

| AREA FOR REVISION AND PRACTICE (Syllabus area and capability) | Day | Technical insight (be able to discuss <i>insightfully</i> and in detail for the purpose of giving commercially valuable advice) | Critical thinking & Professional Judgement (it is the <u>application</u> that counts) | Writing effectively (pick-up all professional marks) |
|--|-----|--|---|--|
| Time allocation (%) | | 60 | 20 | 20 |
| A. Use strategic planning and control models to plan and monitor organisational performance (Syllabus and study guide: pp8-9) | | | | |
| <p><u>A. 1 Use Strategic planning & control models effectively</u> <u>Rational model</u></p> <p>PESTEL - Dec 2013 q1 (answer)</p> <p>SWOT PORTER'S 5</p> <p>PORTER'S D</p> <p>Value chain analysis TQM ACCA Dec 2011 q5 LEAN THINKING BCG ANALYSIS (animals) ANSOFF'S Growth vector matrix</p> <p><u>2. Performance management and control of the</u></p> | | <p>The <u>imperative</u> of creating value for the customer and its implications for strategic management and shareholder value maximization.</p> <ul style="list-style-type: none"> - The role of the mission statement (<i>how we make a difference</i>) - The role of the vision statement (<i>how we distinguish ourselves through our values</i>) <p>ACCA Dec 2010 q1 ACCA Dec 2009 q5a,b ACCA Dec 2007 q3b</p> <ul style="list-style-type: none"> - Value maximization for the customer (the driver of productivity strategies: lean, IT and innovation, TQM, value chain management, P's D, P's 5Fs, JIT, JIP, rewards) <p>Balancing the triple bottom lines</p> <ul style="list-style-type: none"> - Integrate <i>social</i> and <i>environmental</i> responsibility with <i>financial responsibility</i> to maximize stakeholder satisfaction and shareholder value. - Identify CSFs, KPIs, - Measure and evaluate performance - Adjust strategies and other performance management factors to meet targets. <p>Dealing with competition</p> <ul style="list-style-type: none"> - Selecting the <i>generic strategy</i> to provide <u>direction</u> and <u>scope</u> over the long term that achieves advantage. - The <i>fundamental drivers</i> of generic strategy: i) Stakeholder expectations, ii) Competitive | <p>At this level the examiner expects you to know several models and to be able to compare and appraise their merits and weaknesses in relation to specific contexts. This calls for</p> <ul style="list-style-type: none"> - Critical thinking about the goals and the options for achieving the goals, given the available resources and competences, contingencies that can affect the outcome such as the nature of the industry, geographical locations, cultural issues, support systems, economic outlook, stakeholder expectations and risk appetites, whether it is for profit or not for profit and the impact of technology. - Criteria to be set to guide appraisal of planning and control models in terms of their fit for the organisation. E.g. refer to notes comparing different planning systems under A.2 Appraisal of alternative approaches to budgeting. - Recognising that planning and control take place within an organisation that consists of integrated sub-systems, and | <p>“Good candidates at Paper P5 ... distinguish themselves by ... synthesising disparate detailed points into an overall strategic approach for an organisation.” Examiners Approach article, Student Accountant Issue 16/2010</p> <p>There are four basic requirements to comply with for the answer to score maximum marks and pick up additional professional marks:</p> <ol style="list-style-type: none"> 1. The <u>generic writing skills</u>: clarity, structure, format, coherence, logic criteria. 2. The <u>Intellectual level criteria</u>: analysis, application, evaluation, creativity. Refer to A.5.a in (Doc name: A 5 TXT Other environmental and ethical issues). 3. The <u>value-based framework</u>: you must show how the relevant variables drive value positively or negatively. Refer to A.5.a in (Doc name: A 5 TXT Other environmental and ethical issues). In this way you can add value by providing useful commercial advice backed up by evidence produced from the data in the question. In addition, you can demonstrate (as required by the examiner) how the metrics, concepts and variables integrate |

| | | | |
|---|---|--|--|
| <p>Organisation</p> <ul style="list-style-type: none"> - Dec 2015 q2 (answer) - Jun 2015 q4 (answer) - Dec 2014 (not examined) - June 2014 q4 (answer) - Dec 2013 (not examined) - Jun 2013 (not examined) - Dec 2012 q2 (answer) - Jun 2012 q4 (answer) - Dec 2011 (not examined) - June 2011 (not examined) - Dec 2010 q2b (answer) | <p>pressures, iii) Capabilities (resources and competences).</p> <ul style="list-style-type: none"> - Identifying and managing <i>suitable, acceptable</i> and <i>feasible</i> projects (products and services) - Managing CSFs <u>relative</u> to competitors - Product positioning (growth share BCG, market product Ansoff matrices) - Market positioning: Strategy clock, Strategic group <p>Managing environmental uncertainties and risks</p> <ul style="list-style-type: none"> - The four levers of control: i) <u>diagnostic control</u> systems; ii) <u>boundary systems</u> (e.g. we don't pay bribes); iii) <u>belief systems</u> (we value human and employment rights, we are committed to the environment); iv) <u>interactive control</u> systems (outward and forward initiatives that highlight and track strategic uncertainties) - The benefits of the four levers of control: enables the organisation to simultaneously i) strive to optimise performance, ii) behave ethically, iii) motivate employees, and iv) anticipate and respond effectively to strategic threats and opportunities. - The relationships between the levers of control and performance measurement and reports: i) impact on strategy, targets, objectives and goals ii) impact on <i>strategy mapping</i> and CSFs, iii) impact on measurement systems, iv) impact on reporting systems e.g. the popularity of the balanced score card, v) impact on performance evaluation e.g. risk assessment, impact assessment and measurement of results for rewards. | <p>therefore the appraisal of fit requires thinking comprehensively about all the relevant performance sensitive variables. See ACCA Dec 2010 q2a, b; ACCA Jun 2004</p> <p>Appreciating that different models can be complementary e.g. <i>lean thinking</i> goes hand in hand with <i>cost leadership</i> and <i>innovation generic strategies</i> that result from the <i>rational design model</i> of strategic planning but can be incompatible with certain types of innovation and (focused) differentiation strategies.</p> | <p>dynamically in a coherent value stream to meet the goals of the organisation.</p> <p>4. Grounding (<i>providing a firm foundation</i>) the discussion in the relevant models of strategic planning and control. Refer to A.5.a in (Doc name: A 5 TXT Other environmental and ethical issues). Read Suppliers, Employees, Investors, etc. and appreciate the use of models to <u>ground</u> (<i>having a firm foundation</i>) the discussion.</p> <p>There are four professional marks available. You must aim to score them all.</p> <p>Therefore hone these skills through regular practice</p> <ul style="list-style-type: none"> - Study excellent examples thoroughly (analyse and appraise their quality in relation to the criteria above) - Reproduce those examples that you have studied many times - Now produce your own ideas and sentences. Evaluate their qualities. <p>ACCA Dec 2010 q1 ACCA Dec 2011 q1</p> |
|---|---|--|--|

