



Think Ahead

# 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.  **Help**,  **Help/Formulae Sheet** Or  **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

Requirements

Requirements (50 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 background, mission and objectives, and current position of the company; Achilty Retail (Achilty).
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 Achilty.
7. Appendix 2 – proposed performance indicators for Achilty and supplementary information.

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

Help/Formulae Sheet



Previous

Navigator

Next



## Requirements

 Requirements (50 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)

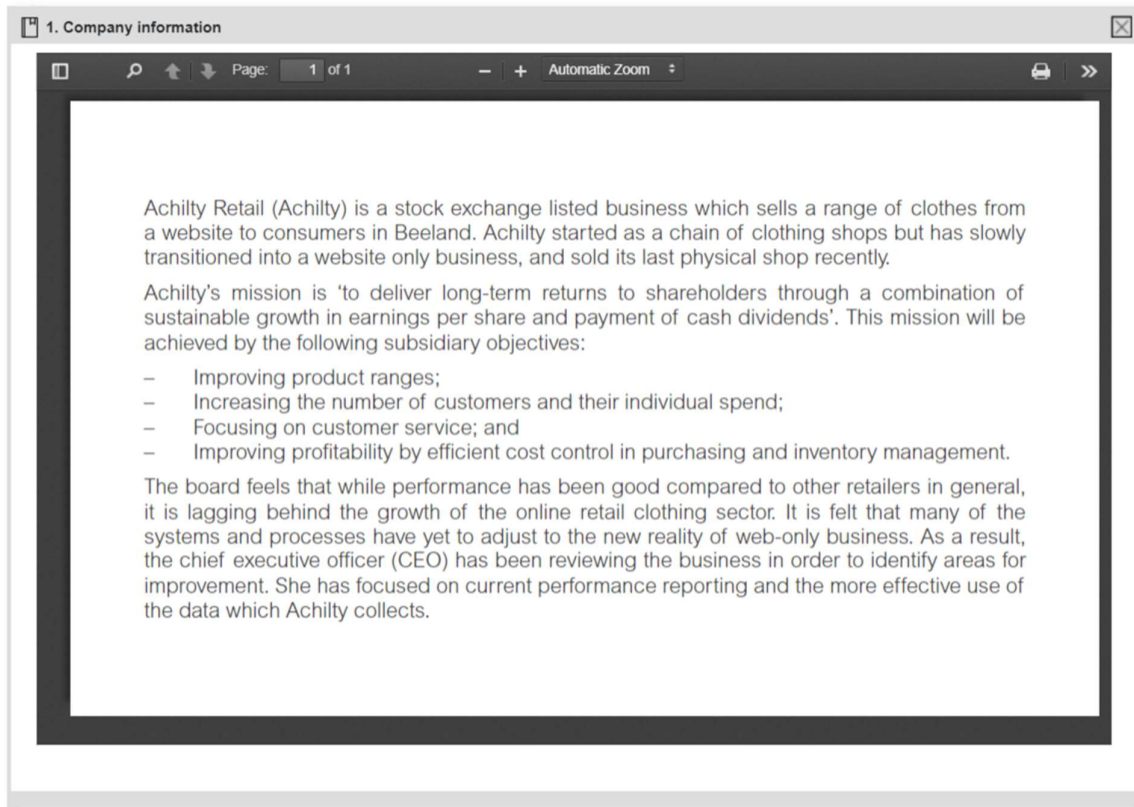
(ii) **Other proposed performance indicators.** (8 marks)

