



ACCA



# Advanced Performance Management (APM)

Syllabus and study guide

September 2019 to June 2020

Think Ahead

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## 1. Intellectual levels

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1:	Knowledge and comprehension
Level 2:	Application and analysis
Level 3:	Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Applied Knowledge, the Applied Skills and the Strategic Professional exams are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant learning outcome. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with Applied Knowledge, level 2 equates to Applied Skills and level 3 to Strategic Professional, some lower level skills can continue to be assessed as the student progresses through each level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

## 2. Learning hours and education recognition

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualification is recognised and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualification is currently recognised on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus is organised into main subject area headings which are further broken down to provide greater detail on each area.

### 3. Guide to ACCA examination structure and delivery mode

The structure and delivery mode of examinations varies.

#### Applied Knowledge

The Applied Knowledge examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus. These are assessed by a two-hour computer based examination.

#### Applied Skills

The *Corporate and Business Law* exam is a two-hour computer-based objective test examination for English and Global. For the format and structure of the *Corporate and Business Law* or *Taxation* variant exams, refer to the 'Approach to examining the syllabus' in section 9 of the relevant syllabus and study guide.

The other Applied Skills examinations (PM, TX-UK, FR, AA, and FM) contain a mix of objective and longer type questions with a duration of three hours for 100 marks. These are assessed by a three hour computer-based exam. Prior to the start of each exam there will be time allocated for students to be informed of the exam instructions.

The longer (constructed response) question types used in the Applied Skills exams (excluding Corporate and Business Law) require students to effectively mimic what they do in the workplace. Students will need to use a range of digital skills and demonstrate their ability to use spreadsheets and word processing tools in producing their answers, just as they would use these tools in the workplace. These

assessment methods allow ACCA to focus on testing students' technical and application skills, rather than, for example, their ability to perform simple calculations.

#### Strategic Professional

*Strategic Business Leader* is ACCA's case study examination at Strategic Professional and is examined as a closed book exam of four hours, including reading, planning and reflection time which can be used flexibly within the examination. There is no pre-seen information and all exam related material, including case information and exhibits are available within the examination. Strategic Business Leader is an exam based on one main business scenario which involves candidates completing several tasks within which additional material may be introduced. All questions are compulsory and each examination will contain a total of 80 technical marks and 20 Professional Skills marks.

The other Strategic Professional exams are all of three hours and 15 minutes duration. All contain two Sections and all questions are compulsory. These exams all contain four professional marks.

For September and December 2019 sessions, all Strategic Professional exams will be assessed by paper based examination. From March 2020, these exams will become available by computer based examination. More detail regarding what is available in your market will be on the ACCA global website.

With Applied Knowledge and Applied Skills exams now assessed by computer based exam, ACCA is committed to continuing on its journey to assess

allexams within the ACCA Qualification using this delivery mode.

The question types used at Strategic Professional again require students to effectively mimic what they would do in the workplace and, with the move to CBE, these exams again offer ACCA the opportunity to focus on the application of knowledge to scenarios, using a range of tools – spreadsheets, word processing and presentations - not only enabling students to demonstrate their technical and professional skills but also their use of the technology available to today's accountants.

ACCA encourages students to take time to read questions carefully and to plan answers but once the exam time has started, there are no additional restrictions as to when candidates may start producing their answer.

Time should be taken to ensure that all the information and exam requirements are properly read and understood.

The pass mark for all ACCA Qualification examinations is 50%.

## 4. Guide to ACCA examination assessment

ACCA reserves the right to examine any learning outcome contained within the study guide. This includes knowledge, techniques, principles, theories, and concepts as specified. For the financial accounting, audit and assurance, law and tax exams except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions.

For most examinations (not tax), regulations **issued** or legislation **passed** on or before 31 August annually, will be examinable from 1 September of the following year to 31 August of the year after that. Please refer to the examinable documents for the exam (where relevant) for further information.