| | | | |
|--|--|--|--|
| | | | |
| <u>3. Changes in business structure and management accounting</u> | | | |

| | | | | |
|--|--|--|--|--|
| | | | | |
| <p><u>4. Effect of Information Technology (IT) on strategic management accounting</u></p> | | | | |

| | | | |
|---|---|---|--|
| | | | |
| <p><u>A. 5 Other environmental and ethical issues</u></p> | | | |
| <p>B. EXTERNAL INFLUENCES ON ORGANISATIONAL PERFORMANCE (Syllabus area and capability- p9)</p> | | | |
| <p>B. Changing business environment</p> <p>B.1.a How suited is traditional management accounting to the needs of an organization in a rapidly changing business environment?</p> <p>B.1.b To what extent does stakeholder risk appetite affect performance management?</p> | <p>Emphasis on the information needs of the strategic level of management</p> <ul style="list-style-type: none"> - application of the principles of strategic management accounting and the need for external information e.g. relative levels and trends of sales, investments, costs, quality, markets, products, technology and profits. - emphasis on risk analysis, attitudes to risk, approaches to risk management and their impact on strategic management ACCA Dec 2011 ql | <p>Critical thinking requires an appraisal of management accounting techniques and information systems in relation to the requirements of strategic management. This should reflect the fact that</p> <ul style="list-style-type: none"> - the environment is changing rapidly and the techniques, systems and information should reflect those changing needs - a holistic approach is required to include all the relevant variables that affect performance. Models such as the balances score card, performance prism, performance pyramid, building blocks and methods such as benchmarking can be used to identify critical performance variables that should be monitored relative to competitors. - situational factors are crucial in decision-making involving risk factors | |

| | | |
|--|---|---|
| <p>B.1.c The future is uncertain and risks are a consequence of such uncertainty. Therefore long-term plans must reflect risk considerations. Carefully examine the ways in which risk and uncertainty considerations inform and affect strategic plans. [3]</p> <p>- Dec 2011 q1 (answer)</p> <p>B.1.d Apply different risk analysis techniques in assessing business performance such as maximin, maximax, minimax regret and expected values. [3]</p> | | <p>and risk appetites ACCA Dec 2011 q1i</p> |
| <p>B.2 Impact of external factors on strategy and Performance</p> | | |
| <p>C PERFORMANCE MEASUREMENT SYSTEMS AND DESIGN</p> | | |
| <p>C. Identify and evaluate the design features of effective performance management information and monitoring systems</p> <p>Practice questions</p> <p>Control and security</p> <p>- Dec 2011 q3a (answer)</p> | <p>The systems should provide information about measures that are most critical to performance and the presentation should allow meaningful interpretation and decisive action.</p> <p>ACCA June 2012 q1i, ii, iii ACCA June 2012 q2a, b ACCA June 2012 q5 ACCA Dec 2011 q3b,c ACCA Dec 2011 q2 ACCA Dec 2011 q4a</p> <p>The systems should as far as possible provide information to allow management to manage <i>environmental uncertainty</i>. This means <i>outward</i> and <i>forward</i> information.</p> | <p>Critical thinking requires an appraisal of management information systems in relation to the requirements of strategic management. ACCA June 2011 q2 ACCA Dec 2010 q1 ACCA Dec 2010 q4 ACCA June 2010 q1i ACCA June 2010 q5</p> <p>“Candidates ... are expected to be conversant with the broad hardware and software trends and issues and how these interact with the provision of performance information throughout the organisation. <u>It is the effect of these technologies on the performance management decision-making processes that is most significant.</u>” Examiners Approach article, Student Accountant Issue 16/2010 ACCA June 2011 q1c</p> <p><i>Analytics</i> is the process of making business critical information available to users. This process is facilitated by ERP, CRM, dashboards, warehouse,</p> |

| | | |
|--|---|-------------------------------|
| | <p>Outward information includes information that allows monitoring of the external environment including competitors, PESTEL factors. They include feedback, relative costs and profits compared to competitors, benchmarks</p> <p>Forward information includes information that allows monitoring of trends in the environment (internal and external) and they include lifecycle costing, feedforward information</p> | <p>OLAP, etc technologies</p> |
| | | |
| | | |
| | | |