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

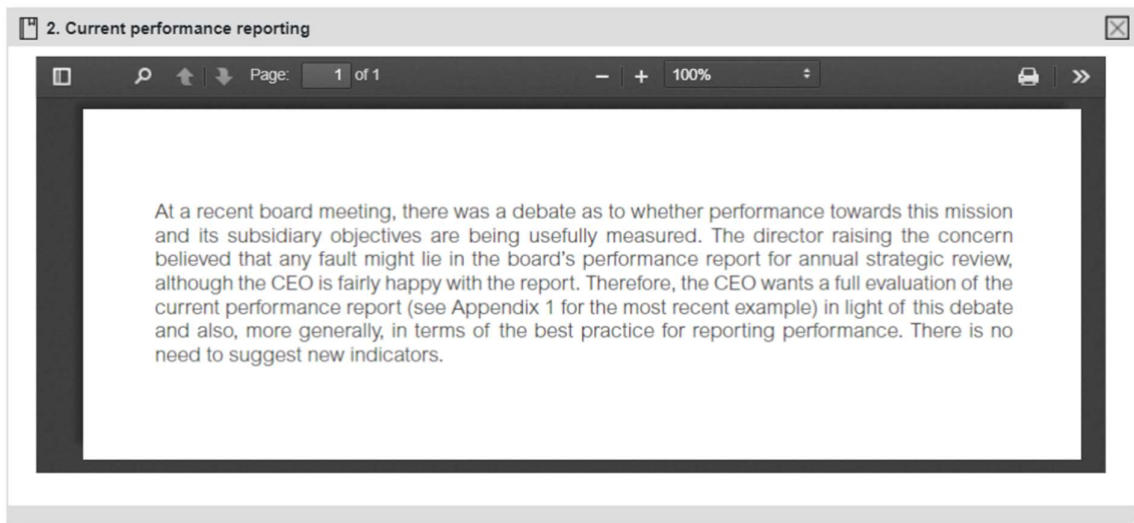
(iv) **The opportunities and risks of introducing a new data warehouse.** (11 marks)

