels that while performance has been good compared to other retailers in general, it is lagging behind the growth of the online retail clothing sector. It is felt that many of the systems and processes have yet to adjust to the new reality of web-only business. As a result, the chief executive officer (CEO) has been reviewing the business in order to identify areas for improvement. She has focused on current performance reporting and the more effective use of the data which Achilty collects.

Exhibit 2



At a recent board meeting, there was a debate as to whether performance towards this mission and its subsidiary objectives are being usefully measured. The director raising the concern believed that any fault might lie in the board's performance report for annual strategic review, although the CEO is fairly happy with the report. Therefore, the CEO wants a full evaluation of the current performance report (see Appendix 1 for the most recent example) in light of this debate and also, more generally, in terms of the best practice for reporting performance. There is no need to suggest new indicators.

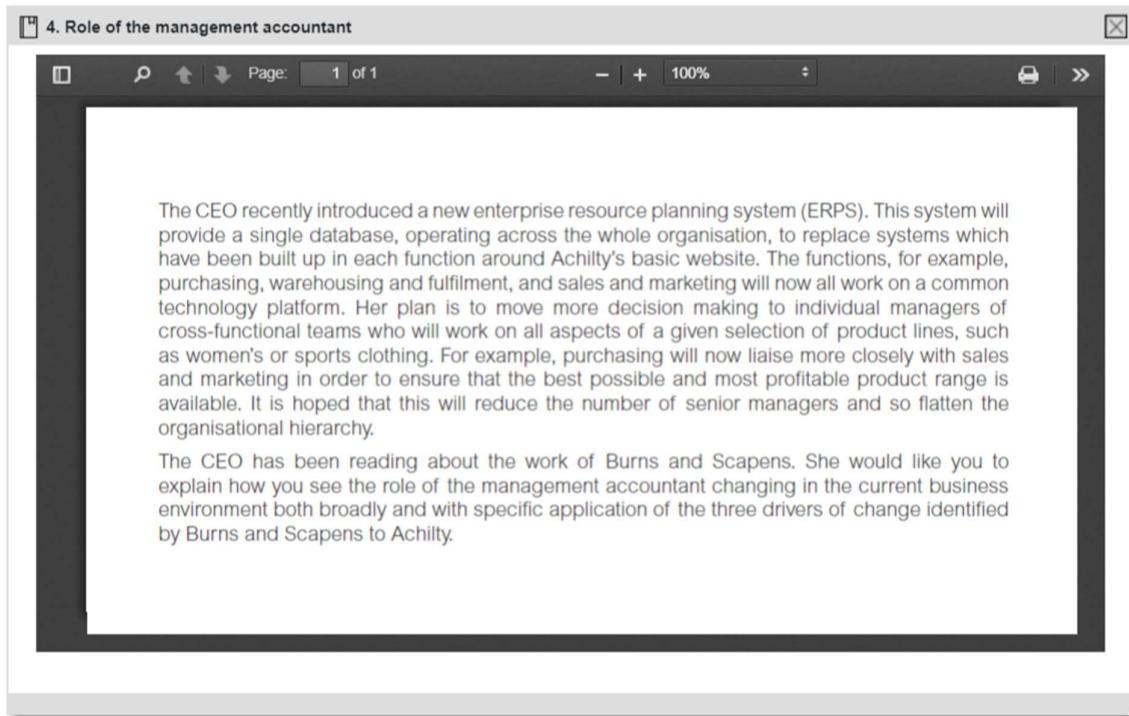
Exhibit 3



3. Other proposed performance indicators

At this board meeting and as a result of the disagreement about performance reporting, a number of new performance indicators were discussed. The CEO wants an assessment of these indicators, including their calculation if that is possible from the information supplied, and also, whether and how they link to the mission and subsidiary objectives. The indicators and additional information are given in Appendix 2.

Exhibit 4



4. Role of the management accountant

The CEO recently introduced a new enterprise resource planning system (ERPS). This system will provide a single database, operating across the whole organisation, to replace systems which have been built up in each function around Achilly's basic website. The functions, for example, purchasing, warehousing and fulfilment, and sales and marketing will now all work on a common technology platform. Her plan is to move more decision making to individual managers of cross-functional teams who will work on all aspects of a given selection of product lines, such as women's or sports clothing. For example, purchasing will now liaise more closely with sales and marketing in order to ensure that the best possible and most profitable product range is available. It is hoped that this will reduce the number of senior managers and so flatten the organisational hierarchy.

