Examiner's report
Advanced Performance Management (APM)
July 2020

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.

Due to the COVID-19 pandemic, the June 2020 exam was postponed and sat in July 2020. This report labelled July 2020 refers to this exam.

General Comments

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

Most candidates attempted the allocation of three questions. However, question 2c) was often omitted from candidates' responses and some candidates omitted 1(iv). There were also, often, very limited attempts at some questions, comprising only two to three lines of narrative. These omissions did not appear to be due to time pressure and the omissions were more likely due to candidates not being as prepared as they might have been.

Most candidates undertook the questions in sequential order, but it was noticeable that if they did not, and undertook question 1 as the final question, performance on question 1 tended to be noticeably worse than it was for those candidates who undertook the questions sequentially. Undertaking questions in whichever order seems most appropriate for each individual candidate is not, in itself, at all bad practice, however this technique does tend to see candidates spending a disproportionate amount of time on either/both of questions 2 and 3, leaving themselves insufficient time to address the demands of a question (question 1) that is worth 50% of the marks. Candidates should always remember that they should spend the amount of time on a question that is proportionate to the marks awarded and the time available. In a 3-hour examination, therefore, it is only appropriate to spend 45 minutes on a 25-mark question.

We would strongly advise that candidates use the Examiner's Reports and approach articles to ensure that they have the right overall attitude to Advanced Performance Management (APM), which is intended to lie at a post-graduate level. Most examinations require a balance of memory work and evaluation/analysis. However, as one goes through the levels this balance changes, from pure memory to more analysis. Good candidates distinguish themselves by being aware that if they come to this examination expecting to repeat memorised material, they will probably score only between 20% and 30%. Indeed, models or techniques that candidates were asked to apply were often given to the candidate in this exam, saving the candidate the necessity to write out the actual model or explain its construction. Candidates were asked, in some case, for definitions to demonstrate their understanding but these definitions alone do not provide candidates with a passing answer in APM, as the fundamental basis of the exam is about application and evaluation of techniques and methods in a business scenario.

There were areas where candidates scored very well, in particular on 2a), on occasion in 1(i) and more generally on 1(ii). However, there were areas where candidates both appeared to lack basic

knowledge and an ability to apply it/evaluate its relevance in the context given. The first step to passing APM is to have a good grasp of the basic knowledge. However, at this diet, a lack of such knowledge was particularly clear in:

- question 1(iv), where the introduction of an information system was examined
- question 2b) where decision making under different conditions was examined and
- question 2c) in particular where the issues and problems around a particular type of business agreement were examined.

Building upon that knowledge, candidates need to be aware that performance management is an area which, at an advanced level, is dependent upon situation and environment - as exemplified by the need throughout the examination to relate or illustrate points by using the information relating to the business in the scenario. A good, professional-level answer will 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 exam.

This issue leads directly to the previous advice to candidates to 'answer the question asked'. There are several examples in the discussion below where candidates offered too much by way of introduction to a topic or answered a question with an analysis of a company's performance rather than around the applicability of the company's use of a performance measures to the situation the company finds itself in. Whereas every attempt is always made to reward any meaningful, commercially aware and insightful analysis, such analysis must be within the specific context of the question asked to score well.

Finally, and critically, in order to pass APM, candidates need to be capable of analysing and evaluating the situation in the scenario using their technical knowledge. This is fundamental to the marker's judgement of whether they are competent at this level. Thus, it is essential that they provide justification for opinions expressed and go beyond mere calculation by explaining the implications of their results. This area is developed in most of the points made, below, with regard to the specific questions.

There were a number of issues that arose which, while not common to all answers, would certainly represent broad generic areas where candidates should be able to improve upon their performance in the future:

- Apply the technique to the scenario. This is fundamental to APM as the examining team always want to know how the technique would apply to the given company situation. This is the essence of the management accounting discipline overall – how would/might this technique/model apply to this scenario? It is essential to the everyday work of the management accountant to be able to assess the applicability to a technique or model to a company's situation and this is the key learning outcome of the APM exam.
- Analysis/evaluation/assessment and application all demand explanation and this explanation demands a certain amount of narrative. This will vary from candidate to candidate as it does from person to person but the main observation of the examination team at this diet was how little candidates wrote. It is impossible to explain why a performance measure is appropriate or not by writing comments such as: "this is a suitable performance measure." The examination team have to see and understand why the candidate believes this to be the case. It would be a very useful mental check for future candidates to ask themselves – have I fully explained and justified why I feel this measure is appropriate/inappropriate?