Regulation issued or legislation passed in accordance with the above dates may be examinable even if the **effective** date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

For UK tax exams, examinations falling within the period 1 June to 31 March will

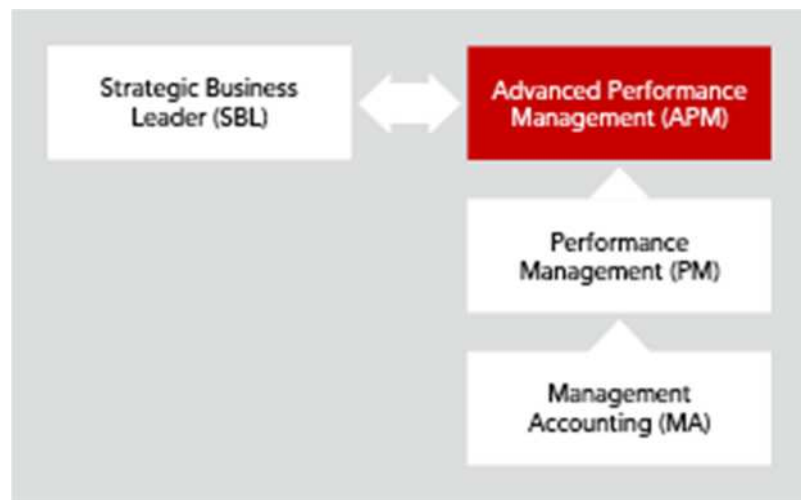
generally examine the Finance Act which was passed in the previous year. Therefore, exams falling in the period 1 June 2019 to 31 March 2020 will examine the Finance Act 2018 and any examinable legislation which is passed outside the Finance Act before 31 July 2018.

For additional guidance on the examinability of specific tax rules and the depth in which they are likely to be examined, reference should be made to the relevant Finance Act article written by the examining team and published on the ACCA website.

None of the current or impending devolved taxes for Scotland, Wales, and Northern Ireland is, or will be, examinable.

## 5. Relational diagram linking Advanced Performance Management with other exam

This diagram shows links between this exam and other exams preceding or following it. Some exams are directly underpinned by other exams such as Advanced Performance Management by Performance Management. This diagram indicates where students are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.



## 6. Overall aim of the syllabus

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

The aim of the syllabus is to apply relevant knowledge, skills and exercise professional judgement in selecting and applying strategic management accounting techniques in different business contexts to contribute to the planning, control and evaluation of the performance of an organisation and its strategic and operational development.

## 7. Main capabilities

On successful completion of this exam, candidates should be able to:

- A Use strategic planning and control models to plan and monitor organisational performance
- B Assess the impact of risk and uncertainty on organisational performance
- C Identify and evaluate the design features of effective performance management information and monitoring systems and recognise the impact of developments in technology on performance measurement and management systems.
- D Apply appropriate strategic performance measurement techniques in evaluating and improving organisational performance
- E Advise clients and senior management on strategic business performance evaluation and on recognising vulnerability to corporate failure



This diagram illustrates the flows and links between the main capabilities of the syllabus and should be used as an aid to planning teaching and learning in a structured way.



## 8. Rationale

business is facing difficulties or possibly failure.

The Advanced Performance Management syllabus further develops key aspects introduced in Performance Management at the Applied Skills level.

The syllabus introduces candidates to the strategic role of management accounting as a discipline for planning and controlling performance so that strategic objectives can be set, monitored and controlled. It recognises the impact of external factors on strategic management issues, such as macro-economic, fiscal, market and environmental impacts on performance and covers the risks these factors present and how they can be measured and managed. From appreciating the strategic context of performance management and the impact of wider factors, the syllabus examines the issues relating to performance management information systems and their design. It also addresses the impact which developments in technology will have on the performance management and measurement systems used by organisations.

