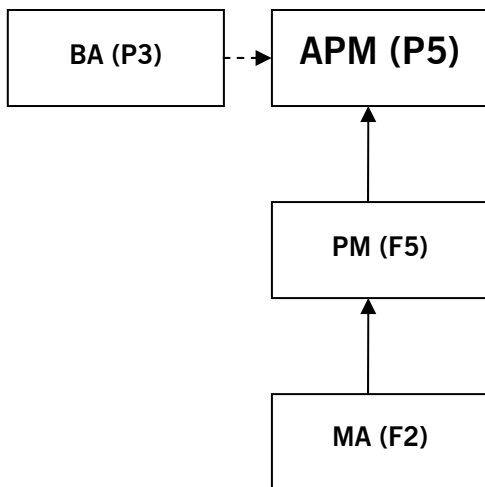


Syllabus



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.

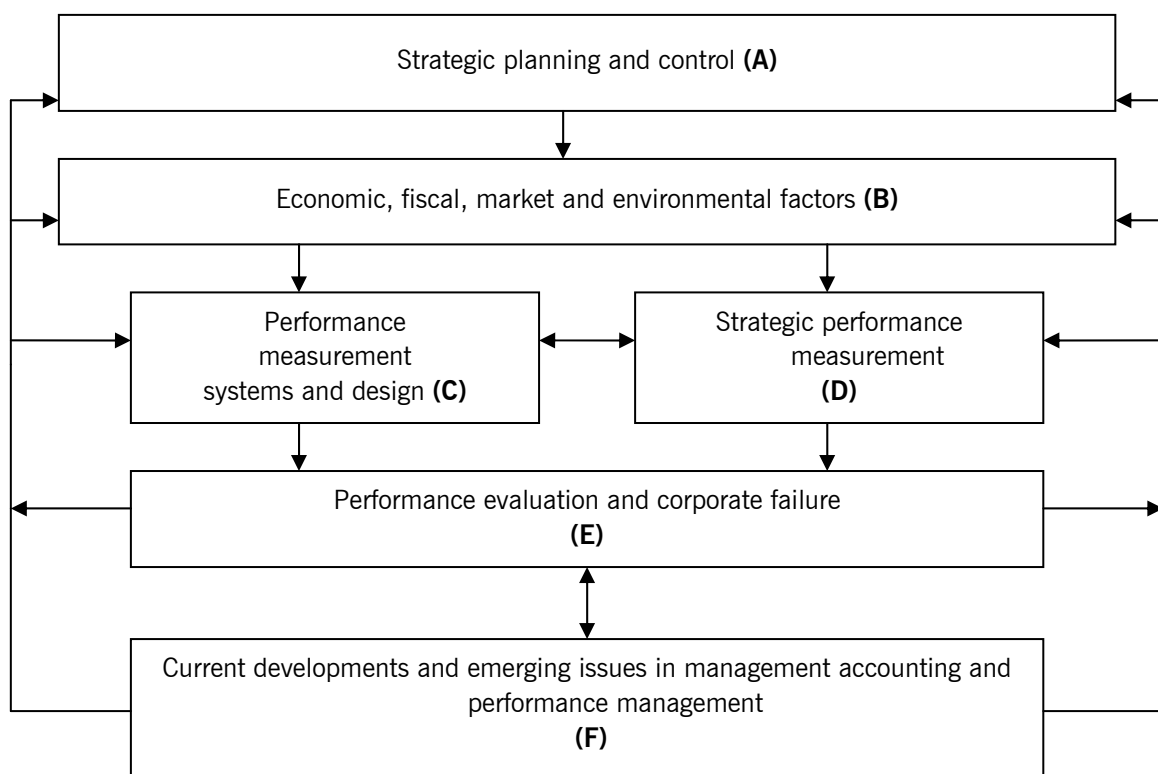
MAIN CAPABILITIES

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

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. Performance management and control of the organisation
3. Changes in business structure and management accounting
4. Effect of Information Technology (IT) on strategic management accounting

