Advanced Performance Management (P5)

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 STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

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

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials.
Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session.
The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

Reading lists

ACCA has two approved publishers: BPP Professional Education and Kaplan Publishing Foulks Lynch. Both these publishers base their study texts on the detailed contents of the study guides as published by ACCA. ACCA takes no editorial responsibility for the detailed content of these study texts although ACCA examiners will annually review their content for general appropriateness and relevance in supporting effective study towards ACCA examinations.
In addition ACCA examiners will recommend other text books where appropriate, which students may read in order to widen their reading beyond the approved study texts. Relevant articles will also be published in *student accountant.*

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 Knowledge module, the Skills module and the Professional level 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 line. 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 the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and 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.

LEARNING HOURS

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.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations are all paper based three-hour papers. The structure of papers varies from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Performance Management* (F5) and *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of each of the Options papers contains 50-70 compulsory marks from two questions, each attracting between 25 and 40 marks. Section B will offer a choice of two from three questions totalling 30-50 marks, with each question attracting between 15 and 25 marks

GUIDE TO EXAMINATION ASSESSMENT

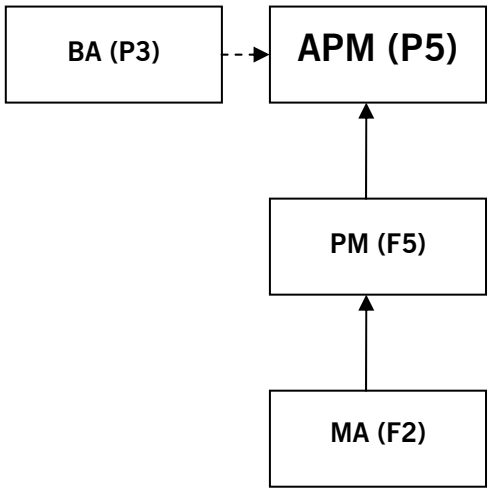
ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers, ACCA will publish *examinable documents* every six months to indicate exactly what regulations and legislation could potentially be assessed at the following examination session.

Knowledge of new examinable regulations will not be assessed until at least six calendar months after the last day of the month in which documents are issued or legislation is passed. The relevant cut-off date for the June examinations is 30 November of the previous year, and for the December examinations, it is 31 May of the same year.

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.

Syllabus



AIM

To apply relevant knowledge, skills and exercise professional judgement in selecting and applying strategic management accounting techniques in different business contexts and to contribute to the evaluation of the performance of an organisation and its strategic development.

MAIN CAPABILITIES

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

A Use strategic planning and control models to plan and monitor organisational performance

B Assess and identify relevant macro economic, fiscal and market factors and key external influences on organisational performance