The CEO has been reading about the work of Burns and Scapens. She would like you to explain how you see the role of the management accountant changing in the current business environment both broadly and with specific application of the three drivers of change identified by Burns and Scapens to Achilly.

Exhibit 5

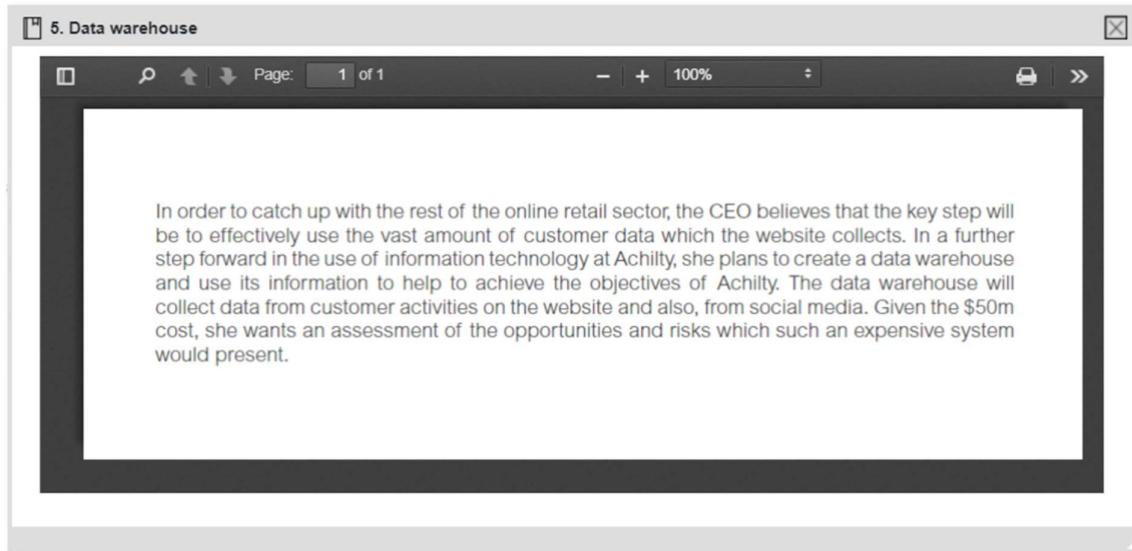


Exhibit 6

6. Appendix 1

1 Strategic Performance Report for Achility for year ended 30 June 20X5

2

3 Financial performance by product area

4 Women Men Children Sports Total Total Change on previous year

5 20X5 20X5 20X5 20X5 20X5 20X4

6 \$m \$m \$m \$m \$m \$m

7 Revenue 85.1 53.2 42.5 31.9 212.7 192.6 10.40%

8

9 Gross Profit 44.6 25.6 23.3 16.4 109.9 106.7 3.00%

10

11 Operating costs:

12 Staff costs 45.3 44.1 2.70%

13 Marketing 17.8 17.8 0.00%

14 Other operating costs 27.6 25.6 7.80%

15

16 Operating Profit 19.2 19.2 0.0 %

17

18 Earnings per share (cents) 24.8 24.8 0.00%

19

20 Dividend paid per share (cents) 2.5 2.5 0.00%

21

22 Customer response

23 Number of customer accounts ('000s) 1,014 973 4.20%

24 Percentage of customer accounts with at least one purchase in the year 58% 61% -4.90%

25 Average spend per customer purchase (\$) 122.3 108.4 12.80%

26

27 Internal processes

28 Deliveries within promised deadline 97% 97% 0.00%

29 Number of product lines sold 2,104 2,107 -0.10%

30

31 Commentary:

32 Overall performance is satisfactory as the business has maintained its earnings per share and dividend.

33 Revenue is up by 10.4% on the previous year.

34 The number of customer accounts and average spend per purchase have increased in the year.

35 Deliveries to customers continue to be made within promised deadlines to a significant extent.

36

Exhibit 7

7. Appendix 2

A26					
	A	B	C	D	E
1					
2	Other proposed performance indicators:				
3					
4	1. Return on capital employed (ROCE)				
5	2. Total shareholder return (TSR), which comes from share price change and dividend yield				
6	3. Inventory days				
7	4. Receivables days				
8					
9	Supplementary information for Achilty:				
10					
11	Assets and Liabilities		20X5	20X4	
12			\$m	\$m	
13	Non-current assets		54	52	
14	Current assets				
15		Inventory	8.7	7.9	
16		Receivables	1.6	1.5	
17		Cash	0	0	
18			10.3	9.4	
19					
20	Current liabilities		15.5	14	
21	Non-current liabilities		21	22	
22	Net assets		27.8	25.4	
23					
24	Equity		27.8	25.4	
25					
26					

Section B Introduction

Advanced Performance Management (APM)

Flag for Review

Section B

This section of the exam contains **two questions**.