D. Apply appropriate strategic performance measurement techniques in evaluating and improving organisational performance
(Syllabus area and study guide: pp10-12)

| | | | |
|---|--|--|---|
| <p>D.1 Performance hierarchy</p> | <p>Performance hierarchy</p> <p>The idea of performance hierarchy is that the entity’s performance is achieved by a chain (<i>the governance chain</i>) of individuals or groups at various levels of the entity working to fulfil its mission, vision, strategy and goals. Consequently, performance measures should be determined and evaluated at each of these levels and for the organisation as a whole. These measures must reflect the CSFs and business objectives.</p> <p>ACCA Dec 2010 q1 ACCA Dec 2009 q5a,b ACCA Dec 2007 q3b</p> | <p>Refer to critical thinking standards and approaches below</p> | <p>Refer to effective writing under Section E below.</p> |
| <p>D.2 Strategic performance measures in private sector</p> | <p>Strategic performance measures in the private sector.</p> <p>Performance has many aspects to it. No one measure can fully reflect all the different aspects. For example, in a start-up, investment may be high yet profits may be low, resulting in relatively (<i>compared with other similar organisations</i>) low ROCE, ROI and possibly negative cash generation.</p> <p>Therefore, many measures of performance exist to portray the varied and significant aspects that are of interest to users. (<i>Refer to the Study text for a detailed discussion of these</i>).</p> <p><u>Mastery of this area requires</u></p> <ul style="list-style-type: none"> - Clear insights about the strategic objectives of the organisation - The strategic context of the organisation in which the objectives are being pursued. - The industry structure e.g. competitive, monopoly, oligopoly - The culture e.g. reward for high performance - Industry lifecycle e.g. growing, declining, stagnant, etc. | | |

| | | | |
|--|---|--|--|
| | <ul style="list-style-type: none"> - Product lifecycle - Regular practice in answering questions mapped to the relevant critical syllabus areas. Practice should lead to questions and comparisons of performance measures that would be appropriate in different scenarios within the same industry and in different industries. <p>“The basis of this examination is <u>analysis and application</u>. The candidate will need a foundation in the techniques of the syllabus but should focus on evaluation of these techniques and consideration of their usefulness to the given scenario.” <i>Examiners Report, June 2012</i></p> <p>ACCA Dec 2011 q2</p> <p>D · 2 · c</p> <p>EVA Economic value Added (Examined: Dec 2010)</p> <ul style="list-style-type: none"> - Ensure you know the definition and can discuss the merits (See answer to ACCA Dec 2010 q3a) - Ensure you can identify the value drivers in any context e.g. Tech, Pharmaceuticals, Hotel, etc. - Ensure you can perform the calculation - Know the implications of (interpret and explain) <u>positive and negative EVA</u> - Perform <u>integrated analysis</u> and <u>evaluation</u> of performance with other measures such as RI, EBIT, EBITDA, EPS, PE ratio (earnings multiple). (See answer to ACCA Dec 2010 q3a) - Relate individual company EVA to the market as a whole, to the sector to evaluate relative performance. Is the company doing better or worse for investors? <i>It is the evaluation that counts.</i> - Know the common technical adjustments (see ACCA Student Accountant Oct 2007, p42) - Make sure you can calculate NOPAT (See answer to ACCA Dec 2010 q3b) - Ensure you can calculate EPS | | |
|--|---|--|--|

| | | | |
|--|--|--|--|
| | <ul style="list-style-type: none"> - Be able to do the <i>discursive writing</i> critically evaluating EVA as a measure of performance <p>Divisional performance and transfer pricing issues.</p> <p>Strategic performance measures in NFP organisations.</p> <p>Non-financial performance indicators.</p> <p>The role of quality in management information and performance measurement systems.</p> <p>Performance measurement and strategic human resource management issues.</p> <p>Performance measurement and the reward systems.</p> <p>Other behaviour aspects of performance measurement.</p> | | |
| <p>D.3c,d,e Transfer pricing & divisional performance</p> <ul style="list-style-type: none"> - Dec 2015 q2a,b,c (answer) - June 2015 (not examined) - Dec 2014 (not examined) - June 2014 (not examined) - Dec 2013 (not examined) - Jun 2013 q4a,b,c (answer) - Dec 2012 q2a,b,c (answer) with budgeting systems - Jun 2012 (not examined) - Dec 2011 (not examined) - Jun 2011 q1a,b,c (answer) - Dec 2010 (not examined) <p>(1st exam was Dec 2010)</p> <p>CSFs</p> | | | |

| | | | | |
|---|--|--|--|--|
| - Dec 2011 q2a,b (answer) | | | | |
| | | | | |
| | | | | |

| | | | | |
|--|--|--|--|--|
| | | | | |
| <p>D.7.a Staff recruitment, motivation and strategic success</p> <ul style="list-style-type: none"> - Mar 2016 - Dec 2015 (not examined) - Sep 2015 - Jun 2015 - Dec 2014 <p>D.7.b Staff appraisal and business success</p> <ul style="list-style-type: none"> - Mar 2016 - Dec 2015 (not examined) - Sep 2015 - Jun 2015 - Mar 2015 - Dec 2014 - Jun 2014 | | | | |

| | | | | |
|--|--|--|--|--|
| <p>D.8.b Different reward practices - Jun 2015 q3c (answer)</p> | | | | |
| <p>D.9.c Management style (p12) - Dec 2011 q4b (answer)</p> | | | | |
| <p>E. PERFORMANCE EVALUATION AND CORPORATE FAILURE (syllabus reference, p12-13)</p> | | | | |