The syllabus then moves from performance management systems to the scope and application of high-level performance measurement techniques in a variety of contexts, including not-for-profit organisations and multi-national businesses. Having covered the strategic aspects of performance management and operational systems for the measurement and control of performance in a variety of contexts, candidates are then expected to synthesise this knowledge in the role of an advisor to senior management or independent clients on how to assess and control the performance of an entity, including the recognition of whether a

## 9. Approach to examining the syllabus

The *Advanced Performance Management* exam builds upon the skills and knowledge examined in the *Performance Management* exam. At this stage candidates will be expected to demonstrate an integrated knowledge of the subject and an ability to relate their technical understanding of the subject to issues of strategic and operational importance to the organisation. The study guide specifies the wide range of contextual understanding that is required to achieve a satisfactory standard at this level.

### Examination Structure

The syllabus is assessed by a three-hour 15 minutes examination

#### Section A

Section A of the exam will always be a 50 mark case study based on an organisation in a particular business context.

It will include the organisation's mission statement and strategic objectives and candidates will be expected to be able to assess the methods by which the organisation is controlling, managing and measuring performance in order to achieve its objectives. This assessment could include an evaluation of the organisation's performance report, its information systems, new strategies or projects and its performance management and measurement systems. Candidates should understand that they will be expected to undertake

calculations, draw comparison against relevant information where appropriate and be prepared to offer alternative recommendations as needed.

Management accountants are required to look across a range of issues which will affect organisational performance, the achievement of objectives and impact on operations and so candidates should expect to see Section A of the exam focus on a range of issues from across syllabus sections A, C and D. These will vary depending on the business context the case study in Section A is based on. Section A will also include four professional marks which will be awarded for the candidate's approach to the format requested for the answer, for example a report to the Board of Directors.

#### Section B

Candidates will be required to answer a further two 25 mark questions in Section B of the exam, which will normally comprise of scenario based questions.

One of the Section B questions will come mainly from syllabus section E, however the other Section B question can come from any other syllabus section.

Section B questions will also require candidates to address a range of issues influencing performance of organisations in specific business situations.

#### Total 100 marks

## 10. The syllabus

### A Strategic planning and control

1. Strategic management accounting
2. Impact of external factors on performance management
3. Performance hierarchy
4. Performance management and control of the organisation
5. Changes in business structure and management accounting
6. Other environmental and ethical issues

### B Impact of risk and uncertainty on organisational performance

1. Impact of risk and uncertainty on performance management

### C Performance management information systems and developments in technology

1. Performance management information systems
2. Sources of management information
3. Recording and processing methods
4. Data analytics
5. Management reports

### D Strategic performance measurement

1. Strategic performance measures in the private sector

2. Divisional performance and transfer pricing issues
3. Strategic performance measures in not-for-profit organisations
4. Non-financial performance indicators
5. The role of quality in management information and performance measurement systems
6. Performance measurement and strategic human resource management issues
7. Other behavioural aspects of performance measurement

### E Performance evaluation and corporate failure

1. Alternative views of performance measurement and management
2. Strategic performance issues in complex business structures
3. Predicting and preventing corporate failure

## 11. Detailed study guide

### A Strategic planning and control

#### 1. Strategic management accounting

- a) Explain the role of strategic performance management in strategic planning and control.<sup>[2]</sup>
- b) Discuss the role of performance measurement in checking progress towards the corporate objectives.<sup>[2]</sup>
- c) Compare planning and control between the strategic and operational levels within a business entity.<sup>[2]</sup>
- d) Discuss the scope for potential conflict between strategic business plans and short-term localised decisions.<sup>[2]</sup>
- e) Evaluate how models such as SWOT analysis, Boston Consulting Group, balanced scorecard, Porter's generic strategies and 5 Forces may assist in the performance management process.<sup>[3]</sup>
- f) Apply and evaluate the methods of benchmarking performance.<sup>[3]</sup>
- g) Assess the changing role of the management accountant in today's business environment as outlined by Burns and Scapens.<sup>[3]</sup>

#### 2. Impact of external factors on performance management

- a) Discuss the need to consider the environment in which an organisation is operating when assessing its performance using models such as PEST and Porter's 5 forces, including such areas as:<sup>[2]</sup>