Each question is worth **25 marks** and is compulsory.

This exam section is worth **50 marks** in total.

Important:

You must:

- Indicate which requirement each of your responses relate to so that this is clear for markers.
- Show all notes/workings that you want the marker to see within your responses. Remember, any notes/workings made on the Scratch Pad or on your workings paper will not be marked.

Select **Next** to continue.

← Previous  Navigator Next →

Question 2

Advanced Performance Management (APM)

2 of 3

Symbol Highlight Strikethrough Calculator Scratch Pad

Close All Flag for Review

Exhibits

1. Company information

2. Value based management (VBM)

3. Measuring value

4. Appendix 1

5. Appendix 2

The following **exhibits**, available on the left-hand side of the screen, provide information relevant to the question:

1. Company information – the background, current performance measures and changes in the market of the company: Totaig.
2. Value based management (VBM) – advice from a consultant about the use of VBM at Totaig and a request for work by the directors on this area.
3. Measuring value – details of work required on the introduction of EVA™ as a performance indicator to measure value.
4. Appendix 1 – the consultant's presentation slide showing the four steps involved in the implementation of VBM.
5. Appendix 2 – financial information supplied in order to establish if Totaig has generated value.

This information should be used to answer the question **requirements** within your chosen **response option(s)**.

Requirements

Requirements (25 marks)

