

Examiner's report

P5 Advanced Performance Management
September 2017

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

General Comments

The examination paper comprised two sections, A and B. Section A consisted of one compulsory question for 50 marks in total. Section B consisted of three optional questions for 25 marks each from which candidates were required to answer two questions.

The majority of candidates attempted their allocation of three questions and there was little evidence of poor time management in terms of completing the paper. However, the examining team would like to suggest that candidates spend sufficient time reading the requirements to ensure that they fully understand what is being asked of them. Many candidates provided detailed analysis on performance when not required and/or discussion of topics that were not asked for.

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 P5. 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 P5, which is intended to lie at a post-graduate level.

Principally, this means paying specific attention to the question requirement: at P5, 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 such a model was developed, although interesting, adds little benefit when providing advice. Such an approach is straightforward to adopt when considering past papers and should be the basis for any revision strategy. Knowledge of any technique is essentially taken for granted at this level. The essence of P5 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 at P5.

Candidates who come to the P5 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 P5. On a more positive note, there were fewer candidates that appeared to do this in this diet compared to previous diets.

A lack of basic knowledge was demonstrated by many candidates at this diet – whether this be the inability to calculate a simple profitability ratio, or failure to categorise costs.

Candidates also failed to answer all parts of a requirement. For example, where a question required specific calculations and then comment on the results, many candidates provided very weak and superficial comments, and in some instances, no comments at all. It is essential that candidates attempt all parts of each requirement. In many instances the discursive elements allow good candidates to score marks quickly compared to numerical calculations – the examining team always support students discussing results and developing these points with regards the impact to the company detailed in the scenario.

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 paper. Also, those candidates who specifically answered the requirements, addressing each part specifically, paying attention to the relevant verbs scored well. For example, Q3 part c) required calculations of efficiency ratios, but many candidates produced calculations reflecting effectiveness and, although these might be useful to an organisation, they were not asked for and thus were awarded no marks. 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.

Question One

This 50-mark question was based around a manufacturing company and required candidates to consider the use of a dashboard, costing and quality methods, and the role of the management accountant.

Part (i) asked for an evaluation of a company's performance dashboard. Similar questions to this have been examined in previous diets and as such candidates tended to score relatively well here. It is worth noting though that a significant number of candidates provided very superficial answers. For example, stating that there is not a lot of detail could be an advantage or a disadvantage depending on the users of the information, so it is essential to explain why something is good or bad. Candidates should clearly explain their logic behind such statements. Also, this particular question required candidates to detail the elements that were particularly good, and as such, parts of answers that discussed negative aspects scored little credit.

Part (ii) asked for an explanation of the role of the management accountant in providing information for integrated reporting. It was essential here for candidates to relate their answers to integrated reporting. Many candidates did not seem familiar with this type of report and simply discussed the role of a management accountant generally and how that role has changed in recent years. The marking team would like to point out that technical articles are made available on the ACCA website to assist students in their studies and these are an invaluable source of information. Several of the topics that have been examined in recent diets, including this one, have been discussed via these articles.

Part (iii) was about costing and quality methods. The calculations in this section were performed particularly well by most candidates. Care should be taken to present calculations in a logical order to allow the marking team to award marks for method even if the final answer is incorrect. Good candidates also went on to discuss the results well.

Part (iv) was based around quality aspects of manufacturing. Similar to part (iii), many candidates performed well on the calculations, although some candidates were not able to correctly categorise the costs. Also, candidates should pay close attention to all the verbs within a requirement – this part of Question 1 specifically asked for four things (categorise, calculate, suggest and evaluate) and therefore candidates' performance would be improved if answers addressed each of these separately.

As has become common, those candidates who had practised writing professional answers prior to the examination performed admirably in the presentation area (4 marks). The marker 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 4 marks but if a suitable and substantive one was offered then it was given credit. However, it may be worth noting that introductions of the form '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.

Section B

Question Two

This 25 mark question focused on performance appraisal and benchmarking in an organisation which operated a chain of depots.

Part (a) of the question required a calculation of two performance indicators: return on capital employed and EBITDA, for two companies, along with an evaluation of the use of these. Many candidates scored poorly on the calculations, with few being able to calculate these correctly for both companies, which is disappointing as these are ratios that one would expect an accountant to be fully able to calculate. The evaluation of the methods of was generally performed well.

Part (b) asked for advice on the problems of benchmarking in the scenario. Candidates generally scored well here and demonstrated good knowledge. However, as with previous diets, at this level it would be unusual for a question to ask for generic theory and instead is likely to require it to be applied to a particular situation. Several candidates lost the opportunity to score more marks here by not relating their knowledge to the companies described in the scenario. Also, some candidates wasted time discussing the use of benchmarking, and in some instances gave a detailed explanation of the process of benchmarking, despite the requirement specifically asking about problems.

Question Three

This 25 mark question was based on an electrical appliances manufacturer, and focused on performance measures.

Part (a) asked for an explanation of how a particular performance management model could be used to develop a set of performance measures. This part of the examination was generally attempted very well. However, despite the question specifically stating that candidates did not need to propose new measures several did and were not awarded marks for such. It should also be noted that unless the requirement specifically asks for features of a model to be explained, there will few or no marks available for doing so. Some candidates disappointedly copied out diagrams and text given in the question. Obviously, no marks are awarded for such content in candidates' answers.

Part (b) asked candidates to evaluate introducing non-financial performance indicators (NFPs). This part of Question 3 was well attempted, with many students understanding the benefits that

such measures can bring. Candidates should keep in mind that the information provided in the question can be used to demonstrate depth and understanding of the topic, and those candidates that specifically focused on evaluating the suggestions in the scenario scored well.

Part (c) focused on measuring efficiency within the organisation in the scenario based on information provided from two periods. Overall, this question was attempted very poorly. Candidates should be aware that terminology within professional accountancy examinations is very specific and care should be taken to ensure that they fully understand what is being asked. For example, the focus was on efficiency measures but the vast majority of candidates also, and some cases only, calculated ratios that would evaluate effectiveness. Also, the information being compared was from two periods of different length and many candidates failed to recognise that without suitable adjustments a comparison of the information cannot be made. Those candidates who did not make the above errors scored well. It should also be noted that when evaluating information, commentary on calculations will be required to score full marks.

Question Four

This 25 mark question was based around staff appraisals and reward schemes within a service business.

Part (a) required advice on whether performance appraisal systems can improve performance. Those candidates that failed to link their answers to performance, and similarly for those candidates who simply explained the features that an appraisal system should have without explaining the benefits, scored few marks. However, many candidates appeared comfortable with this topic and structured answers scored well. The marking team would like to point out that many candidates spent time discussing areas that were required in part (b) in this section and therefore wasted valuable time here in the examination. It is worthwhile for candidates to spend time at the start of each question understanding and planning each part before they start, to ensure that they remain focused on each specific requirement as they complete their answers.

Part (b) asked for an evaluation of a reward system. Despite many candidates demonstrating detailed knowledge of the features that an effective reward system should have, several failed to evaluate the specific system in the question. It is important for candidates to understand that evaluation involves candidates being able to identify whether or not the system under consider is effective, and not just what features it should have without stating whether or not it actually has them. That being said, many candidates that attempted this question did score well.