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

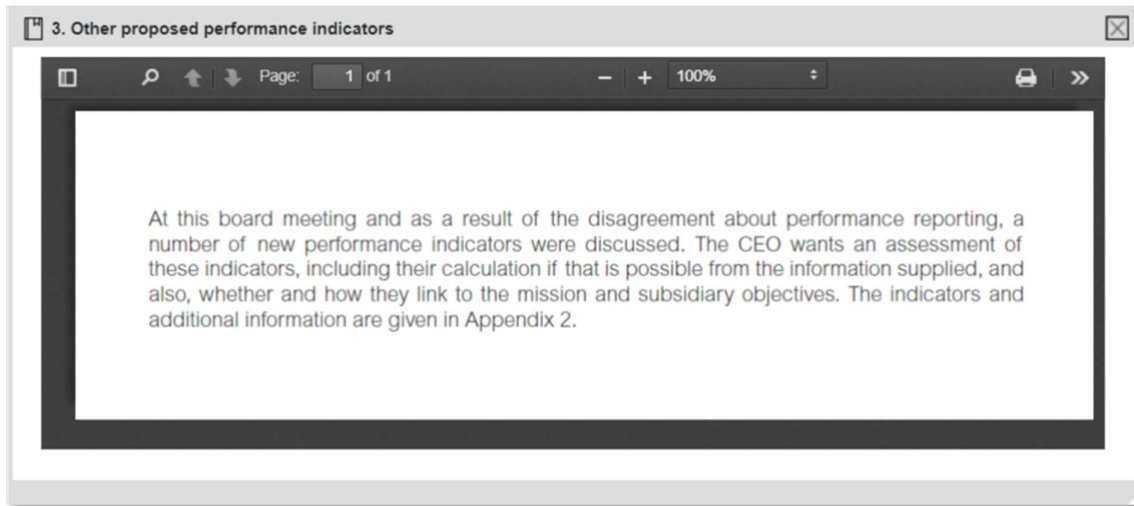
## Exhibit 1



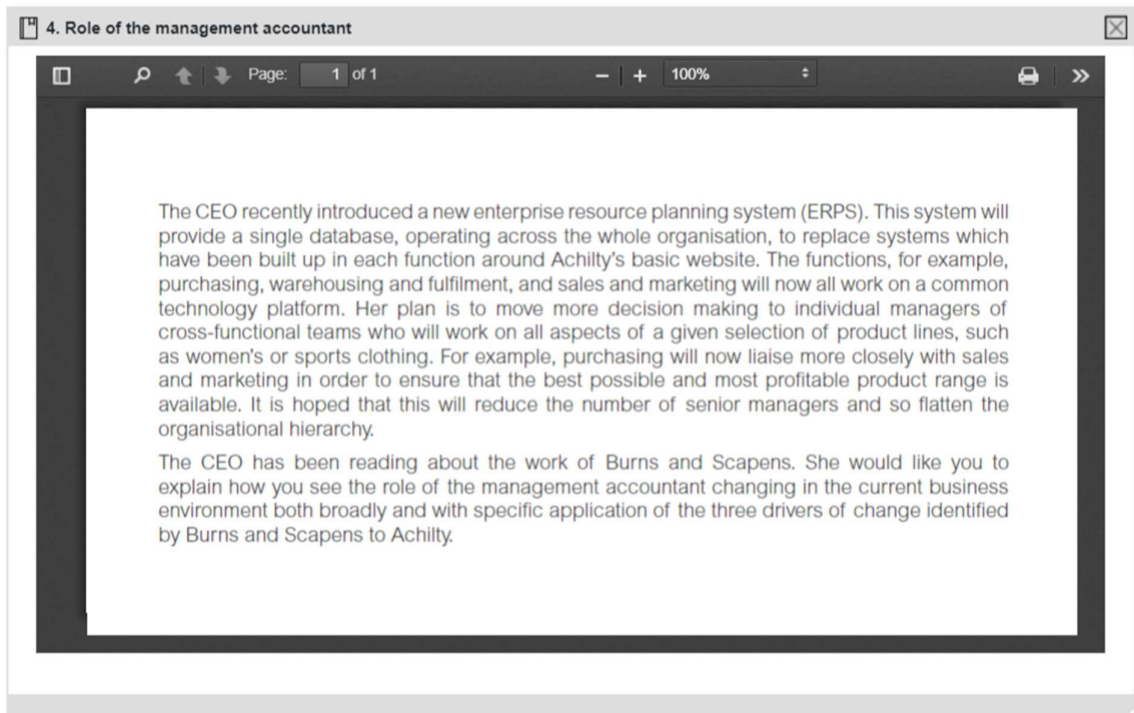
## Exhibit 2



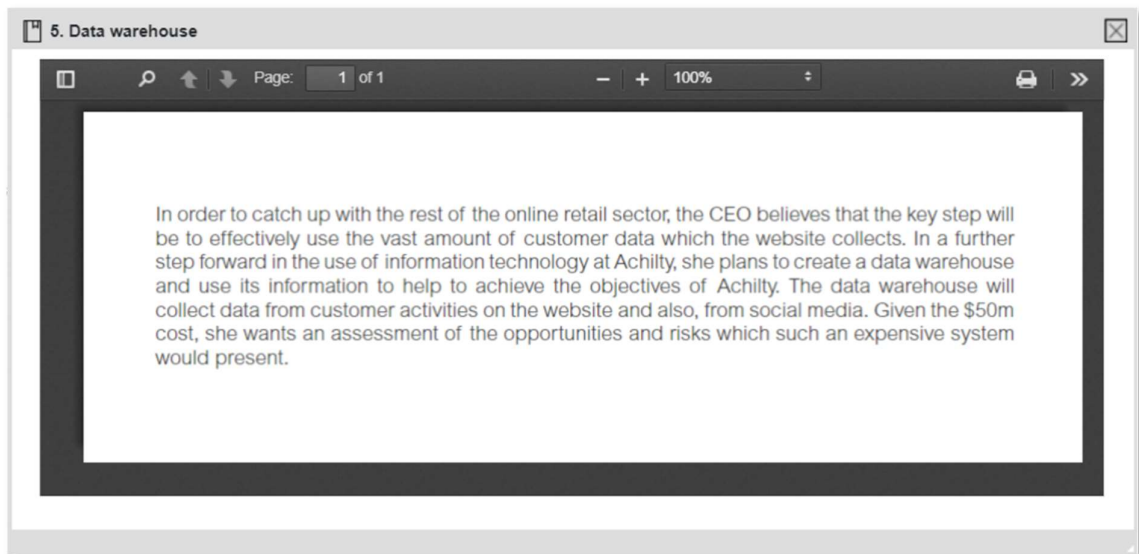
### Exhibit 3



### Exhibit 4



## Exhibit 5



## Exhibit 6

6. Appendix 1

EditFormat

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## Exhibit 7

7. Appendix 2					
Edit Format					
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A26					
	A	B	C	D	E
1					
2	<b>Other proposed performance indicators:</b>				
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	<b>Supplementary information for Achilty:</b>				
10					
11	<b>Assets and Liabilities</b>			<b>20X5</b>	<b>20X4</b>
12				<b>\$m</b>	<b>\$m</b>
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				<b>10.3</b>	<b>9.4</b>