| | | |
|--|--|---|
| <p>E.1 Alternative views of performance measurement and management</p> <p>E.1.a Balanced Scorecard</p> <ul style="list-style-type: none"> - Dec 2015 q3a,b,c (answer) - Jun 2015 q3a,b (answer) - Dec 2014 (not examined) - Jun 2014 (not examined) - Dec 2013 (not examined) - Jun 2013 q1 (answer) - Dec 2012 (not examined) - Jun 2012 (not examined) - Dec 2011 (not examined) - Jun 2011 q2 (answer) <p>E.1.b Pyramid (Lynch & Cross)</p> <ul style="list-style-type: none"> - Dec 2015 (not examined) - Jun 2015 (not examined) - Dec 2014 (not examined) - Jun 2014 (not examined) - Dec 2013 q2 (answer) - Jun 2013 (not examined) - Dec 2012 (not examined) - Jun 2012 (not examined) - Dec 2011 q2b,c (answer) - Jun 2011 (not examined) - Dec 2010 (not examined) <p>E.1.c Building Blocks (Fitzgerald & Moon)</p> <ul style="list-style-type: none"> - Dec 2015 (not examined) - Jun 2015 (not examined) - Dec 2014 (not examined) - Jun 2014 (not examined) - Dec 2013 (not examined) - Jun 2013 q1 (answer) (with BSC) - Dec 2012 (not examined) - Jun 2012 (not examined) - Dec 2011 (not examined) - Jun 2011 q3 (answer) | <p>Use commercial awareness and technical insight into performance management issues to assess financial effects of strategic decisions and to advise on strategies for dealing with financial difficulties and potential failure.</p> <p>Be able to <i>evaluate strategies</i> for</p> <ul style="list-style-type: none"> - product management (Ansoff, BCG when is it best to sell or keep the “dog” and “problem child”?). What governs the decision? - lifecycle issues e.g. product management in hi-tech hypercompetitive industries (the role of strategic management accounting in keeping track of CSFs relative to competitors. This is an example of how CSFs can be used to expose gaps and problems and provide insight into why the organisation is failing to accomplish its mission.) - operational management and rewards (aligned to strategy?) - competition management (SMA enables management of environmental uncertainty; Porter’s five forces and Porter’s Diamond; four generic CSFs: i) cost/efficiency; ii) time; iii) innovation; iv) quality) - structural adjustment (driven by strategic execution priorities and needs e.g. motivation, clarity and controllability) - transfer pricing (autonomy, measurement and evaluation, motivation, goal congruence) - financing (gearing, interest cover) - investment (innovation, productivity, competition, quality) - costing e.g. target costing as a response to competition (Fitzgerald & Moon <i>Building Blocks</i>) - governance (governance chain allows flexibility, avoids strategic failure: drift, feedback distortion where success gets into the | <p>Critical thinking is required to be able to apply knowledge and skills to precise scenario context details ensuring</p> <ul style="list-style-type: none"> - appropriate analyses of issues, data, strategies, actions and problems using appropriate models such as BCG, Ansoff, Mendelow, Porter’s 5, Porter’s Diamond, PESTEL, SWOT, strategy clock, Prism, Pyramid, Building Blocks, value chain, McKinsey 7s. - evaluation of options and strategies in terms of their performance management impacts e.g. <i>lifecycle costing</i> employed in environmental management accounting can be beneficial in terms of ascertaining the full cost of the project, thus providing a better appraisal of projects for strategic decisions. However, the recognition of environmental costs such as decommissioning costs which can be substantial, may imply abandoning an otherwise feasible project. The conclusion to this initial analysis may then lead to a consideration of alternatives to the abandonment option including i) exploring more efficient means of production that are less expensive and environmentally friendly; ii) outsourcing certain aspects of production that are not part of the core competences of the organisation, iii) (re) locating production to less regulated environments. This raises the question of business ethics. - Evaluation of process innovation initiatives must be informed by the generic strategy to ensure recommendations are suitable (<i>strategic logic</i>). E.g. there is little point in recommending internal <i>benchmarking</i> as an improvement strategy to a company in a niche market providing focused differentiated products as there is no rival to benchmark against. - Evaluation of measurement and reporting tools or systems such as the balanced score card should highlight strengths (e.g. integration, coherence, flexibility) as well as shortcomings (e.g. quantitative, not qualitative: bias towards managing those items that can be measured and risks ignoring those aspects of performance that are not measured because <i>what gets measured gets managed</i>, Drucker). <p>Understanding priorities to solve problems by proceeding in the right order and in the right way, showing cause and effect relationships in the right direction. For example, in evaluation of suitability of methods e.g. transfer pricing start with the requirements of the generic strategy as your <i>premise</i> because that is what determines suitability or fit. In determining the impact always end with the strategy to assess whether the effect of the information, analysis, products, initiatives, actions, plans and rewards, etc. have achieved the desired effects (<i>strategic objectives</i>). This is a guide that helps you plan</p> |
|--|--|---|