- Understand from previous Examiner's Reports that APM is an exam based on justification and analysis. Writing almost exclusively in single sentence paragraphs is not conducive to justification and analysis, as such a style tends to introduce a point and not offer anything further by way of analysis or justification. It is important in APM that points made are supported and justified and it is clear that a single sentence paragraph, bullet-point style, is the very antithesis of this.
- Please try to stick to the specific question requirement – part 1(ii) asked for a consideration of the applicability of the existing performance measures only but many candidates decided to offer other additional indicators.
- Some candidates offered unjustified, commercially naive suggestions which demonstrate a lack of understanding of the scenario – for example, the organisation in one question is a government appointed regulator and as such does not have competitors, as many candidates suggested it does.
- Some candidates made the same point repetitively. This was evident particularly in question 1 across parts (ii) and (iii) where the point was made in discussion of every measure of the need for external benchmarking.
- Candidates should try to ensure both handwriting and layout of answers are as clear as possible.

In a general sense, the best way for future candidates to score well and/or improve upon their performance is to undertake past exam questions, checking their responses against the model answers after they have undertaken the question(s). There are many examples of past exams and model responses available on the ACCA website and they are indicative of the way in which questions are set and constructed at this level.

It is very important that candidates attempt the questions first and do not merely read the answers. Actually, attempting the questions forces candidates into a "real life" examination situation where they can fully appreciate what has to be undertaken, in terms of analysis and evaluation, and the time in which it has to be undertaken. Checking their responses against the model answer will provide a good indication as to where improvement can be made and will hopefully make candidates aware of the heavily weighted balance of marks in this exam to analysis rather than description.

It would then be in candidates' best interests to attempt another exam/questions and undergo the same learning process of checking their responses against the model answer. It is through this kind of practice that candidates enhance their skill set for APM.

Question 1

(i)

In this question, candidates were asked for an assessment as to whether the introduction of a technique would help the organisation achieve its objectives. Candidates generally spent too long on a description of the new technique. Description shows understanding, of course, but candidates can almost always score full marks without description of a technique and solely by focusing on the assessment. In questions of this nature, the examining team require to see if a candidate understands the effect that the introduction of the technique would have. Would, for example, the

technique help the company with regard to the measurement and management of its objectives? If so, how would that be the case? If not, why not?

(ii)

In this question, candidates were asked for an evaluation of specific work that had been undertaken by a consultant with regard to the introduction of certain key performance indicators. When candidates are asked to evaluate something, the examining team are normally looking for them to address the question of applicability and, crucially, justification. This is the underlying meaning of evaluation in this context: to apply one thing to another, to judge if it is appropriate and to justify that judgement. This was something that the better performing candidates appreciated and there were some good examples of the suggested key performance indicators, their implications, and why the candidates felt they were appropriate or inappropriate.

Candidates who did not perform well here tended to describe the performance measures or undertake a judgement of the organisation's performance with the minimal data available. This is an area where it is very hard to offer candidates advice, beyond making sure that they read the question. If the question is asking, as in this question, for an evaluation of each of the specific, suggested key performance indicators then candidates should realise that it is the indicators themselves that they are being asked to evaluate, not the organisation's performance. It is very clear to any candidates that looks at past APM exams that it almost always the performance indicators that the examiner is looking for the candidate to evaluate.

(iii)

In this question, technical knowledge around a particular technique was being sought initially, followed by an evaluation as to whether key performance indicators measured the particular technique. Candidates found this part of the question challenging and tended to be able to describe the technique but not undertake the evaluation. This is an area where the examining team commented on the candidates writing very little as they appeared unable to apply the technique to the company.

This is something candidates can prepare for as they progress through the study of APM. A good learning approach is to be inquisitive about the application of any technique that is introduced and begin to ask: how would I apply that technique in my own organisation? Where might the challenges be? Why might it not work? Also, how would the technique work in a public sector organisation or a manufacturing company? It is the mind-set of application, rather than description, that is key and such a mind-set can certainly be developed by asking questions (like those detailed above) as concepts and techniques are learned. It was obvious in this part of the question that candidates could not undertake the necessary evaluation and it is very important for successful performance in future diets that this key skill is demonstrated.

In support of this point, candidates cannot come to this examination and consider the application of a technique to a scenario for the first time and expect to be successful. The skills of application and the accompanying analysis must be developed throughout their study, to the extent that the application becomes second nature.

It is very clear to the examining team that there are candidates who specialise in this skill. They would always be passing candidates, tend to spend very little time on description, write in succinct but quite lengthy (at times) paragraphs that fully develop the points they are making and usually offer conclusions to their answers, based on the balance of evidence and argument that they have provided.

(iv)

The basis of this question was similar to others in question 1 in that it demanded the explanation and application of a particular method, based on the introduction of a new system, into the organisation and also asked candidates for a consideration of the potential problems.