19					
20	Current liabilities			15.5	14
21	Non-current liabilities			21	22
22	Net assets			<b>27.8</b>	<b>25.4</b>
23					
24	Equity			<b>27.8</b>	<b>25.4</b>
25					
26					

## Section B Introduction

### 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.

## 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

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 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)**.

Help/Formulae Sheet



← Previous

Navigator

Next →



## Requirements



 Requirements (25 marks) 









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

 1. Company information 

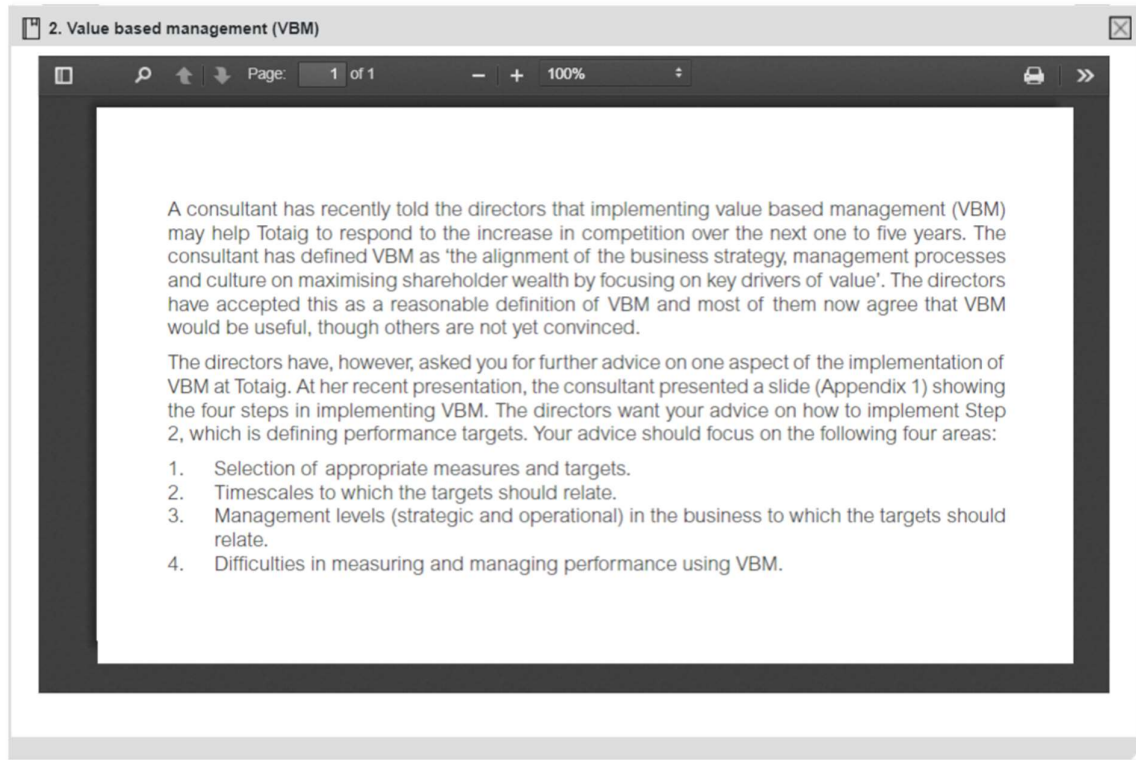
    Page: 1 of 1   100%  

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.