| | | |
|---|---|--|
| <p>- Dec 2010 (not examined)</p> <p>E.1.d Prism</p> <ul style="list-style-type: none"> - Dec 2015 (not examined) - Jun 2015 (not examined) - Dec 2014 q1 (answer) - Jun 2014 (not examined) - Dec 2013 (not examined) - Jun 2013 (not examined) - Dec 2012 (not examined) - Jun 2012 q2 (answer) - Dec 2011 (not examined) - Jun 2011 (not examined) - Dec 2010 (not examined) <p>E.1.e ABM</p> <ul style="list-style-type: none"> - Dec 2015 (not examined) - Jun 2015 (not examined) - Dec 2014 (not examined) - Jun 2014 (not examined) - Dec 2013 (not examined) - Jun 2013 q2 (answer) - Dec 2012 (not examined) - Jun 2012 (not examined) - Dec 2011 (not examined) - Jun 2011 (not examined) - Dec 2010 (not examined) <p>E.1.f VBM (EVA)</p> <ul style="list-style-type: none"> - Dec 2015 (not examined) - Jun 2015 (not examined) - Dec 2014 (not examined) - Jun 2014 q1iv (answer) - Dec 2013 (not examined) - Jun 2013 (not examined) - Dec 2012 (not examined) - Jun 2012 (not examined) - Dec 2011 (not examined) - Jun 2011 (not examined) - Dec 2010 q3 (answer) | <p>heads of management, producing weakness, waste and failure)</p> <ul style="list-style-type: none"> - risk management - strategic management accounting (quality in information system) <p><u>Computational work (the examiner’s guide)</u></p> <p>Use computations to</p> <ul style="list-style-type: none"> - absorb the data, - gain insights, - prioritise the issues, - plan the structure to the answer and - support the answer by inferring, referring, and generating insightful computational evidence from the scenario (context) details. <p><u>Computational practice (responding to the guide)</u></p> <ul style="list-style-type: none"> - Practise with models e.g. Ansoff’s market-product matrix. Develop simple data and pose questions e.g. i) which product needs improving? List all the factors to consider in answering the question, bringing in all the other models; ii) what strategy is best to pursue? iii) how can the business reset its product strategy in order to grow?; iv) justify a diversification strategy (related or unrelated). These short sharp practice sessions are very useful in sharpening your mind, clarifying your understanding of the models, developing the ability to make commercially useful interpretations of data, developing agility and understanding of the most strategically important information because you are determining it – you are in control of your own learning. - Setup calculations in excel to give more repeated and varied practice in an efficient way. And then progressively increase the sophistication by asking “what if” to explore all the options and variations? This is an enjoyable | <p>the trajectory of your analysis and evaluation through the question and the answer.</p> <p>Holistic thinking to provide a synthesis of the analysis of various models to ensure coherence. E.g. if measurement and evaluation of performance implies product improvement to improve results</p> <ul style="list-style-type: none"> - Fitzgerald and Moon’s building blocks Dimension would suggest <i>innovation, resource use, and quality</i> as determinants of improved results. - This would suggest product development according to Ansoff (2nd quadrant). This would be fine in a growing industry. - But (evaluate) what if the industry as a whole is now stagnant? What models would be relevant to use as a guide? Watch out for indications of the age and trends in the industry: are competitors leaving or are new entrants poised to enter, attracted by high returns? Are there signs of convergence e.g. Amazon’s Kindle fire brings it into direct competition with Apple’s iPad 4 and Google’s Nexus 7 (an ecommerce retailer now competing with technology companies in providing identical technology products to the same customers using the same means). Or are there signs of consolidation (reduction in the number of firms competing for customers) - What would be the implications of improvement for operational strategies, quality costs, market positioning and other strategic factors? <p>Comparing and evaluating various models provides a rounded view of the whole problem (each question has parts for this reason) rather than a limited view which fails to pick up all the marks available because the analyses and insights are shallow.</p> <p>Effective writing is key:</p> <ul style="list-style-type: none"> - answers must have a clear <i>structure</i> and <i>format</i> e.g. report to directors - consider the audience: the examiner advises that candidates should be constantly on the lookout for ways to make their numbers more <i>understandable</i> (and relevant), e.g. by relating it to changes in the activity levels of the business (correlating different perspectives on the balanced scorecard) or, by comparing it to competitor performance or industry figures. - clear and concise reasoning from premise “e.g. <i>private sector organisations exist to increase shareholder value. This is in conflict with</i> |
|---|---|--|

| | | |
|--|---|---|
| | <p>and effective way to practise. Especially in the last few days before the exam, try it. It is more effective than reading. You will be <u>versatile</u> and <u>confident</u>.</p> <ul style="list-style-type: none"> - When you practise always ask and note the answers for subsequent evaluation: i) how am I doing in relation to the core competences for P5? Set clear objectives for each practice session; ii) have I structured the discussion, analysis, evaluation so as to show a clear relationship between strategy and outcomes?; iii) have I included all the <u>relevant performance management factors</u> in the discussion (strategy, objectives, CSFs, processes, capabilities, activities, stakeholder satisfaction, products, markets, competitors, supply chain, management information, environmental issues, costs/efficiency, quality, innovation, etc.) | <p><i>the Chairman's stated objective to expand the business by aggressive acquisition which has clearly destroyed value and threatens to continue to do so unless dramatic changes in strategic direction and scope are introduced immediately as set out below"</i>.</p> <ul style="list-style-type: none"> - clear analysis must be integrated into the body of the report or provided in an appendix if detailed, but referred to in the report. The examiner emphasises the importance of producing commercially valuable information from data presented in questions. Therefore practise this craft. Remember that what is valuable must always be related to performance improvement that will achieve shareholder value through operations, investment or financing. If the answer does not clearly identify and explain how these value drivers would be affected then it is not going to score full marks. Therefore practise connecting points to <i>performance outcomes</i>. - practise writing regularly: sentences, paragraphs, short reports, long reports. |
| <p>2. Strategic performance issues in complex business structures</p> | <ul style="list-style-type: none"> - Always make full and helpful notes asking what do I take away from this? Does what I take away match or exceed what I intended? - Review notes and exercises so what you learnt is not forgotten. Make time for this. It is more effective than reading because you are generating the learning yourself! | |