5. Other environmental and ethical issues

B. External influences on organisational Performance

1. Changing business environment
2. Impact of external factors on strategy and performance

C. Performance measurement systems and design

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

D. Strategic performance measurement

1. Performance hierarchy
2. Strategic performance measures in private sector
3. Divisional performance and transfer pricing issues
4. Strategic performance measures in not-for-profit organisations
5. Non- financial performance indicators
6. The role of quality in management information and performance measurement systems
7. Performance measurement and strategic human resource management issues
8. Performance measurement and the reward systems

9. 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

F. Current developments and emerging issues 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

EXAMINATION STRUCTURE

The examination will be a three hour paper in two sections:

Section A

Section A will comprise two compulsory questions comprising between 50 and 70 marks in total. Each question will comprise of between 25 and 40 marks

Section B

In section B candidates will be asked to answer two from three questions comprising of between 15 and 25 marks each

Total 100 marks

Study Guide

A STRATEGIC PLANNING AND CONTROL

1. Introduction to strategic management accounting

- a) Explain the role of strategic performance management 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 between the strategic and operational levels within a business entity. ^[2]
- d) Assess the use of strategic management accounting in the context of multinational companies. ^[3]
- e) Discuss the scope for potential conflict between strategic business plans and short-term localised decisions. ^[2]
- f) Evaluate how SWOT analysis may assist in the performance management process. ^[2]
- g) Evaluate the methods of benchmarking performance. ^[3]

2. 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. ^[3]
- b) Assess how budgeting may differ in not-for-profit organisations from profit-seeking organisations. ^[3]
- c) Evaluate the impact to an organisation of a move beyond budgeting ^[3]

3. 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. ^[2]
- b) Assess the influence of Business Process Re-engineering on systems development and improvements in organisational performance. ^[3]
- c) Discuss the concept of business integration and the linkage between people, operations, strategy and technology. ^[2]
- d) 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 strategic 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 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 IT systems facilitate the remote input of management accounting data in an acceptable format by non-finance specialists. ^[2]
- d) 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. ^[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]

5. 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]

B EXTERNAL INFLUENCES ON ORGANISATIONAL PERFORMANCE

1. Changing business environment

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

2. Impact of external factors on strategy and 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 regulations and policies on performance measurement techniques used and the performance levels achieved (for example, in the case of utility services and former state monopolies). ^[3]

C PERFORMANCE MEASUREMENT SYSTEMS AND DESIGN

1. Performance management information systems

- a) Identify the accounting information requirements and describe the different types of information systems used for strategic

planning, management control and operational control and decision-making. ^[2]

- b) Discuss, with reference to performance management, ways in which the information requirements of a management structure are affected by the features of the structure. ^[2]
- c) Evaluate the compatibility of the objectives of management accounting and management accounting information. ^[3]
- d) Discuss the integration of management accounting information within an overall information system, for example the use of enterprise resource planning systems. ^[2]
- e) Evaluate whether the management information systems are lean and value of the information that they provide. ^[3]
- f) Define and discuss the merits of, and potential problems with, open and closed systems with regard to the needs of performance management. ^[2]
- g) Highlight the ways in which contingent (internal and external) factors influence management accounting and its design and use. ^[3]
- h) Advise how anticipated human behaviour will influence the design of a management accounting system. ^[3]
- i) Discuss the impact of responsibility accounting on information requirements. ^[2]

2. Sources of management information

- a) Identify and discuss the principal internal and external sources of management accounting information. ^[2]
- b) Demonstrate how these principal sources of management information might be used for control purposes. ^[2]
- c) Identify and discuss the direct data capture and process costs of management accounting information. ^[2]

- d) Identify and discuss the indirect costs of producing information. ^[2]
- e) Discuss the limitations of using externally generated information. ^[2]
- f) Demonstrate how the information might be used in planning and controlling activities e.g. benchmarking against similar activities. ^[2]
- g) Discuss those factors that need to be considered when determining the capacity and development potential of a system. ^[2]