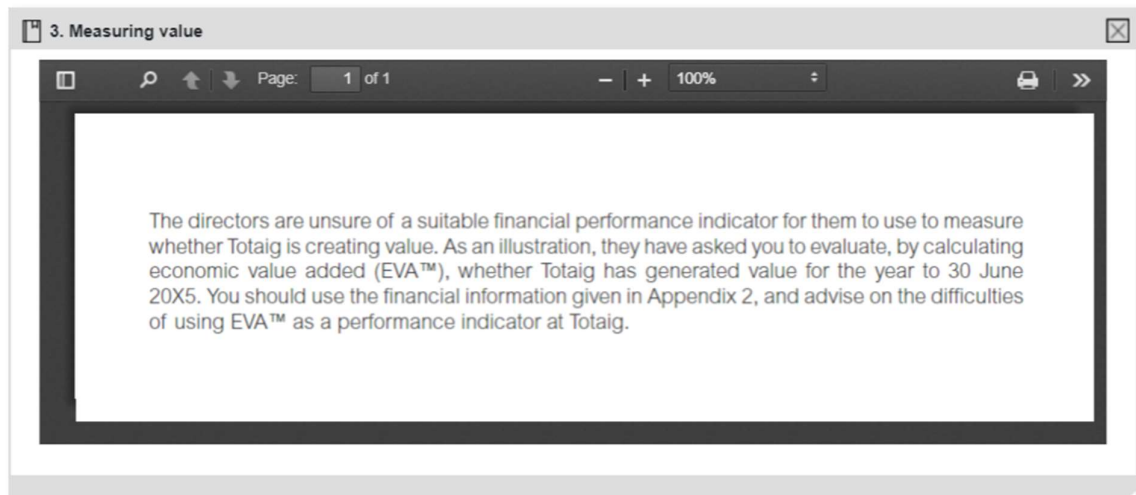
Totaig has basic and outdated IT systems for a business of its complexity and has always used traditional financial performance measures such as return on investment (ROI) and operating profit margin.

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.