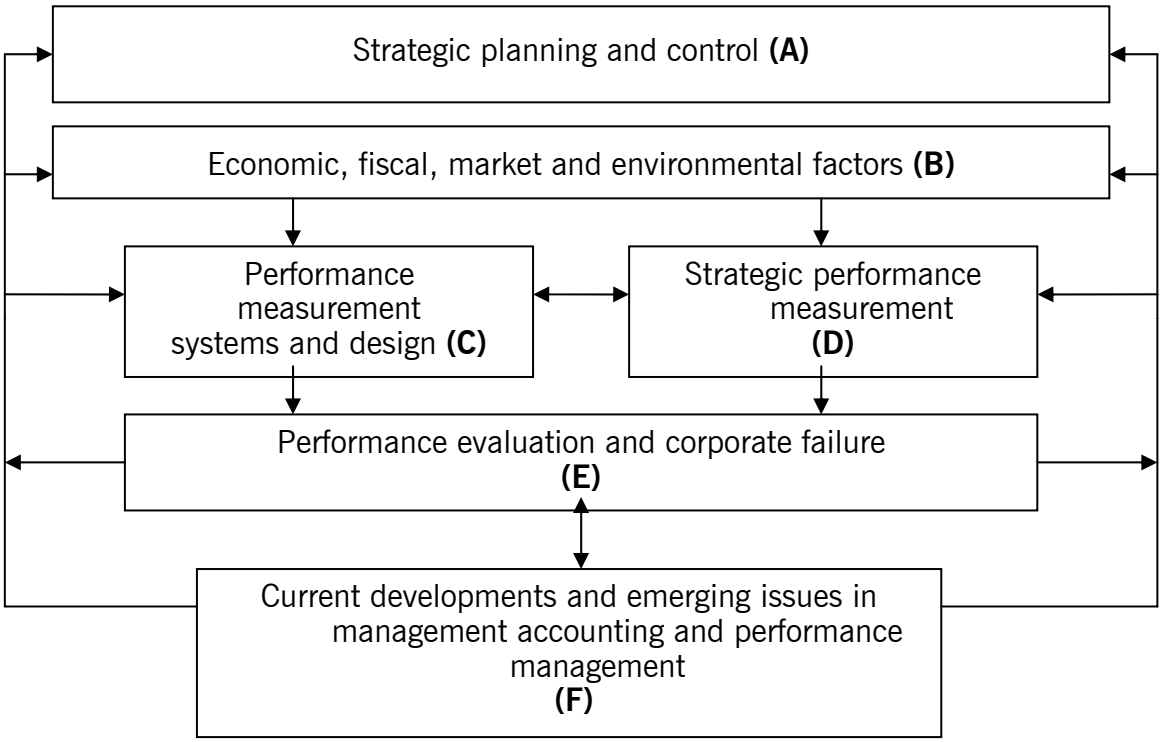
C Identify and evaluate the design features of effective performance management information and monitoring systems

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

F Identify and assess the impact of current developments in management accounting and performance management on measuring, evaluating and improving organisational performance

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

The Advanced Performance Management syllabus further develops key aspects introduced in Paper F5, *Performance Management*, at the skills level and draws on aspects of the material covered from a more strategic and operational planning perspective in Paper P3, *Business Analysis*.

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 also covers the impact of external factors on strategic management issues, such as macro economic, fiscal, market and environmental impacts on performance. From appreciating the strategic context of performance management and the impact of wider factors, the syllabus examines, at an operational level, the issues relating to performance measurement systems and their design.

The syllabus then moves from performance management systems and their design 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 business is facing difficulties or possibly failure.

Finally, the syllabus deals with current developments in performance management and with emerging issues as they might affect or influence the management of performance within organisations.

DETAILED SYLLABUS:

A Strategic planning and control

1. Introduction to strategic management accounting
2. Appraisal of alternative approaches to budgeting for control
3. Changes in business structure and management accounting
4. Effect of Information Technology (IT) on modern management accounting

B Economic, fiscal and environmental factors

1. Impact of world economic and market trends
2. Impact of national fiscal and monetary policy on performance
3. Other environmental and ethical issues

C Performance measurement systems and design

1. Management accounting and information systems
2. Internal sources of management information
3. External sources of management information
4. Recording and processing methods
5. Management reports

D Strategic performance measurement

1. Performance hierarchy
2. Scope of strategic performance measures in private sector
3. Strategic performance issues in complex business structures
4. Divisional performance and transfer pricing issues
5. Scope of strategic performance measures in not-for-profit organisations
6. Behavioural aspects of performance measurement

E Performance evaluation and corporate failure

1. Alternative views of performance measurement
2. Non-financial performance indicators
3. Predicting and preventing corporate failure

F Current developments and emerging issues in management accounting and performance management

1. Current developments in management accounting techniques
2. Current issues and trends in performance management

APPROACH TO EXAMINING THE SYLLABUS

Paper P5 builds on paper F5, *Performance Management,* and candidates are expected to have a thorough understanding of the paper F5 syllabus. In addition, candidates will also be required to apply the principles and techniques covered in paper F2, *Management Accounting*.

Paper P5 has a link with Paper P3, *Business Analysis*, in the areas of strategic planning and control and performance measurement

Structure of the examination paper

The examination paper will comprise two sections:

Section A will comprise two compulsory questions worth 60 marks. A maximum of 40 marks will be available for either question in Section A. Since Section A is compulsory it is expected that candidates will not only attempt it in the examination, but will also allocate the appropriate amount of time. The two questions in Section A may or may not be based upon the same scenario.