Response Options

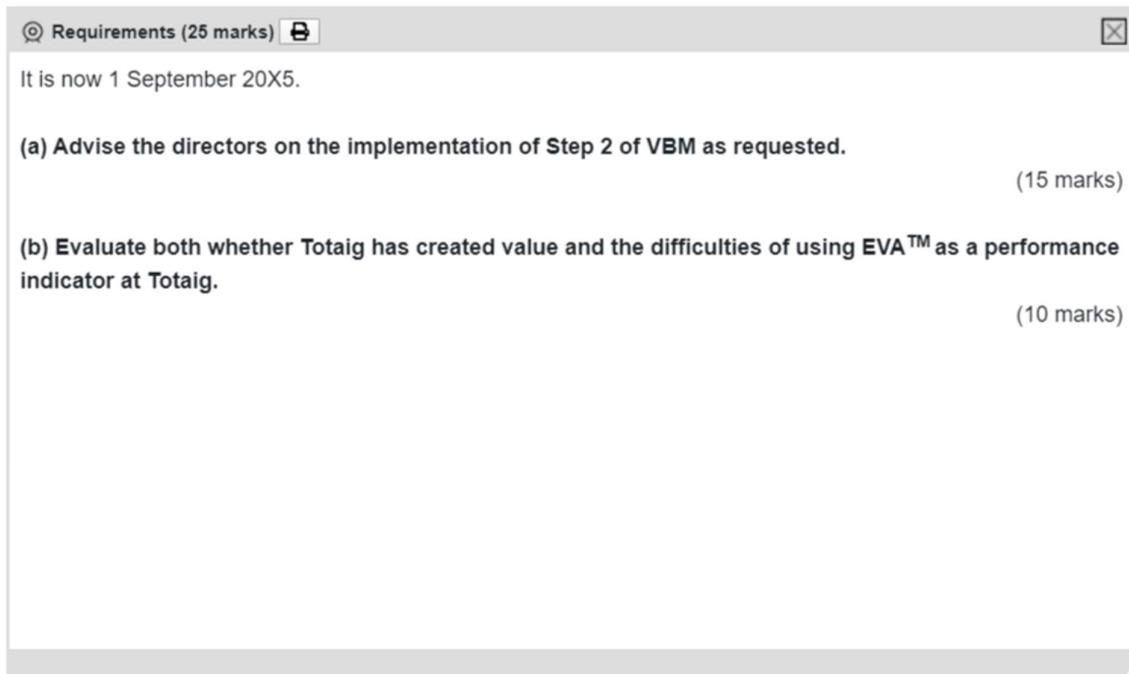
Word Processor

Spreadsheet

Help/Formulæ Sheet

← Previous Navigator Next →

Requirements

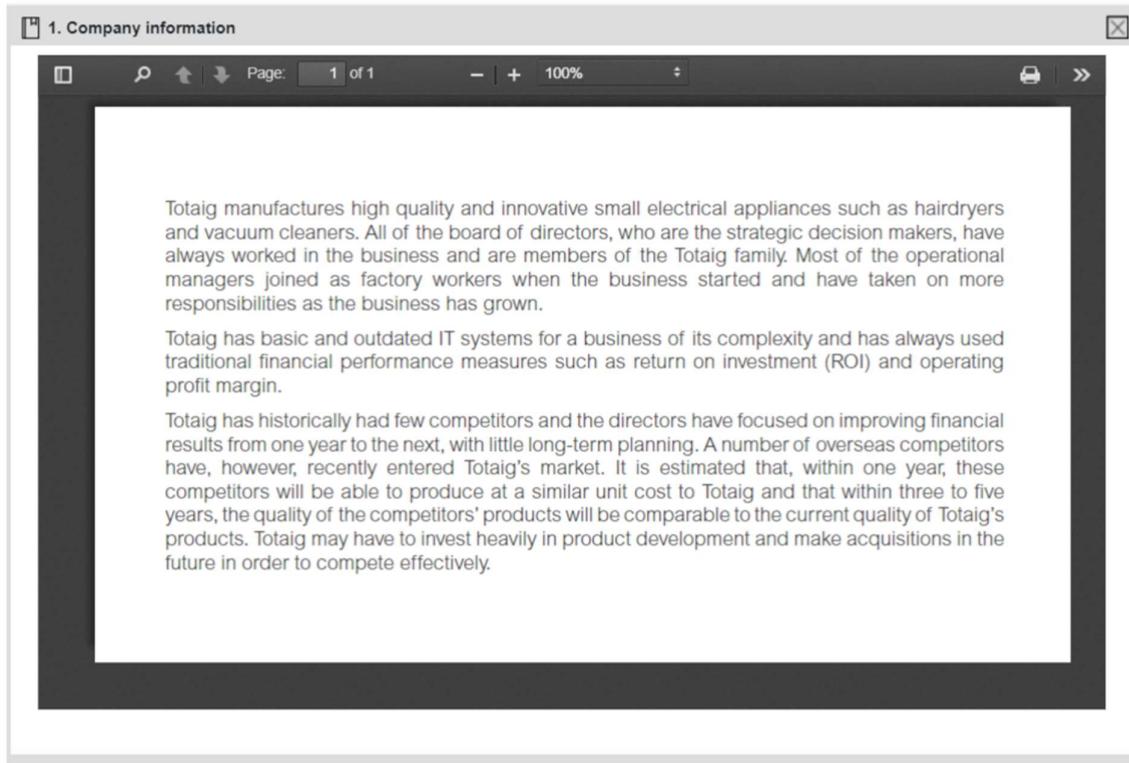
A screenshot of a software window titled 'Requirements (25 marks)'. The window contains the following text:

It is now 1 September 20X5.

(a) Advise the directors on the implementation of Step 2 of VBM as requested. (15 marks)

(b) Evaluate both whether Totaig has created value and the difficulties of using EVA™ as a performance indicator at Totaig. (10 marks)

Exhibit 1

A screenshot of a software window titled '1. Company information'. The window contains the following text:

Totaig manufactures high quality and innovative small electrical appliances such as hairdryers and vacuum cleaners. All of the board of directors, who are the strategic decision makers, have always worked in the business and are members of the Totaig family. Most of the operational managers joined as factory workers when the business started and have taken on more responsibilities as the business has grown.

Totaig has basic and outdated IT systems for a business of its complexity and has always used traditional financial performance measures such as return on investment (ROI) and operating profit margin.

Totaig has historically had few competitors and the directors have focused on improving financial results from one year to the next, with little long-term planning. A number of overseas competitors have, however, recently entered Totaig's market. It is estimated that, within one year, these competitors will be able to produce at a similar unit cost to Totaig and that within three to five years, the quality of the competitors' products will be comparable to the current quality of Totaig's products. Totaig may have to invest heavily in product development and make acquisitions in the future in order to compete effectively.