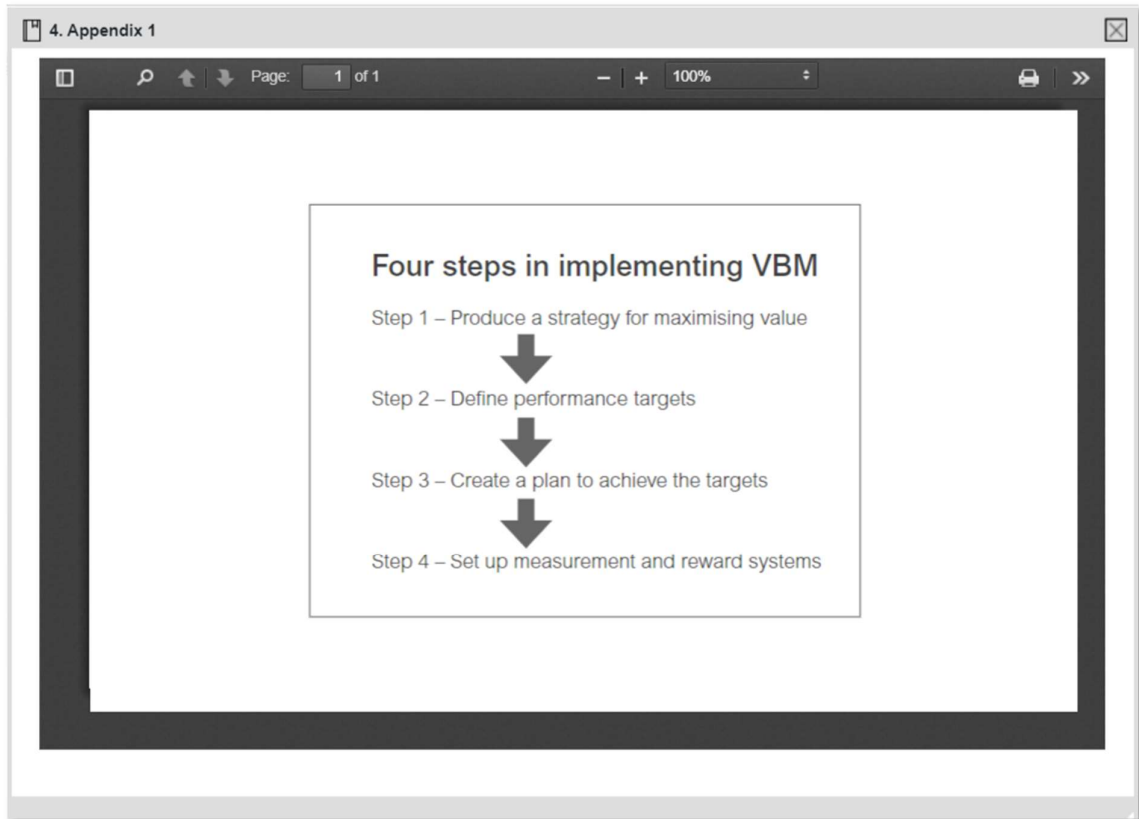
## Exhibit 2



## Exhibit 3



## Exhibit 4



## Exhibit 5

5. Appendix 2											
Edit Format											
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	A	B	C	D	E	F	G	H	I	J	K
1											
2	<b>Income statement for the year to 30 June 20X5</b>										
3											
4		\$'000									
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	<b>Notes:</b>										
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. Totalg'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 Totalg'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

 Requirements (25 marks) 

It is now 1 September 20X5.

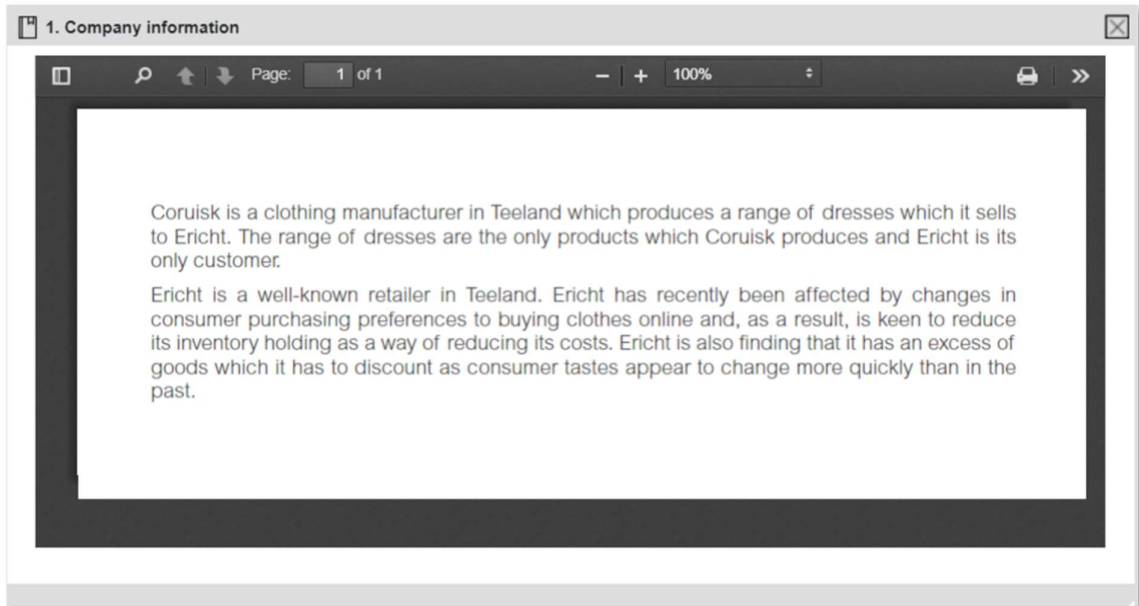
**(a) Assess the changes which Coruisk will have to make in the areas of purchasing and production in order to supply goods to Ericht on a JIT basis.**

(13 marks)