3. 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. unified corporate databases and network technology may influence management accounting systems. ^[2]
- c) Discuss the difficulties associated with recording and processing data of a qualitative nature. ^[2]

4. 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]
- c) Evaluate the output reports of an information system in the light of best practice and avoiding the problem of information overload. ^[3]

D STRATEGIC PERFORMANCE MEASUREMENT

1. Performance hierarchy

- a) Discuss how the purpose, structure and content of a mission statement impacts on business performance. ^[2]

- b) Discuss the ways in which high-level corporate performance 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) Apply critical success factor analysis in developing performance metrics from business objectives. ^[3]
- h) Identify and discuss the characteristics of operational performance. ^[2]
- i) Discuss the relative significance of planning as against controlling activities at different levels in the performance hierarchy. ^[3]

2. 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) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)
 - v) Residual Income (RI)
 - vi) Net Present value (NPV)
 - vii) Internal rate of return and modified internal Rate of Return (IRR, MIRR)

- d) Discuss why indicators of liquidity and gearing need to be 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 companies. ^[3]
- g) Assess the relative financial performance of the organisation compared to appropriate benchmarks. ^[3]
- h) Discuss and apply Six Sigma measures of performance. ^[2]

3. 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]

4. 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]

5. 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]

6. 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: ^[3]
 - i) Kaizen costing,
 - ii) Target costing,
 - iii) Just-in-time, and
 - iv) Total Quality Management.

- b) Discriminate between quality, quality assurance, quality control and quality management.^[2]
- c) Assess the relationship of quality management to the performance management strategy of an organisation.^[3]
- d) Advise on the structure and benefits of quality management systems and quality certification.^[3]
- e) Justify the need and assess the characteristics of quality in management information systems^[3]

7. Performance measurement and strategic Human Resource Management issues

- a) Explain how the effective recruitment, management and motivation of people is necessary for enabling strategic and operational success.^[3]
- b) Discuss the judgemental and developmental roles of assessment and appraisal and their role in improving business performance.^[3]
- c) Advise on the relationship of performance management to performance measurement (performance rating) and determine the implications of performance measurement to quality initiatives and process redesign.^[3]

8. Performance measurement and the reward systems

- a) Explore the meaning and scope of reward systems.^[2]
- b) Discuss and evaluate different methods of reward practices.^[2]
- c) Explore the principles and difficulty of aligning reward practices with strategy.^[2]
- d) Advise on the relationship of reward management to quality initiatives, process re-design and harnessing of e-business opportunities.^[3]

- e) 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.^[3]

9 Other behaviour aspects of performance measurement

- a) Discuss the accountability issues that might arise from performance measurement systems.^[3]
- b) Evaluate the ways in which performance measurements systems may send the wrong signals and result in undesirable business consequences.^[3]
- c) Demonstrate how management style needs to be considered when designing an effective performance measurement system.^[3]

E PERFORMANCE EVALUATION AND CORPORATE FAILURE

1. Alternative views of performance measurement and management

- 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]
- d) Discuss and apply the Performance Prism.^[2]
- e) Discuss and evaluate the application of activity-based management.^[3]
- f) Evaluate and apply the value-based management approaches to performance management.^[3]

2. Strategic performance issues in complex business structures

- a) Evaluate the use and the application of strategic models in 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]
- c) Discuss the impact on performance management of the use of business models involving strategic alliances, joint ventures and complex supply chain structures. ^[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]
- d) Discuss how long-term survival necessitates consideration of life-cycle issues. ^[3]
- e) Identify and discuss operational changes to performance management systems required to implement the performance improvement strategies. ^[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) Discuss, evaluate and apply environmental management accounting. ^[3]

c) Discuss the use of benchmarking in public sector performance (league tables) and its effects on operational and strategic management and client behaviour. ^[3]

d) Discuss the issues surrounding the use of targets in public sector organisations. ^[3]

2. Current issues and trends in performance management

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

b) Discuss contemporary issues in performance management. ^[2]

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

READING LIST

This section only contains examiner suggested reading which is in addition to the study texts and/or revision materials and/or other reading listed within the learning content provider directory.