| | | |
|---|--|--|
| 3. Predicting and preventing corporate failure | | |
|---|--|--|

| | | |
|--|--|--|
| | | |
|--|--|--|

| | | |
|--|--|---|
| <p>F. Identify and assess the impact of current developments in management accounting and performance management on measuring, evaluating and improving organisational performance.</p> <p>1. Current developments in management accounting techniques</p> <ul style="list-style-type: none"> - Dec 2015 (not examined) - Jun 2015 (not examined) - Dec 2014 q3 (answer) environmental, lifecycle costing; input/output analysis - Jun 2014 (not examined) - Dec 2013 (not examined) - Jun 2013 q3 (answer) Porter's 5 Fs - Dec 2012 (not examined) - Jun 2012 q2 (answer) prism, divisional performance evaluation; q3 – six sigma; q4- benchmarking; q5 – complex structures; - Dec 2011 (not examined) - Jun 2011 q5 (answer) environmental accounting, lifecycle costing; - Dec 2010 q4 (answer) environmental strategy | <p>The requirements of environmental management and accountability and the effects on performance management.</p> <ul style="list-style-type: none"> - ACCA Dec 2010 (q4) - ACCA June 2011 (q5) <p>This is a high priority topic in every exam due to high stakeholder expectations including the government and EU. It is at the heart of all strategic and operational management decisions. Examples</p> <ul style="list-style-type: none"> - Strategic plans have to address environmental management as i) a cost e.g. pollution, clean-up, energy, waste, stakeholder sensibilities (strategies have to be acceptable to stakeholders as well as being feasible and suitable. E.g. environmental degradation may not be acceptable or tolerated as crippling fines may be imposed by EU); ii) cost savings e.g. cleaner alternatives may be found: materials, production methods, transportation, fuel, etc. that saves money; iii) quality and innovation that differentiates the company from the competition by green innovations that attract customers and enhance the organisation's standing with its customers, improving brand equity; iv) risk management: a lack of environmental management credentials can be perceived by investors and lenders as a lead indicator of financial difficulty as the organisation is at risk of crippling fines and even imprisonment of its management. This could result in higher credit risk and incremental borrowing costs than would otherwise be the case. - Operational plans may require staff to carry out specific tasks to reduce waste, emissions, pollution and harmful discharges. To achieve these objectives management may incorporate specific controls and checks e.g. performance appraisals of employees in relation to waste, | <p>Because it is of such strategic importance management set aggressive environmental goals and measure and report against them regularly at all levels of the organisation.</p> <p>Environmental CSFs allow</p> <ul style="list-style-type: none"> - gaps to be identified in environmental performance - targets to be set - actions to be aligned with targets and - environmental strategies to be integrated with lean management techniques to reduce waste, environmental risk and fines. - activities to be integrated with quality management and measurement practices to focus on cost reduction - responsibility to be assigned for attainment of environmental goals - monitoring of achievement against targets at all levels of management. <p>For example, a CSF could be obtaining environmental certification ISO 14000, an environmental management standard that signals compliance and commitment to environmental responsibility. This could achieve internal and external benefits for the organisation.</p> <p>The internal benefits would be the standard encourages the organisation to pursue environmental goals vigorously by developing</p> <ol style="list-style-type: none"> i) environmental management systems to reduce environmental costs; and ii) environmental auditing and performance evaluation systems to review and provide feedback on environmental goals |
|--|--|---|

| | | |
|--|---|---|
| | <p>cutting emissions and implementing environmental plans.</p> | |
| | <p>The effects of benchmarking as a performance management initiative in public sector (league tables) and its effect on</p> <ul style="list-style-type: none"> - Operational management (e.g. improve value chain cost management by JIT procurement) - Strategic management (imitate strategies of rivals in strategic group more closely) - Client behaviour (stakeholder behaviour) e.g. parents, teachers, headmasters, students, businesses procuring talent, regulators, etc. - Types of benchmarking: i) Internal (<i>benchmark functions</i> across another firm in the <i>same industry</i>), ii) Functional (benchmark a function e.g. procurement against best practices across another industry, iii) competitive: reverse engineering; iv) strategic: compare <i>generic strategy</i> to that of <i>closest rivals</i> in the <i>strategic group</i> in order to better <u>target efforts</u> at <i>competition</i> based on lessons learned. - Advantages of benchmarking: i) Spur to improvement action (<i>Learning and Growth perspective</i>); ii) Monitor CSFs relative to competitors ensuring keep pace with competition; iii) Identify gaps in capabilities e.g. lack of strategic management information, CRM, ERP; iv) Assess relative position in market - can be a source of motivation. - Disadvantages of benchmarking: i) Risk of the attitude that there is only one way of achieving success – what about value chain management? Are other aspects of value chain management being ignored? ii) Risk of strategic drift where benchmarking leads to complacency and the satisfaction of drawing level with competitors precludes forward and outward scanning and planning for environmental uncertainty e.g. PESTEL factors and how their changes could impact performance management. iii) Reliance on accurate information about the standard against which to benchmark. iv) Identifying and prioritising what to benchmark and how can be a problem. v) Managing the effects on staff behaviour – the benchmarking exercise can change perceptions for better or worse. <p>Recent past ACCA questions and BPP practice questions (priority highlighted) - ACCA June 2012 q4</p> | |
| | <p>The use of targets in public sector organisations</p> | |
| | <p>The changing role of the management accountant</p> <ul style="list-style-type: none"> - Drivers of change: i) Technology fostering efficiency and integration of the value chain e.g. ERP systems, CRM, driving cost down (cost pressure); ii) Competitive pressures (convergence, commoditisation, globalisation); iii) Customer increasingly demanding improvements to product or service quality (quality pressure); iv) Regulation e.g. risk management and environmental management necessitating more sophisticated <i>outward</i> and | <p>What do we take from Burns and Scapens? How does it illuminate the study of how the role of management accounting is changing?</p> <ol style="list-style-type: none"> 1. Management Accounting operates through rules and it is through its rules that we can understand the changing nature and impact of management accounting. For example, the <p><i>Burns & Scapens</i> has not yet been examined. When examined it may take the form either of i) a general question inviting a discussion of the changes of the role in the last decade or two or ii) a case study inviting an evaluation of the role that the management accountant is required to play in a changing organisation. (See BPP q110 and 112)</p> <p>In either case it is important to</p> |