Exhibit 2

2. Value based management (VBM)

A consultant has recently told the directors that implementing value based management (VBM) may help Totaig to respond to the increase in competition over the next one to five years. The consultant has defined VBM as 'the alignment of the business strategy, management processes and culture on maximising shareholder wealth by focusing on key drivers of value'. The directors have accepted this as a reasonable definition of VBM and most of them now agree that VBM would be useful, though others are not yet convinced.

The directors have, however, asked you for further advice on one aspect of the implementation of VBM at Totaig. At her recent presentation, the consultant presented a slide (Appendix 1) showing the four steps in implementing VBM. The directors want your advice on how to implement Step 2, which is defining performance targets. Your advice should focus on the following four areas:

1. Selection of appropriate measures and targets.
2. Timescales to which the targets should relate.
3. Management levels (strategic and operational) in the business to which the targets should relate.
4. Difficulties in measuring and managing performance using VBM.

Exhibit 3

3. Measuring value

The directors are unsure of a suitable financial performance indicator for them to use to measure whether Totaig is creating value. As an illustration, they have asked you to evaluate, by calculating economic value added (EVA™), whether Totaig has generated value for the year to 30 June 20X5. You should use the financial information given in Appendix 2, and advise on the difficulties of using EVA™ as a performance indicator at Totaig.

Exhibit 4



Exhibit 5

6. Appendix 2										
Income statement for the year to 30 June 20X5										
	A	B	C	D	E	F	G	H	I	K
1										
2										
3										
4										
5										
6	Operating profit	10,000								
7	Interest expense	(1,500)								
8	Profit before tax	8,500								
9	Tax at 22%	(1,870)								
10	Profit after tax	6,630								
11										
12	Notes:									
13	1. During the year \$450,000 of advertising cost that will generate sales in future periods was expensed to the income statement.									
14										
15	2. The allowance for doubtful debts at the end of the period was \$300,000, a reduction of \$200,000 from the beginning of the period.									
16										
17	3. The capital employed at the beginning of the period was \$88,944,000.									
18										
19	4. Totaig's after-tax weighted average cost of capital (WACC) is currently 9%. The company is financed by a mixture of equity and fixed and floating rate loans.									
20										
21	5. The directors are considering changing Totaig's policies for the depreciation of non-current assets for the year ending 30 June 20X6.									

Question 3

Advanced Performance Management (APM) 3 of 3

Symbol **Highlight** **Strikethrough** **Calculator** **Scratch Pad** **Close All** **Flag for Review**

Exhibits

1. Company information
 2. Current purchasing policy
 3. Current production methods
 4. JIT and costs of quality
 5. Appendix 1

Requirements

Requirements (25 marks)

Response Options

Word Processor
 Spreadsheet

The following **exhibits**, available on the left-hand side of the screen, provide information relevant to the question:

1. Company information – the industry sector and challenges faced by a key customer of the company: Coruisk.
2. Current purchasing policy – information related to the current purchasing policy used by Coruisk.
3. Current production methods – explanation of the current production process and performance metrics at Coruisk.
4. JIT and costs of quality – information related to a request by Ericht to move to a just-in-time (JIT) purchasing system and a costs of quality exercise requested by the CEO.
5. Appendix 1 – details of quality related costs.

This information should be used to answer the question **requirements** within your chosen **response option(s)**.

