



Examiner's report

Advanced Performance Management (APM)

December 2019

The examining team share their observations from the marking process to highlight strengths and weaknesses in candidates' performance, and to offer constructive advice for future candidates.

General Comments

The examination was comprised of two sections, A and B. Section A consisted of one compulsory question for 50 marks in total. Section B consisted of two compulsory questions for 25 marks each.

The majority of candidates attempted their allocation of three questions and there was little evidence of poor time management in terms of completing the examination.

The examining team continue to be concerned by the quality of answers that has been observed which is consistent with that of the previous diets of APM, although the overall performance has increased slightly. The advice in past examiner's reports and approach articles does not seem to have been taken up by many candidates. The team would strongly advise that candidates use these materials to ensure that they have the right overall attitude to APM, which is intended to lie at a post-graduate level.

Principally, this means paying specific attention to the question requirement: at APM, questions demand that scenarios are "analysed", "evaluated" and "assessed" rather than described. The difference is fundamental and crucial as an analysis involves a study of applicability rather than a description. Also, providing a history of how and when a model or technique was developed, although interesting, adds little benefit when providing advice.

Knowledge of any technique is essentially taken for granted at this level. The essence of APM is the application of this knowledge to a practical scenario and it is the demonstration of these skills which will make for a successful response on this examination. Candidates who come to the APM examination expecting to repeat memorised material will probably score only between 20% and 30%. Many candidates have clearly been taught that they should define in their answer any 'jargon' terms in the question requirement. However, they are wrong to assume that this alone will provide them with a passing answer at APM.

A lack of basic knowledge was demonstrated by many candidates at this diet, for example, the majority of candidates could not calculate a change in operating profit margin or residual income. These calculations, and other key ratios, have been examined in both Applied Knowledge and Applied Skills examinations and candidates must be prepared to use the knowledge from underpinning examinations at this level, albeit the emphasis moves from just calculating the ratios to understanding their implications given the specific scenario. These are core skills at this level. From a practical point of view, a thorough grasp of these ratios is likely to create a strong base for a candidate to develop more marks in the examination.

Candidates need to be aware that performance management is an area which, at an advanced level, is dependent upon situation and environment. A good, professional-level answer will go beyond the mere repetition of how a technique works and focus on relating it to the entity's specific environment. As in previous diets, it was very clear to the marking team that those candidates that had grasped the need for this went on to pass the examination. Also, those candidates who

specifically answered the requirements, addressing each part in turn and paying attention to the relevant verbs scored well. For example, one requirement asked candidates to suggest improvements to a company's process using a particular management technique. Those candidates who made sensible suggestions given the issues highlighted in the scenario scored well. Those who simply explained the mechanics of the technique did not.

It should also be noted that candidates scored well on professional marks on this diet, and future candidates should be aware that well-structured, professional answers are essential to score these marks. This has been a consistent trend over recent diets and the examination team would like to congratulate candidates for taking note of the comments in previous examiners' reports regarding professional marks.

Specific Comments

Question One

This 50-mark question was based around a manufacturing company with a divisionalised structure.

Part (i) asked candidates to respond to a request of work from the chief executive officer (CEO) which specifically was to evaluate the overall performance of the divisions using some financial performance measures and then evaluate the usefulness of the measures themselves. It was promising to see that the majority of candidates specifically, as requested, focused on the divisional performance, although a small minority attempted to evaluate the performance of the whole company. Also, most students clearly attempted both parts of this requirement and also evaluated the performance measures themselves. However, many candidates failed to use the correct figures in the calculation of the measures and in some instances did not perform any calculations at all. As mentioned above, a thorough grasp of key ratios is expected, and is still necessary, at the advanced level. Those candidates who were comfortable with the ratios, tended to score well on this part of the examination.

Part (ii) focused on the use of a strategic performance model to analyse the divisions and how this analysis could be applied to performance measurement within the divisions, including a recommendation of up to two financial key performance indicators (KPIs). Candidates demonstrated clear knowledge of this model, and made relevant points on how the model could be applied, but many wasted time re-analysing the divisions despite the fact that this had clearly been done for them. Candidates should ensure that their comments add value to their answers and do not simply repeat information given in the scenario. The examination team were also concerned by how the majority of candidates were unable to recommend financial KPIs – many suggested non-financial KPIs and a significant minority failed to understand what a KPI is and instead suggested courses of action that should be pursued e.g. 'develop an effective advertising strategy'.