| | | | |
|--|--|--|---|
| | <p><i>forward</i> looking information to support proactive management; v) Sovereign debt and its effects on performance management e.g. government cuts necessitating BPR, diversification.</p> <ul style="list-style-type: none"> - Nature of change: Fast, process, structural, fostering business integration (McKinsey 7s), Government driven e.g. regulation, environment, stakeholder driven. - Effects of change: i) cost pressures require lean thinking, ii) integration requires business and systems skills and team work; iii) automation increases efficiency and changes the business' expectations of the management accountant ; iv) quality requires innovation and calls for strategic cost management to cope with compressed lifecycles; v) environmental management requires appropriate management accounting techniques e.g. input/output, ABC, lean accounting, lifecycle costing. - Needs and responses of the profession: i) students and practitioners informed through conferences, websites and journals; ii) syllabus changes and extensions to equip the management accountant with performance management principles, skills and knowledge including e.g. Business Analysis, Advanced performance management, Strategic Management Accounting; iii) CPD, <p><i>Burns and Scapens (2000)</i></p> <ul style="list-style-type: none"> - <i>Management accounting</i> can be studied in respect of how new management accounting systems bring rules, how rules become routines and how routines become institutionalised (taken for granted e.g. <i>strategic management accounting</i> becomes the expected norm after replacing <i>traditional management accounting</i>). <p>Rules are formal ways in which things should be done and they are necessary to co-ordinate</p> | <p>changes in the environment are unpredictable and this causes uncertainty that management is concerned about. This means that the management accountant needs to change the management information rules and routines to include external information about competitors, customers, etc. There must be rules for the content, structure and presentation of SMA to ensure adequate external information is included. These rules and routines are essential for integration of the management accounting functions.</p> <p>2. Management is situated in a context that can be classified into “institutional realm” and “realm of actions”. The implication of this for the management accountant is assuming increasing importance because of the dynamic interaction between the strategic and operational management, needing to be more closely integrated as suggested by the <i>Performance Pyramid</i> for outstanding results to be achieved. From B&S we gain insight into the linkages between the two (the governance chain) that informs the design and measurement of performance management information. According to the <i>Performance Pyramid</i></p> | <ul style="list-style-type: none"> - be structured as set out in this guide - exercise critical thinking about the drivers and their potential impact on the organisation setting out clearly how the management accountant can use his tools to help achieve strategic goals. (BPP q112c) - It is essential to be specific and to provide a coherent analysis and reasoning as set out in the first and second columns of this guide. Relate the analysis to value based management (investor expectations a fundamental driver of strategy) - It is essential to reflect industry characteristics which will be given in the case details. BPP q20 - For example, how has <i>management accounting</i> responded to changes in the service sector: NHS, education, travel, leisure, etc.? Manufacturing sector? You need to explain how Burns and Scapens analysis explains those changes. <p>Questions for Practice:</p> |
|--|--|--|---|

| | | | |
|--|--|---|--|
| | <p>and give meaning to the actions of individuals and groups. Routines refer to the informal practices (the enactment of rules) actually in use.</p> <ul style="list-style-type: none"> - The institutional realm and the realm of action linked by rules and routines that shape roles and behaviours of people correspond to the Board (that sets strategic direction and objectives) and the operational management that execute in accordance and reports back upwards. See Performance pyramid - <i>Path dependency</i> means that the existing institutions and rules will, to some extent, shape the selection and implementation of new rules and routines. Therefore, the management accountant in designing new systems of performance management would build on existing structures (e.g. the chart of accounts) and cultures (e.g. periodic reporting, feedback and evaluative commentaries, financial controls, re-forecasts, KPI, etc.). Changes contingent on <i>performance management objectives and priorities</i> e.g. <u>the management of uncertainties</u> would be incorporated into these e.g. trends in volumes and relative sales, market share, investment and other CSFs - <i>Recursivity</i> means that changes are gradual and indirect as norms, values, beliefs and assumptions are continually revised and adapted at all levels. Acceptance takes place consciously or unconsciously through the enactment process. At the individual level path dependency is acceptance of changes with or without challenge based on reflexive monitoring, informed by tacit knowledge of existing encoded rules and routines. Resistance to change can occur if new rules and routines challenge existing meanings and values, and if actors have sufficient power to intervene in the process of enactment (<u>Mendelow's matrix</u>) | <p>objectives are cascaded down from the “institutional realm while performance information is produced upwards.</p> <ol style="list-style-type: none"> 3. <i>Path dependency</i> is also insightful in respect of the influence it may have on change management. Institutional knowledge influences and shapes future rules and routines and organisations that lose sight of this may well pay a price in terms of a steep learning curve when introducing change. On the other hand, tacit knowledge of existing procedures can be the basis of resistance to change. Having this insight can equip management to handle change effectively. 4. The <u>recursive nature of change</u> encourages managers to be more patient and circumspect when introducing change so that the speed of change is realistically assessed and managed. 5. According to B&S the role of the management accountant changes through discrete stages involving various degrees of interaction and participation (<i>encoding, enactment, reproduction and institutionalisation</i>). This insight is an <u>essential guide</u> to learning and management of the changing process. For example, one can employ analysis and | |
|--|--|---|--|