- i) Political climate
- ii) Market conditions

#### 3. Performance hierarchy

- a) Discuss how the purpose, structure and content of a mission statement impacts on performance measurement and management.<sup>[2]</sup>
- b) Discuss how strategic objectives are cascaded down the organisation via the formulation of subsidiary performance objectives.<sup>[2]</sup>
- c) Apply critical success factor analysis in developing performance metrics from business objectives.<sup>[3]</sup>
- d) Identify and discuss the characteristics of operational performance.<sup>[2]</sup>
- e) Discuss the relative significance of planning activities as against controlling activities at different levels in the performance hierarchy.<sup>[3]</sup>

#### 4. Performance management and control of the organisation

- a) Evaluate the strengths and weaknesses of alternative budgeting models and compare such techniques as fixed and flexible, rolling, activity based, zero based and incremental.<sup>[3]</sup>
- b) Evaluate different types of budget variances and how these relate to issues in planning and controlling organisations.<sup>[3]</sup>

#### 5. Changes in business structure and management accounting

- a) Identify and discuss the particular information needs of organisations adopting a functional, divisional or network form and the implications for performance management.<sup>[2]</sup>

- b) Assess the changes to management accounting systems to reflect the needs of modern service orientated businesses compared with the needs of a traditional manufacturing industry.<sup>[3]</sup>
- c) Assess the influence of Business Process Re-engineering on systems development and improvements in organisational performance.<sup>[3]</sup>
- d) Analyse the role that performance management systems play in business integration using models such as the value chain and McKinsey's 7S's.<sup>[3]</sup>
- e) Discuss how changing an organisation's structure, culture and strategy will influence the adoption of new performance measurement methods and techniques.<sup>[3]</sup>
- f) Assess the need for businesses to continually refine and develop their management accounting and information systems if they are to maintain or improve their performance in an increasingly competitive and global market.<sup>[3]</sup>

## 6. Other environmental and ethical issues

- a) Discuss the ways in which stakeholder groups operate and how they influence an organisation and its performance measurement and performance management systems (e.g. using Mendelow's matrix).<sup>[2]</sup>
- b) Discuss the social and ethical issues that may impact on strategy formulation, and consequently, business performance.<sup>[3]</sup>
- c) Discuss, evaluate and apply environmental management accounting using for example lifecycle costing and activity-based costing.<sup>[3]</sup>

## B Impact of risk and uncertainty on organisational performance

### 1. Impact of risk and uncertainty on performance management

- a) Assess the impact of the different risk appetites of stakeholders on performance management.<sup>[3]</sup>
- b) Evaluate how risk and uncertainty play an important role in long term strategic planning and decision-making that relies upon forecasts of exogenous variables.<sup>[3]</sup>
- c) Apply different risk analysis techniques in assessing business performance such as maximin, maximax, minimax regret and expected values.<sup>[3]</sup>

## C Performance management information systems and developments in technology

### 1. Performance management information systems

- a) Discuss, with reference to performance management, ways in which the information requirements of a management structure are affected by the features of the structure.<sup>[2]</sup>
- b) Evaluate the compatibility of management accounting objectives and the management accounting information systems.<sup>[3]</sup>
- c) Discuss the integration of management accounting information within an overall information system, for example the use of enterprise resource planning systems.<sup>[2]</sup>

- d) Evaluate whether the management information systems are lean and the value of the information that they provide (e.g. using the 5 Ss).<sup>[3]</sup>
- e) Evaluate the external and internal factors (e.g. anticipated human behaviour) which will influence the design and use of a management accounting system.<sup>[3]</sup>

## 2. Sources of management information

- a) Discuss the principal internal and external sources of management accounting information, their costs and limitations.<sup>[2]</sup>
- b) Demonstrate how the information might be used in planning and controlling activities e.g. benchmarking against similar activities.<sup>[3]</sup>

## 3. Recording and processing methods

- a) Demonstrate how the type of business entity will influence the recording and processing methods.<sup>[2]</sup>
- b) Discuss how IT developments e.g. unified corporate databases, RFIDs, cloud and network technology may influence management accounting systems.<sup>[2]</sup>
- c) Explain how information systems provide instant access to previously unavailable data that can be used for benchmarking and control purposes and help improve business performance (for example, through the use of enterprise resource planning, knowledge management and customer relationship management systems and also, data warehouses).<sup>[3]</sup>