Section B contains 3 optional questions worth 20 marks each. Candidates will be required to answer two of these questions. At least one of the questions in Part B will be entirely discursive in nature.

Section A:
Answer both questions, total 60 marks

Section B:
Answer two from three questions, 20 marks each
Total 100 marks

The balance between computational and discursive questions will be as reflected in the pilot paper and it will not vary significantly from diet to diet.

Study Guide

A STRATEGIC PLANNING AND CONTROL

1. Introduction to strategic management accounting

a) Explain the role of strategic management accounting in strategic planning and control.[2]

b) Discuss the role of corporate planning in clarifying corporate objectives, making strategic decisions and checking progress towards the objectives. [2]

c) Compare planning and control at the strategic and operational levels within a business entity. [3]

d) Discuss how organisational survival in the long term necessitates consideration of life cycle issues.[2]

e) Assess the use of strategic management accounting in the context of multinational companies. [3]

f) Discuss the scope for potential conflict between strategic business plans and short-term localised decisions. [2]

g) Evaluate how SWOT analysis may assist in the performance management process. [2]

h) Discuss the benefits and difficulties of benchmarking performance with best practice organisations. [2]

i) Evaluate how risk and uncertainty play an especially important role in long term strategic planning and decision-making that relies upon forecasts of exogenous variables. [3]

j) Assess the impact of government policy on an organisation and its strategy formulation and implementation. [3]

2. Appraisal of alternative approaches to budgeting for control

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. [3]

b) Assess how budgeting may differ in not-for-profit organisations from profit-seeking organisations. [3]

c) Evaluate the issues raised by advocates of 'beyond budgeting'. [3]

d) Discuss the behaviour aspects of budgeting for control and the impact such behaviour may have on corporate performance. [3]

3. Changes in business structure and management accounting

a) Assess the continuing effectiveness of traditional management accounting techniques within a rapidly changing business environment. [3]

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

c) Discuss the concept of business integration and the linkage between people, operations, strategy and technology. [2]

d) Assess the influence of Business Process Re-engineering on systems development and improvements in organisational performance. [3]

e) Discuss and evaluate the application of activity-based management. [3]

f) Identify and discuss the required changes in management accounting systems as a consequence of empowering staff to manage sectors of a business. [2]

4. Effect of Information Technology (IT) on modern management accounting

a) Assess the changing accounting needs of modern service orientated businesses compared with the needs of traditional manufacturing industry. [3]

b) Discuss how modern IT systems provide the opportunity for instant access to management accounting data throughout the organisation and their potential impact on business performance. [2]

c) Discuss how modern IT systems facilitate the remote input of management accounting data in an acceptable format by non-finance specialists. [2]

d) Explain how modern information systems provide instant access to previously unavailable data that can be used for benchmarking and control purposes and help improve business performance. [2]

e) 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. [3]

B ECONOMIC, FISCAL AND ENVIRONMENTAL FACTORS

1. Impact of world economic and market trends

a) Assess the impact and influence of external environmental factors on an organisation and its strategy. [3]

b) Evaluate pricing and other business strategies in order to performance and maintain or improve competitive position. [3]

2. Impact of national fiscal and monetary policy on performance

a) Discuss the need to consider the environment in which an organisation is operating when assessing its performance, including: [2]
   i) Political climate
   ii) Market conditions
   iii) Funding

b) Assess the impact of governmental regulation on performance measurement techniques used and the performance levels achieved (for example, in the case of utility services and former state monopolies). [3]

3. Other environmental and ethical issues

a) Discuss the ways in which stakeholder groups operate and how they effect an organisation and its strategy formulation and implementation. [2]

b) Discuss the ethical issues that may impact on strategy formulation and business performance.[3]

c) Discuss the ways in which stakeholder groups may influence business performance. [2]