Help/Formulae Sheet ← Previous Navigator Next →

Requirements

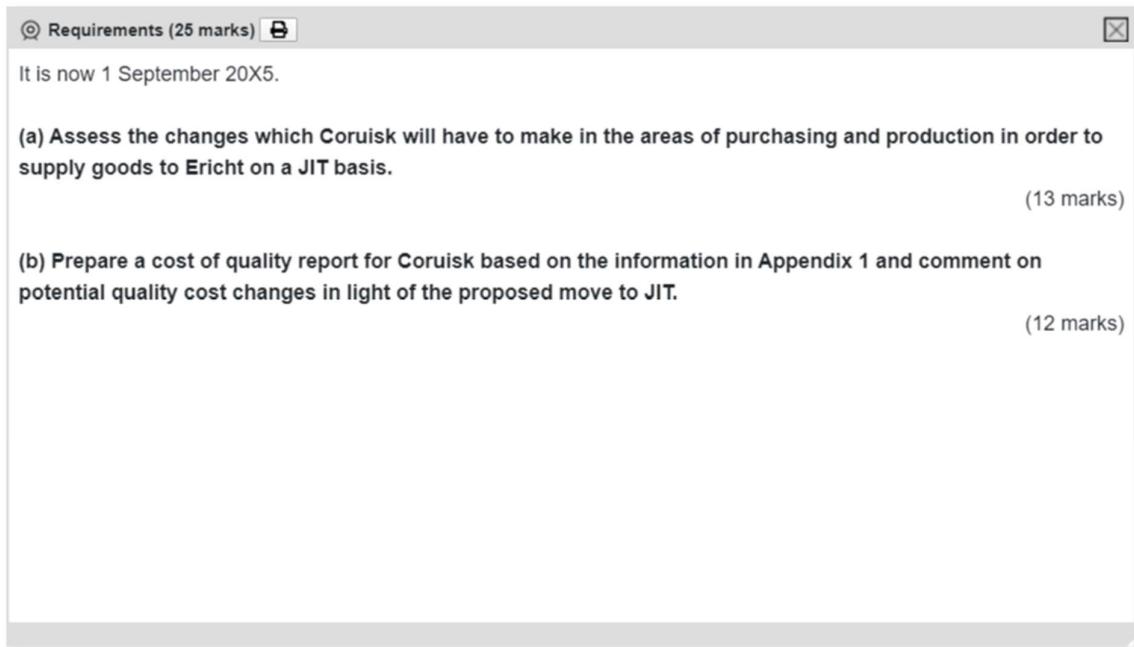
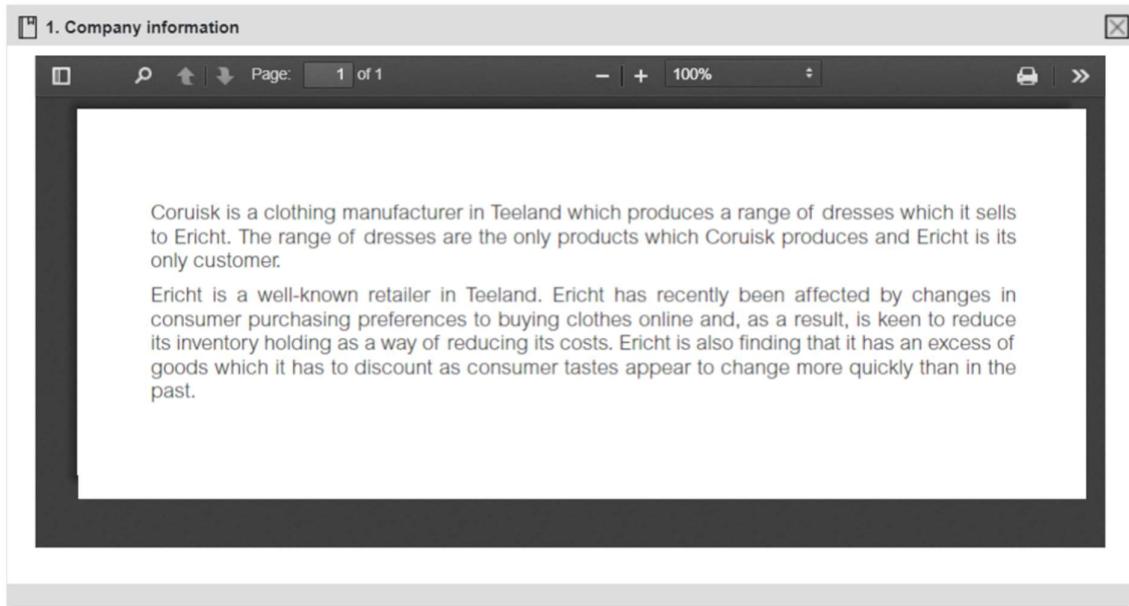
A screenshot of a software window titled "Requirements (25 marks)". The window contains the following text:
It is now 1 September 20X5.
(a) Assess the changes which Coruisk will have to make in the areas of purchasing and production in order to supply goods to Erict on a JIT basis. (13 marks)
(b) Prepare a cost of quality report for Coruisk based on the information in Appendix 1 and comment on potential quality cost changes in light of the proposed move to JIT. (12 marks)