- d) Discuss the difficulties associated with recording and processing data of a qualitative nature.<sup>[2]</sup>

## 4. Data analytics

- a) Discuss the development of big data and its impact on performance measurement and management, including the risks and challenges it presents.<sup>[3]</sup>
- b) Discuss the impact of big data and data analytics on the role of the management accountant.<sup>[3]</sup>

## 5. Management reports

- a) Evaluate the output reports of an information system in the light of.<sup>[3]</sup>
  - i) best practice in presentation;
  - ii) the objectives of the report/organisation;
  - iii) the needs of the readers of the report; and
  - iv) avoiding the problem of information overload
- b) Advise on common mistakes and misconceptions in the use of numerical data used for performance measurement.<sup>[3]</sup>
- c) Explore the role of the management accountant in providing key performance information for integrated reporting to stakeholders.<sup>[2]</sup>

## D Strategic performance measurement

### 1. Strategic performance measures in private sector

- a) Demonstrate why the primary objective of financial performance should be primarily concerned with the benefits to shareholders.<sup>[2]</sup>

- b) Discuss the appropriateness of, and apply different measures of performance, including.<sup>[3]</sup>
- i) Gross profit and operating profit
  - ii) Return on Capital Employed (ROCE)
  - iii) Return on Investment (ROI)
  - iv) Earnings Per Share (EPS)
  - v) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)
  - vi) Residual Income (RI)
  - vii) Net Present value (NPV)
  - viii) Internal rate of return and modified internal Rate of Return (IRR, MIRR)
  - ix) Economic Value Added (EVA<sup>TM</sup>)
- c) Discuss why indicators of liquidity and gearing need to be considered in conjunction with profitability.<sup>[3]</sup>
- d) Compare and contrast short and long run financial performance and the resulting management issues.<sup>[3]</sup>
- e) Assess the appropriate benchmarks to use in assessing performance.<sup>[3]</sup>
- 2. Divisional performance and transfer pricing issues**
- a) Describe, compute and evaluate performance measures relevant in a divisionalised organisation structure including ROI, RI and Economic value added (EVA<sup>TM</sup>).<sup>[3]</sup>
  - b) Discuss the need for separate measures in respect of managerial and divisional performance.<sup>[2]</sup>
  - c) Discuss the circumstances in which a transfer pricing policy may be needed and discuss the necessary criteria for its design.<sup>[2]</sup>
  - d) Demonstrate and evaluate the use of alternative bases for transfer pricing.<sup>[3]</sup>
  - e) Explain and demonstrate issues that require consideration when setting transfer prices in multinational companies.<sup>[2]</sup>
- 3. Strategic performance measures in not-for-profit organisations**
- a) Highlight and discuss the potential for diversity in objectives depending on organisation type.<sup>[3]</sup>
  - b) Discuss the difficulties in measuring outputs when performance is not judged in terms of money or an easily quantifiable objective.<sup>[2]</sup>
  - c) Discuss the use of benchmarking in public sector performance (league tables) and its effects on operational and strategic management and client behaviour.<sup>[3]</sup>
  - d) Discuss how the combination of politics and the desire to measure public sector performance may result in undesirable service outcomes e.g. the use of targets.<sup>[3]</sup>
  - e) Assess 'value for money' service provision as a measure of performance in not-for-profit organisations and the public sector.<sup>[3]</sup>
- 4. Non-financial performance indicators**
- a) Discuss the interaction of non-financial performance indicators with financial performance indicators.<sup>[3]</sup>
  - b) Identify and discuss the significance of non-financial performance indicators in relation to employees and product/service quality e.g. customer satisfaction reports, repeat business ratings, customer loyalty, access and availability.<sup>[3]</sup>

- c) Discuss the difficulties in interpreting data on qualitative issues.<sup>[2]</sup>
- d) Discuss the significance of brand awareness and company profile and their potential impact on business performance.<sup>[3]</sup>