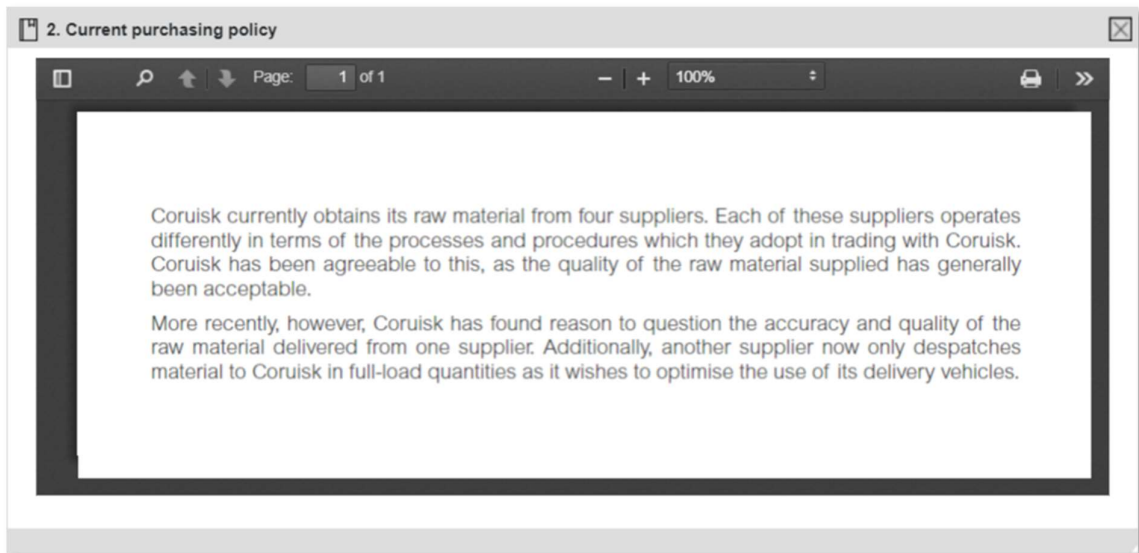
**(b) Prepare a cost of quality report for Coruisk based on the information in Appendix 1 and comment on potential quality cost changes in light of the proposed move to JIT.**

(12 marks)