C PERFORMANCE MEASUREMENT SYSTEMS AND DESIGN

1. Management accounting and information systems

a) Identify the accounting information requirements for strategic planning, management control and operational control and decision-making. [2]

b) Discuss, with reference to management accounting, ways in which the information requirements of a management structure are affected by the features of the structure. [2]

c) Evaluate the objectives of management accounting and management accounting information. [3]

d) Discuss the integration of management accounting information within an overall information system. [2]

e) Define and discuss the merits of, and potential problems with, open and closed systems. [2]

f) Highlight the ways in which contingent (internal and external) factors influence management accounting and its design and use. [3]

g) Advise how anticipated human behaviour will influence the design of a management accounting system. [3]

h) Discuss the impact of responsibility accounting on information requirements. [2]

2. Internal sources of management information

a) Identify and discuss the principal internal sources of management accounting information. [2]

b) Demonstrate how these principal internal sources of management information might be used for control purposes. [2]

c) Identify and discuss the direct data capture and process costs of internally generated management accounting information. [2]

d) Identify and discuss the indirect costs of producing internally generated information. [2]

e) Discuss those factors that need to be considered when determining the capacity and development potential of a system. [2]

3. External sources of management information

a) Identify and discuss common external sources of information. [2]

b) Identify and discuss the costs associated with external sources. [2]

c) Discuss the limitations of using externally generated information. [2]

d) Identify and discuss the categories of external information that are likely to be a useful addition to an organisation's management accounting system. [2]

e) Demonstrate how the information might be used in planning and controlling activities e.g. benchmarking against similar activities. [2]

4. Recording and processing methods

a) Demonstrate how the type of business entity will influence the recording and processing methods. [2]

b) Discuss how IT developments e.g. spreadsheets, accountancy software packages and electronic mail may influence recording and processing systems. [2]

c) Discuss the difficulties associated with recording and processing data of a qualitative nature. [2]

5. Management reports

a) Discuss the principal controls required in generating and distributing internal information. [2]

b) Discuss the procedures that may be necessary to ensure security of highly confidential information that is not for external consumption. [2]

D STRATEGIC PERFORMANCE MEASUREMENT

1. Performance hierarchy

a) Discuss the purpose, structure and content of a mission statement and their potential impact on business performance. [2]

b) Discuss the ways in which high level corporate objectives are developed. [2]

c) Identify strategic objectives and discuss how they may be incorporated into the business plan. [2]

d) Discuss how strategic objectives are cascaded down the organisation via the formulation of subsidiary performance objectives [2]

e) Discuss social and ethical obligations that should be considered in the pursuit of corporate performance objectives. [2]

f) Explain the performance 'planning gap' and evaluate alternative strategies to fill that gap. [3]

g) Identify and discuss the characteristics of operational performance. [2]

h) Discuss the relative significance of planning as against controlling activities at different levels in the performance hierarchy. [3]

2. Scope of strategic performance measures in private sector

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

b) Justify the crucial objectives of survival and business growth. [3]

c) Discuss the appropriateness of, and apply different measures of performance, including: [3]
   i) Return on Capital Employed (ROCE)
   ii) Return on Investment (ROI)
   iii) Earnings Per Share (EPS)
   iv) Earning Before Interest, Tax and Depreciation Adjustment (EBITDA)
   v) Residual Income (RI)
   vi) Net Present value (NPV)
   vii) Internal Rate of Return (IRR)

d) Discuss why indicators of liquidity and gearing need to considered in conjunction with profitability. [3]

e) Compare and contrast short and long run financial performance and the resulting management issues. [3]

f) Explore the traditional relationship between profits and share value with the long term profit expectations of the stock market and recent financial performance of new technology/communications companies. [3]

3. Strategic performance issues in complex business structures

a) Evaluate the use and the application of strategic models in planning and assessing the business performance of an entity, such as Ansoff, Boston Consulting Group and Porter. [3]

b) Discuss the problems encountered in planning, controlling and measuring performance levels, e.g. productivity, profitability, quality and service levels, in complex business structures. [3]

4. 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). [3]

b) Discuss the need for separate measures in respect of managerial and divisional performance. [2]

c) Discuss the circumstances in which a transfer pricing policy may be needed and discuss the necessary criteria for its design. [2]

d) Demonstrate and evaluate the use of alternative bases for transfer pricing. [3]

e) Explain and demonstrate issues that require consideration when setting transfer prices in multinational companies. [2]