#### **5. The role of quality in management information and performance measurement systems**

- a) Discuss and evaluate the application of Japanese business practices and management accounting techniques, including:<sup>[3]</sup>
  - i) Kaizen costing,
  - ii) Target costing,
  - iii) Just-in-time, and
  - iv) Total Quality Management.
- b) Assess the relationship of quality management to the performance management strategy of an organisation including the costs of quality.<sup>[3]</sup>
- c) Justify the need and assess the characteristics of quality in management information systems.<sup>[3]</sup>
- d) Discuss and apply Six Sigma as a quality improvement method using tools such as DMAIC for implementation.<sup>[2]</sup>

#### **6. Performance measurement and strategic Human Resource Management issues**

- a) Advise on the relationship of HR management to performance measurement (performance rating) and suitable remuneration methods.<sup>[3]</sup>
- b) Advise on the link between achievement of the corporate strategy and the management of human resources (e.g. through the Building Block model).<sup>[2]</sup>

- c) Discuss and evaluate different methods of reward practices.<sup>[3]</sup>

- d) Assess the potential beneficial and adverse consequences of linking reward schemes to performance measurement, for example, how it can affect the risk appetite of employees.<sup>[3]</sup>

#### **7. Other behavioural aspects of performance measurement**

- a) Discuss the accountability issues that might arise from performance measurement systems.<sup>[3]</sup>
- b) Assess the statement; 'What gets measured, gets done.'<sup>[3]</sup>
- c) Demonstrate how management style needs to be considered when designing an effective performance measurement system.<sup>[3]</sup>

### **E Performance evaluation and corporate failure**

#### **1. Alternative views of performance measurement and management**

- a) Apply and evaluate the 'balanced scorecard' approach as a way in which to improve the range and linkage between performance measures.<sup>[3]</sup>
- b) Apply and evaluate the 'performance pyramid' as a way in which to link strategy, operations and performance.<sup>[3]</sup>
- c) Apply and evaluate the work of Fitzgerald and Moon that considers performance measurement in business services using building blocks for dimensions, standards and rewards.<sup>[3]</sup>
- d) Discuss and evaluate the application of activity-based management.<sup>[3]</sup>



- e) Evaluate and apply the value-based management approaches to performance management.<sup>[3]</sup>

## **2. Strategic performance issues in complex business structures**

- a) Discuss the problems encountered in planning, controlling and measuring performance levels, e.g. productivity, profitability, quality and service levels, in complex business structures.<sup>[3]</sup>
- b) Discuss the impact on performance management of the use of business models involving strategic alliances, joint ventures and complex supply chain structures.<sup>[3]</sup>

## **3. Predicting and preventing corporate failure**

- a) Discuss how long-term survival necessitates consideration of life-cycle issues.<sup>[3]</sup>
- b) Assess the potential likelihood of corporate failure, utilising quantitative and qualitative performance measures and models (such as Z-scores and Argenti).<sup>[3]</sup>
- c) Assess and critique quantitative and qualitative corporate failure prediction models.<sup>[3]</sup>
- d) Identify and discuss performance improvement strategies that may be adopted in order to prevent corporate failure.<sup>[3]</sup>
- e) Identify and discuss operational changes to performance management systems required to implement the performance improvement strategies.<sup>[3]</sup>

## Summary of changes to Advanced Performance Management (APM)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and education providers.

The main areas of change to the syllabus are summarised in the table below.

	<b>Section and subject area</b>	<b>Syllabus content</b>
C	Performance management information systems and developments in technology	<p>C2b – The intellectual level of this learning outcome has changed from [2] to [3]</p> <p>C3b – Cloud technology has been added</p> <p>C3c – Knowledge management and customer relationship management systems have been added</p> <p>C3c - The intellectual level of this learning outcome has changed from [2] to [3]</p> <p>C4 – This subject area is now titled Data analytics</p> <p>C4a – Was previously C2c</p> <p>C4b – This is a new learning outcome</p> <p>C5 – This subject area was previously C4</p>