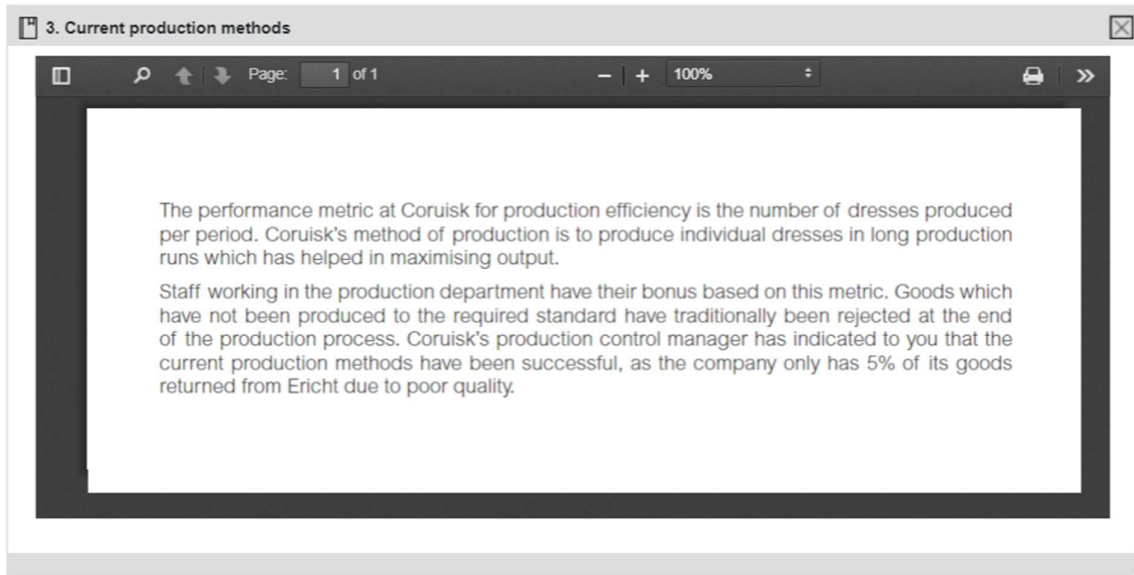
## Exhibit 1



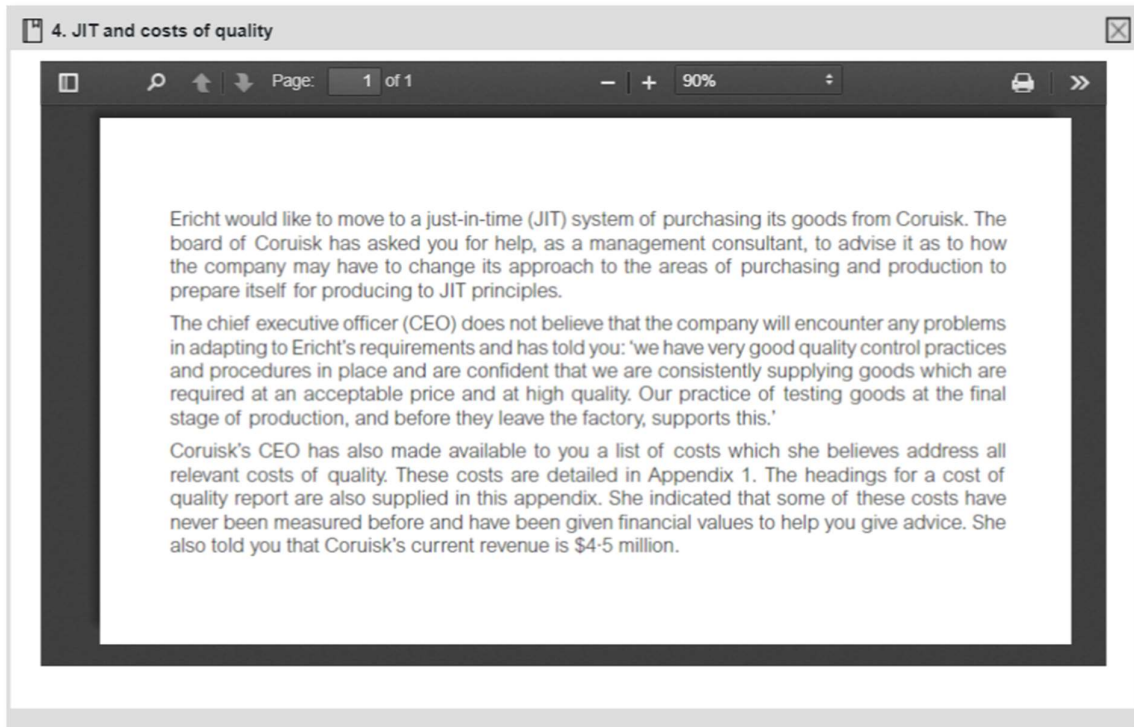
## Exhibit 2



### Exhibit 3



### Exhibit 4





## Exhibit 5

5. Appendix 1				
Edit Format				
11 ▾				
A1				
	A	B	C	D
1				
2	<b>CEO's estimates of quality related costs</b>			
3				
4		<b>\$'000</b>		
5	Estimated costs of handling complaints from Ericht	135		
6	Material costs	2,000		
7	Scrap (cannot be reworked)	58		
8	Quality control supervisor's salary (employed full time)	35		
9	Rework cost	72		
10	Machine downtime	38		
11	Product recalls and cost of goods returned	180		
12	Labour cost of production	800		
13	Quality audit	2		
14	Foregone contribution from lost sales (estimated)*	85		
15	Routine maintenance	8		
16				
17				
18	<b>Cost of Quality Report Headings</b>			
19				
20	<b>Costs of Conformance:</b>			
21	Prevention Costs			
22	Appraisal costs			
23				
24	<b>Costs of Non-Conformance:</b>			
25	Internal Failure Costs			
26	External Failure Costs			
27				
28	*the foregone contribution from lost sales is an estimate made by the CEO of potential sales lost to Ericht due to problems related to production and delivery experienced by Coruisk.			
29				