| | | | |
|--|---|--|--|
| | <ul style="list-style-type: none"> - Reproduction of the rules and routines over time through repeated use in practice, consciously (rationales understood, challenged, modified and accepted) or unconsciously (rules and routines complied with without full understanding). - Institutionalisation: rules divorced from <i>situational factors</i> (e.g. immediate triggers for the rule such as emergencies, strategic logic or specific measurement or motivational initiatives) and become <i>taken-for-granted</i> norms of behaviour. Thus they take on a “normative” (how things ought to be) and “factual” quality. | <p>insights provided by Mendelow’s matrix to target management accounting change-management initiatives effectively.</p> | |
| | <p>Effects of changes in strategy, structure and culture on the adoption of new performance measurement methods and techniques.</p> <ul style="list-style-type: none"> - What is driving the change? e.g. customers not happy with certain programmes at the BBC. Which ones? According to the <i>Performance Prism</i> stakeholder satisfaction is an indispensable condition of high performance and sustained success. Therefore the BBC has to respond by listening to the customers’ complaints and by addressing them fully using its capabilities, processes and strategies. - What is critical to success? that management provides programmes that satisfy customers. How? i) by focusing on the customer's requirements, asking them (adults, children, daytime, evening, weekends, genre, etc.); ii) management sets priorities; iii) that management responds to the changes as closely as can be perceived; iv) assigns responsibilities for delivery; v) sets up support systems for delivery; vi) sets up systems for measuring and monitoring. - What are the standards of performance? KPIs Management then determines the most appropriate measures of the CSFs that would best demonstrate that the customers’ needs are | | |

| | | | |
|--|---|--|--|
| | <p>being met. i) that management then measures and monitors broadcasts time for each of the priorities;</p> | | |
| | <p>Discuss contemporary issues in performance management [2]</p> <p>Sustainability: a) financial; b) environmental - Financial sustainability: this is covered under Advise clients and senior management...</p> <p>Accountability:</p> <p>Example Academy's</p> <ul style="list-style-type: none"> - Freedom from local authority control can potentially improve performance because i) autonomy of stakeholders; ii) resource allocation better targeted at local priorities; iii) teachers can be sacked because not protected by contracts; iv) central overheads of local authorities can be avoided, releasing funds that can be directly allocated to improve quality of education; v) governance is more agile and responsive to local demands because they consist of parents and local activists with strong interest in the outcomes of educational initiatives for their children. Hence heightened accountability to internal governors as well as central government. - Use Mendelow's matrix to group stakeholders according to relative interest and power. - Impact of league tables in highlighting gaps and weaknesses can be used as i) an indicator of poor performing schools that are a target for Academy status and ii) can be used to demonstrate improvements after Academy status has been won. - Impact of Government intervention in educational provision to introduce a measure of | | |

| | | | |
|--|--|--|--|
| | <p>choice</p> <ul style="list-style-type: none"> - Pricing education: value based as all non-value adding elements will be squeezed out by lean management techniques. - Involvement of private sector: sources of additional funds; sources of efficiency initiatives; enhanced accountability may improve pressure to change and improve. - Risk assessment: i) experience curve; ii) contractual risk factors e.g. what are private funders looking for? | | |
|--|--|--|--|

RESOURCES

| | | |
|---|---|---|
| The examiners approach, | Dec2012 | http://www.accaglobal.com/content/dam/acca/global/PDF-students/2012s/sa_oct12_p5_dec12_approach.pdf |
| | Approach interview | http://examinerinterviews.accaglobal.com/2011/P5/audio/P52011.mp3 |
| ACCOUNTABILITY AND PERFORMANCE MEASUREMENT | http://www2.accaglobal.com/archive/sa_oldarticles/43909 | |
| CSF | http://www.accaglobal.com/content/dam/acca/global/PDF-students/2012s/sa_aug06_stoneACCA.pdf | |
| Business Strategy and Performance models | http://www.accaglobal.com/content/dam/acca/global/PDF-students/2012/sa_apr06_johnsonACCA.pdf | |
| The performance prism | http://www.accaglobal.com/content/dam/acca/global/PDF-students/2012s/sa_mar12_p5_perfprism.pdf | |
| Transfer Pricing | http://www.accaglobal.com/content/dam/acca/global/pdf/sa_oct09_garrett3.pdf | |
| EVA v Profits | http://www.accaglobal.com/content/dam/acca/global/pdf/SA_Aug10_EVA_pt2.pdf | |
| Accounting and cultures | http://www.accaglobal.com/content/dam/acca/global/PDF-students/2012/sa_novdec08_morgan.pdf | |
| New Pilot paper from June 2013 | http://www.accaglobal.com/content/dam/acca/global/PDF-students/2012s/sa_oct12_p5_approach.pdf | |
| Opentuition free notes | http://opentuition.com/acca/p5/p5-notes-view-online/ | |
| CASES | http://higher.mcgraw-hill.com/sites/0077098595/student_view0/case_studies.html | |
| | http://faculty.fuqua.duke.edu/~wmayew/Bio/Figureeightisland.pdf | |
| | http://www.sas.com/software/risk-management/index.html CASES SAS | |