This question was badly done with several candidates not attempting it at all. This can only be down to a lack of technical knowledge in an area of the syllabus. There is no guidance that the examination team can offer here except that candidates should be acquainted with all areas of the syllabus as any topic area can be examined.

As with the previous parts to this question, candidates did not apply the method to the organisation very well and most candidates offered some very generic reasons around the potential problems of introduction. This is another area where candidates could prepare better. This question asked about the potential problems of implementing some specific principles and, as such, the examining team was hoping that candidates would structure their responses around the specifics as requested. However, virtually all candidates offered generic problems about the introduction of any system/technique that had clearly been rote learned. Whereas such responses gain some credit, they do not directly address the question asked. Again, candidates must apply what they know about the organisation in the scenario and what they know about the principles to each other and offer a considered response based on this knowledge. This could be another useful mantra for candidates when preparing for the APM examination: always make things specific to the scenario and be prepared to justify why you believe this to be the case.

Professional Marks

Most candidates did well in this part and were awarded 3 or 4 marks.

Question 2

(a)

Most candidates did very well on the technical calculation requested in this part of the question and most answers were set out very well, making it easy for the examining team to see the steps involved in the calculation. Fewer candidates offered any commentary on the actual result and what the limitations were in the answer they presented. It is always worthwhile for candidates to bear this in mind that something by way of commentary or analysis, even if only very brief and pointing out the limitations of the approach taken, is usually worthy of merit.

(b)

This question was very badly done with few candidates passing it and several missing it out completely. At its core, the question was quite straight forward and asked if an approach taken for a "one off" decision would be appropriate for longer-term decision making. Initially the question is asking for a demonstration of technical knowledge about decision making under certain conditions and states. As with part (iv) of question 1, it is the lack of knowledge in this area that was of most concern to the examining team as it suggested that candidates were lacking knowledge in an area of the syllabus. This, understandably, made the application of that knowledge an almost impossible task for many candidates.

Some candidates also seemed to misread the question, in the sense that they were asked about a "method" for decision making but instead discussed the factors involved in decision making. This is unfortunate and repeats guidance given previously to candidates to ensure they read the question fully and understand what is being asked of them. In this case, responses may have been due to candidates' lack of basic knowledge around different methods and then feeling that they should write something with regard to decision making. The examining team can only repeat the call for candidates to be adequately prepared for the examination by studying the entire syllabus.

(c)

This part of question 2 was badly done, with many candidates simply omitting it altogether. The examination team found this baffling as the area being examined was one that had been examined many times before and the scenario presented was very straightforward. Beyond the advice given above with regard to knowing the entire syllabus, there is little guidance that can be given to those candidates who decided not to answer this part.

Those who did answer this part of question 2 tended to score quite well. As a useful guide to candidates for future diets, however, it is always beneficial to expand a point to show the examining team that you are fully aware of how it applies to the scenario. For example, some candidates in this question would offer two or three bullet points which they felt addressed the main areas they were asked to offer advice on. However, bullet points are usually unhelpful as they do not demonstrate justification. For example, if a candidate believes that "quality" may be a particular problem in a business relationship, it is worthwhile expanding upon exactly what that means in this context (is it quality of service or goods, for example?) and what the implications of it might be. This shows an understanding of the idea and how it relates to the scenario, which demonstrates the level and analysis of evaluation that is being sought at this level.

Question 3

(a)

This question asked for an assessment of a company's individual performance management system against a recognised performance management framework. Most candidates picked up some marks on this question, but few performed well, perhaps due to most candidates offering a description rather than an assessment. As a result, most answers indicated that some things were being measured and some were not.

However, an assessment asks a candidate to relate systems to each other and make justified judgements accordingly. This verb is at the same levels as others that are used in the APM exam, such as evaluate and analyse, and asks for commentary beyond mere identification and description. For example, identification would be recognising that area X is not measured in the company's system but is measured in the performance management framework. Assessment would include an indication as to why measuring such an area may be beneficial for the company, given its current situation, how this would help it achieve its objective(s) and how not currently measuring this is damaging the company's performance. The command verbs at this level of exam all demand that candidates look beyond mere identification, description and definition into the areas of analysis, evaluation and application that have been detailed previously.

(b)

This question asked for an alignment of a reward scheme with a company's objectives. This was generally well done by most candidates, who scored well in highlighting how there was a mismatch between these aspects in a company.

What candidates did well here was to show how the specifics of one aspect did or did not relate to those of another and this task of application, which was not undertaken well in other parts of this exam, was undertaken well here. Candidates could have developed their answers further and discussed the consequences and behavioural effects of these aspects being well or badly aligned though, overall, performance in this question was satisfactory.