Part (iii) focused on management accounting information and the criteria for it to be useful. This question was generally answered well by most candidates, especially by those whose points were explained and discussed in the context of the scenario to demonstrate understanding and application.

As has become common, those candidates who had practiced writing professional answers prior to the examination performed admirably in the presentation area (4 marks). Although this has been detailed before in previous examiner's reports it is worth mentioning again; that the marking team was looking for suitable report headings, an introduction, a logical structure, signposted by the good use of subheadings in the answer, and a clear, concise style. A conclusion was not required for the four marks but if a suitable and substantive one was offered then it was given credit. However, it may be worth noting that introductions in the form of 'I am writing this report at the request of the directors...' are inadequate. A more substantive description of the contents of the report is required.

Overall, the performance on Question 1 was good. The main difference between candidates scoring well or poorly was mainly anchored on whether or not basic understanding of key ratios and KPIs was evident and applied.

Section B

Question Two

This question was based around a retailer. The scenario contained details relating to a benchmarking exercise that was to be undertaken and of the processes that were currently in place that needed improving.

Part (a) focused on the calculation and evaluation of performance measures. Most calculations were performed correctly, however there was a marked issue when calculating and expressing a growth rate. For example, if a profit margin increases from 10% to 12% this is not a 2% increase; it is a 20% increase or could be expressed as an increase of two percentage points. This difference may seem subtle but it is crucial that professionals convey this correctly. The second part of the requirement unfortunately was poorly attempted and candidates should remember that when evaluating a measure to consider its alignment with the relevant objectives.

Part (b) required candidates to evaluate the method of benchmarking being used. The emphasis here was on the method, and not, as some candidates thought, the application of the method. Evaluation of a method should focus on whether or not the method is appropriate in a particular situation and potentially what are the advantages and disadvantages. That being said, many candidates answered this part of the question well, discussing the model in the context of the scenario as well as suggesting plausible alternatives. Unfortunately, some candidates tried to perform a benchmarking exercise for the company despite this not being required. It is worth re-emphasising the importance of carefully reading the requirement and specifically answering what has been asked for, and not performing tasks simply because they have been asked for in previous diets.

Part (c) required candidates to suggest improvements to the current processes in place using business process reengineering (BPR). This question was generally answered very well by candidates, and again, is a clear illustration of where good examination technique – systematic application of the model/theory to the specific scenario – results in high marks being achieved. It

should also be noted, however, that any suggestions made need to be realistic in the context of the objective of the scenario.

Question Three

This question was based on a company facing potential corporate failure. Overall, and what is a common theme on this diet, candidates who answered what the requirements asked for, applying it specifically to the scenario, scored well. The examining team would like to draw attention to the fact that the requirements are specific, and if it is stated that a particular model is to be used, then a sensible approach would be to create a structure around the main themes/headings of that particular model.

Part (a) asked for advice, using a corporate failure model, on why the company was at risk of corporate failure. Overall, this question was answered very well by the majority of candidates, with most correctly identifying factors from the scenario that would indicate the company was at risk of corporate failure. Those candidates who also classified these factors under the headings suggested by the corporate failure model performed even better, with candidates often scoring full, or nearly full, marks on this question.

Part (b) required candidates to explain the problems of using the corporate failure model. This again was answered well by a large contingent of candidates, although many struggled to produce enough valid content to justify the ten marks for this question. For those candidates who were unsuccessful overall, it is worth noting that explanations should not simply be descriptive, but should also explain how they apply to the scenario. For example, when discussing the problems of a corporate failure model, it would be useful to explain how an incorrect conclusion – not at risk when it actually is, or is at risk when it actually is not – may be obtained as a result of these.

Summary

Overall, there were opportunities on this examination to score well, and many candidates managed to achieve this. However, as with previous diets the main lessons that can be learnt for those attempting this examination in the future are; 1) ensure that fundamental, underpinning knowledge is learnt and understood; 2) specifically answer the requirement that is set, and ensure that all parts are answered and; 3) all answers should relate to the scenario set.