Additional examiner suggested reading:

C Drury *Management and Cost Accounting* (7th Edition) International Thomson Business Press ISBN 1844805662

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

Further details on reading lists and Approved Learning Content can be found in the first few sections of this guide and on the following link.

http://www.accaglobal.com/learningproviders/alpc/content_provider_directory/search/

NOTE OF SIGNIFICANT CHANGES TO P5

RATIONALE FOR CHANGES TO P5

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers. As a result of the latest review, ACCA is making changes to the ACCA Qualification, effective from June 2011. With each syllabus is included a specific rationale for these changes as far as each examination syllabus and study guide is concerned.

The changes made in P3 to meet regulatory requirements, had created some overlaps with P5 in areas of strategic management accounting.

The changes made to the P5 syllabus were therefore implemented to reduce the these overlaps and to improve the overall balance of content between the two papers. As a result, P5 now includes all quality and personnel related performance management issues which were previously covered in the P3 syllabus.

In addition to the above reasons, certain subject areas in the syllabus have been re-arranged and re-worded to make the syllabus clearer. Some additions have been made to update the syllabus and to ensure a better alignment with, and progression from F5.

The main changes to the syllabus are as shown in Tables 1 and 2 below:

Table 1 – Additions to P5

Section where additions arise	Subject areas where additions are proposed
C1- management accounting and information system	e) Evaluate whether the management information systems are lean and value of the information that they provide
C4- Recording and processing methods	b) Discuss how IT eg unified corporate databases and network technology may influence recording and processing systems
C5- Management reports	c) Evaluate the output reports of an information system in the light of best practice and avoiding the problem of information overload
D6- The role of quality in management accounting	<ul style="list-style-type: none"> b) Discriminate between quality, quality assurance, quality control and quality management^[3] c) Assess the relationship of quality management to the performance management strategy of an organisation^[3] d) Advise on the structure and benefits of quality management systems and quality certification^[3] e) Justify the need and assess the characteristics of quality in management information systems^[3]
D7- Performance measurement and Strategic human resource management	<ul style="list-style-type: none"> a) Explain how the effective recruitment, management and motivation of people is necessary for enabling strategic and operational success^[2] b) Discuss the judgemental and developmental roles of assessment and appraisal and their role in improving business performance^[3] c) Advise on the relationship of performance management to performance measurement (performance rating) and determine the implications of performance measurement to quality initiatives and process redesign^[3]
D8- Performance measurement and the reward system	<ul style="list-style-type: none"> Explore the meaning and scope of reward systems Discuss and evaluate different methods of reward practices Explore the principles and difficulty of aligning reward practices

	<p>with strategy</p> <p>Advise on the relationship of reward management to quality initiatives, process re-design and harnessing of e-business opportunities</p> <p>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.</p>
E2- strategic performance issues in complex business structures	c) Discuss the impact of the use of business models involving strategic alliances, joint ventures and complex supply chain structures on performance management. ^[3]
F1- Current developments in management accounting techniques	d) Discuss the use of benchmarking in public sector performance (league tables) and its effects on operational and strategic management and client behaviour. ^[3]
F2- Current issues and trends in PM	c) Discuss the issues surrounding the use of targets in public sector. ^[3]

Table 2 – Deletions to P5

Section where deletions arise	Subject areas where deletions are proposed
A2- Strategic planning and control	b) Evaluate pricing and other business strategies in order to monitor or improve competitive position and performance
B1- Impact of world economic and market trends	a) Assess the impact and influence of external environmental factors on an organisation and its strategy
C4- Recording and processing methods	b) Discuss how IT developments e.g. spreadsheets, accountancy software packages and electronic mail may influence recording and processing systems