5. Scope of strategic performance measures in not-for-profit organisations

a) Highlight and discuss the potential for diversity in objectives depending on organisation type. [3]

b) Discuss the need to achieve objectives with limited funds that may not be controllable. [2]

c) Identify and discuss ways in which performance may be judged in not-for profit organisations. [2]

d) Discuss the difficulties in measuring outputs when performance is not judged in terms of money or an easily quantifiable objective. [2]

e) Discuss how the combination of politics and the desire to measure public sector performance may result in undesirable service outcomes. [3]

f) Assess 'value for money' service provision as a measure of performance in not-for-profit organisations and the public sector.[3]

6. Behavioural aspects of performance measurement

a) Discuss the relationship between performance measurement systems and behaviour and how the latter can influence performance.[3]

c) Discuss the accountability issues that might arise from performance measurement systems. [3]

d) Evaluate the ways in which performance measurement systems may send the 'wrong signals' and result in undesirable business consequences. [3]

e) Assess the potential beneficial and adverse consequences of linking reward schemes to performance measurement. [3]

f) Demonstrate how management style needs to be considered when designing an effective performance measurement system. [2]

E PERFORMANCE EVALUATION AND CORPORATE FAILURE

1. Alternative views of performance measurement

a) Evaluate the 'balanced scorecard' approach as a way in which to improve the range and linkage between performance measures. [3]

b) Evaluate the 'performance pyramid' as a way in which to link strategy, operations and performance. [3]

c) Evaluate the work of Fitzgerald and Moon that considers performance measurement in business services using building blocks for dimensions, standards and rewards. [3]

2. Non-financial performance indicators

a) Discuss the interaction of non-financial performance indicators with financial performance indicators. [2]

b) Discuss the implications of the growing emphasis on non-financial performance indicators. [3]

c) Discuss the significance of non-financial performance indicators in relation to employees. [2]

d) Identify and discuss the significance of non-financial performance indicators in relation to product/service quality e.g. customer satisfaction reports, repeat business ratings, customer loyalty, access and availability. [3]

e) Discuss the difficulties in interpreting data on qualitative issues. [2]

f) Discuss the significance of brand awareness and company profile and their potential impact on business performance. [3]

3. Predicting and preventing corporate failure

a) Assess the potential likelihood of corporate failure, utilising quantitative and qualitative performance measures. [3]

b) Assess and critique quantitative and qualitative corporate failure prediction models. [3]

c) Identify and discuss performance improvement strategies that may be adopted in order to prevent corporate failure. [3]

F. CURRENT DEVELOPMENTS AND EMERGING ISSUES IN PERFORMANCE MANAGEMENT

1. Current developments in management accounting techniques

a) Discuss the ways through which management accounting practitioners are made aware of new techniques and how they evaluate them. [3]

b) Assess the changing role of the management accountant in today's business environment as outlined by Burns and Scapens. [3]

c) Discuss and evaluate the application of Japanese business practices and management accounting techniques, including Kaizen costing, Target costing, Just-in-time, and Total Quality Management. [3]

d) Discuss and evaluate environmental management accounting. [2]

2. Current issues and trends in performance management

a) Evaluate and apply the value-based management approaches to performance management. [3]

b) Discuss and apply other recently developed performance measurement frameworks; e.g. Six Sigma; the Performance Prism. [2]

c) Discuss contemporary issues in performance management. [2]

d) Discuss how changing organisation's structure, culture and strategy will influence the adoption of new performance measurement methods and techniques. [3]

READING LIST

ACCA's approved publishers:

BPP Professional Education
Contact number: +44(0)20 8740 2222
Website: www.bpp.com/acca

Kaplan Publishing Foulks Lynch
Contact number: +44(0)118 989 0629
Website: www.kaplanfoulkslynch.com

Additional reading:

Accountancy Tuition Centre (ATC) International
Contact number: +44(0)141 880 6469
Website: www.ptc-global.com

C Drury Management and Cost Accounting (6th Edition) International Thomson Business Press ISBN 1844800288

J Hope, R Fraser Beyond Budgeting (1st Edition) Harvard Business School Press ISBN 1578518660

Wider reading is also, desirable, especially regular review of relevant articles in ACCA's *student accountant*