Exhibit 1

1. Company information

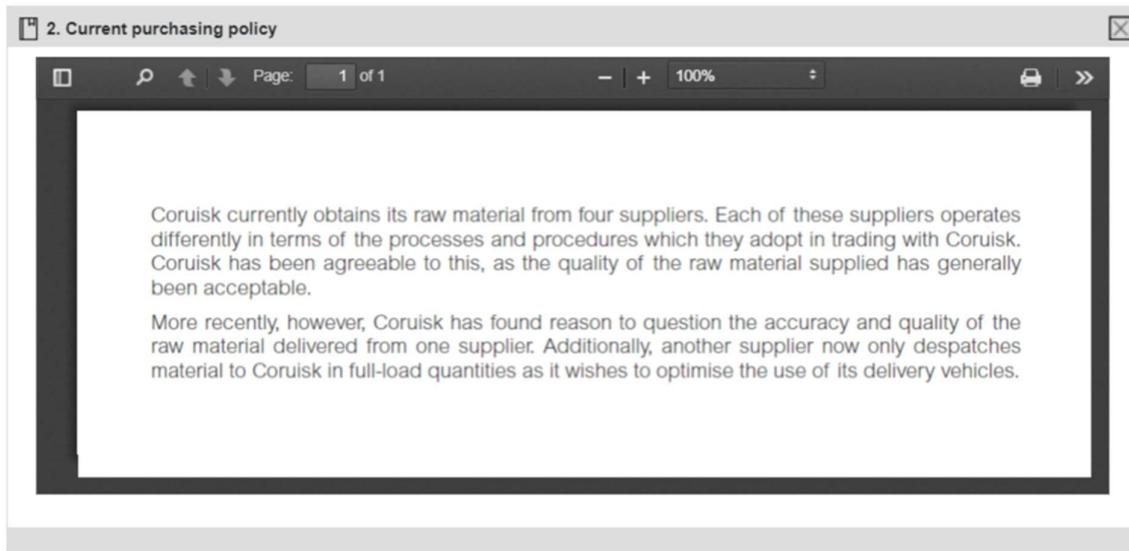


Coruisk is a clothing manufacturer in Teeland which produces a range of dresses which it sells to Ericht. The range of dresses are the only products which Coruisk produces and Ericht is its only customer.

Ericht is a well-known retailer in Teeland. Ericht has recently been affected by changes in consumer purchasing preferences to buying clothes online and, as a result, is keen to reduce its inventory holding as a way of reducing its costs. Ericht is also finding that it has an excess of goods which it has to discount as consumer tastes appear to change more quickly than in the past.

Exhibit 2

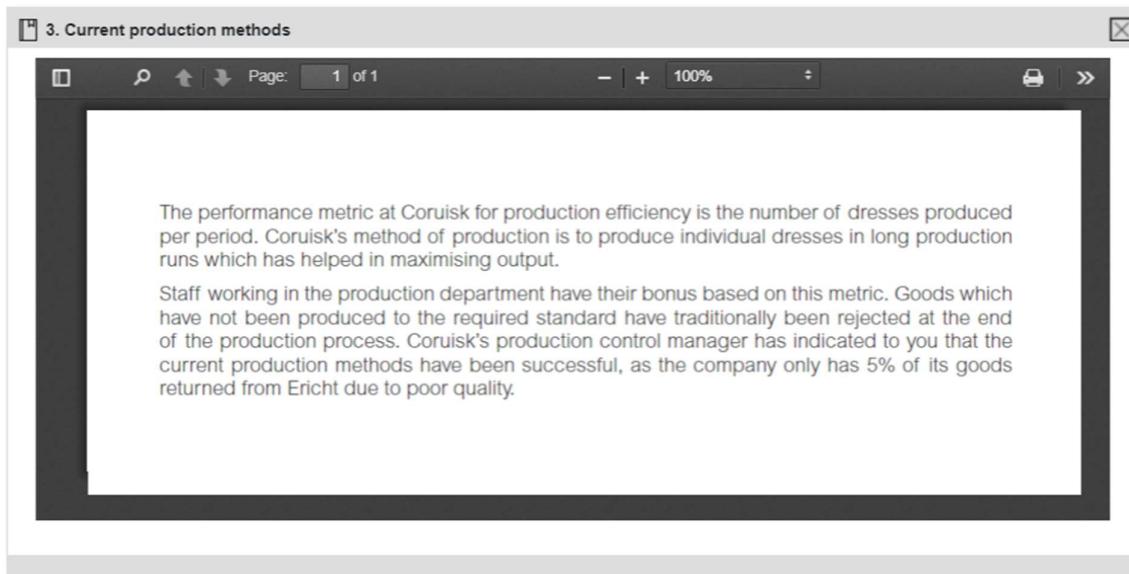
2. Current purchasing policy



Coruisk currently obtains its raw material from four suppliers. Each of these suppliers operates differently in terms of the processes and procedures which they adopt in trading with Coruisk. Coruisk has been agreeable to this, as the quality of the raw material supplied has generally been acceptable.

More recently, however, Coruisk has found reason to question the accuracy and quality of the raw material delivered from one supplier. Additionally, another supplier now only despatches material to Coruisk in full-load quantities as it wishes to optimise the use of its delivery vehicles.

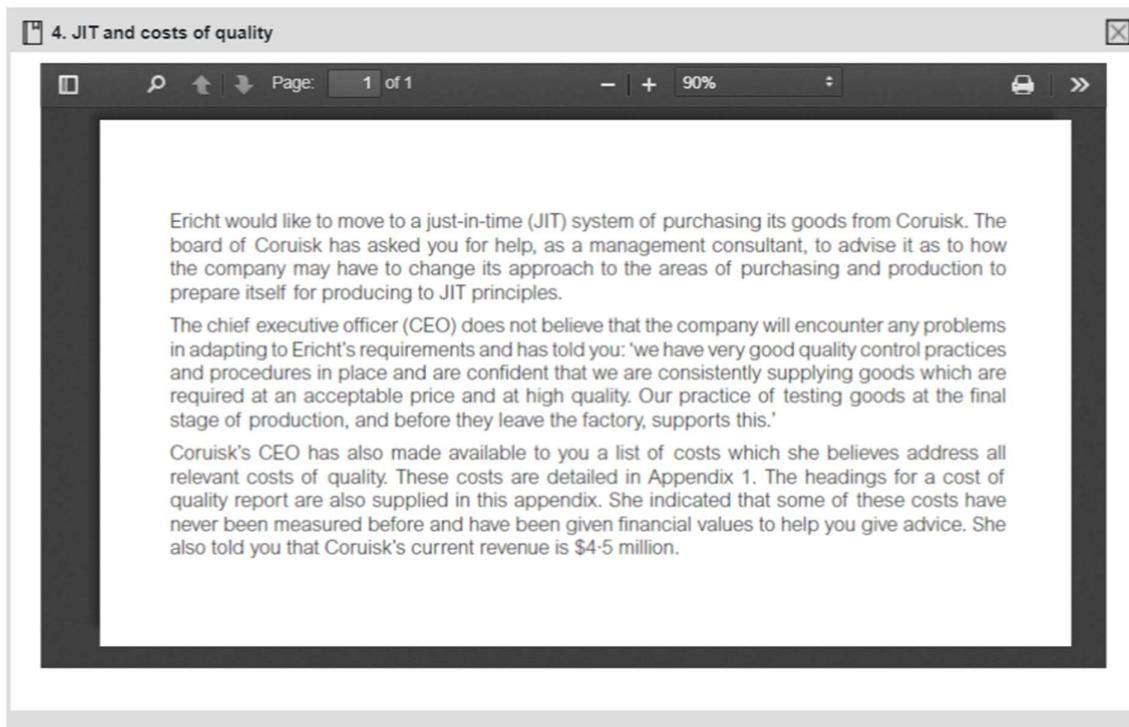
Exhibit 3



The performance metric at Coruisk for production efficiency is the number of dresses produced per period. Coruisk's method of production is to produce individual dresses in long production runs which has helped in maximising output.

Staff working in the production department have their bonus based on this metric. Goods which have not been produced to the required standard have traditionally been rejected at the end of the production process. Coruisk's production control manager has indicated to you that the current production methods have been successful, as the company only has 5% of its goods returned from Erict due to poor quality.

Exhibit 4



Ericht would like to move to a just-in-time (JIT) system of purchasing its goods from Coruisk. The board of Coruisk has asked you for help, as a management consultant, to advise it as to how the company may have to change its approach to the areas of purchasing and production to prepare itself for producing to JIT principles.

The chief executive officer (CEO) does not believe that the company will encounter any problems in adapting to Erict's requirements and has told you: 'we have very good quality control practices and procedures in place and are confident that we are consistently supplying goods which are required at an acceptable price and at high quality. Our practice of testing goods at the final stage of production, and before they leave the factory, supports this.'

Coruisk's CEO has also made available to you a list of costs which she believes address all relevant costs of quality. These costs are detailed in Appendix 1. The headings for a cost of quality report are also supplied in this appendix. She indicated that some of these costs have never been measured before and have been given financial values to help you give advice. She also told you that Coruisk's current revenue is \$4.5 million.

Exhibit 5