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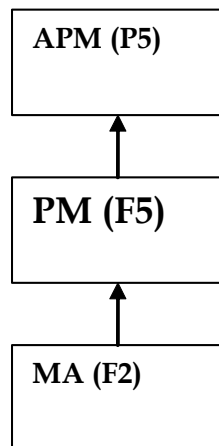
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INTRODUCTION

This Study System has been specifically written for the Association of Chartered Certified Accountants fundamentals level examination, Paper F5 *Performance Management*.

It provides comprehensive coverage of the core syllabus areas and is designed to be used both as a reference text and interactively with the ATC Learning System to provide you with the knowledge, skill and confidence to succeed in your ACCA studies

SYLLABUS



Aim

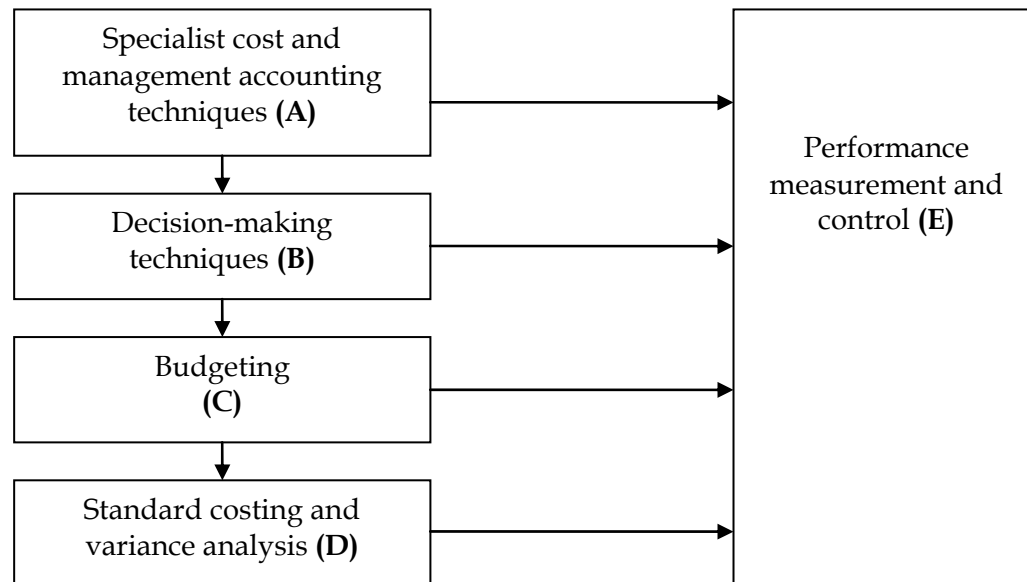
To develop knowledge and skills in the application of management accounting techniques to quantitative and qualitative information for planning, decision-making, performance evaluation, and control

Main capabilities

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

- A Explain, apply, and evaluate cost accounting techniques
- B Select and appropriately apply decision-making techniques to evaluate business choices and promote efficient and effective use of scarce business resources, appreciating the risks and uncertainty inherent in business and controlling those risks
- C Apply budgeting techniques and evaluate alternative methods of budgeting, planning and control
- D Use standard costing systems to measure and control business performance and to identify remedial action
- E Assess the performance of a business from both a financial and non-financial viewpoint, appreciating the problems of controlling divisionalised businesses and the importance of allowing for external aspects.

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

The syllabus for Paper F5, *Performance Management*, builds on the knowledge gained in Paper F2, *Management Accounting*. It also prepares candidates for more specialist capabilities which are covered in P5 *Advanced Performance Management*.

The syllabus begins by introducing more specialised management accounting topics. There is some knowledge assumed from Paper F2 – primarily overhead treatments. The objective here is to ensure candidates have a broader background in management accounting techniques.

The syllabus then considers decision-making. Candidates need to appreciate the problems surrounding scarce resource, pricing and make-or-buy decisions, and how this relates to the assessment of performance. Risk and uncertainty are a factor of real-life decisions and candidates need to understand risk and be able to apply some basic methods to help resolve the risks inherent in decision-making.

Budgeting is an important aspect of many accountants' lives. The syllabus explores different budgeting techniques and the problems inherent in them. The behavioural aspects of budgeting are important for accountants to understand, and the syllabus includes consideration of the way individuals react to a budget.

Standard costing and variances are then built on. All the variances examined in Paper F2 are examinable here. The new topics are mix and yield variances, and planning and operational variances. Again, the link is made to performance management. It is important for accountants to be able to interpret the numbers that they calculate and ask what they mean in the context of performance.

The syllabus concludes with performance measurement and control. This is a major area of the syllabus. Accountants need to understand how a business should be managed and controlled. They should appreciate the importance of both financial and non-financial performance measures in management. Accountants should also appreciate the difficulties in assessing performance in divisionalised businesses and the problems caused by failing to consider external influences on performance. This section leads directly to Paper P5.

DETAILED SYLLABUS

A Specialist cost and management accounting techniques

1. Activity-based costing
2. Target costing
3. Life-cycle costing
4. Back-flush accounting
5. Throughput accounting

B Decision-making techniques

1. Multi-limiting factors and the use of linear programming and shadow pricing
2. Pricing decisions
3. Make-or-buy and other short-term decisions
4. Dealing with risk and uncertainty in decision-making

C Budgeting

1. Objectives
2. Budgetary systems
3. Types of budget
4. Quantitative analysis in budgeting
5. Behavioural aspects of budgeting

D Standard costing and variances analysis

1. Budgeting and standard costing
2. Basic variances and operating statements
3. Material mix and yield variances
4. Planning and operational variances
5. Behavioural aspects of standard costing

E Performance measurement and control

1. The scope of performance measurement
2. Divisional performance and transfer pricing
3. Performance analysis in not-for-profit organisations and the public sector
4. External considerations and behavioural aspects

APPROACH TO EXAMINING THE SYLLABUS

Paper F5, *Performance Management*, seeks to examine candidates' understanding of how to manage the performance of a business.

The paper builds on the knowledge acquired in Paper F2, *Management Accounting*, and prepares those candidates who choose to study Paper P5, *Advanced Performance Management*, at the Professional level.

The syllabus is assessed by a three-hour paper-based examination.

The examination will contain four compulsory 25-mark questions. There will be calculation and discursive elements to the paper with the balance being broadly in line with the pilot paper. The pilot paper contains questions from four of the five syllabus sections. Generally, the paper will seek to draw questions from as many of the syllabus sections as possible.

EXAM TECHNIQUE

Time allocation

- Divide your time in proportion to the marks on offer. To allocate your time multiply the marks for each question by 1.8 minutes.

e.g. 25 mark questions should take you $25 \times 1.8 = 45$ minutes

- Stick to this time allocation.
- The first marks are the easiest to gain in each question, so don't be tempted to overstep the time allocation on one question to tidy up a complicated answer, start the next question instead.

Numerical questions

- Before starting a computation, picture your route. Do this by jotting down the steps you are going to take and imagining the layout of your answer.
- Set up a pro-forma structure to your answer before working the numbers.
- Use a columnar layout if appropriate. This helps to avoid mistakes and is easier for the marker to follow.
- Include all your workings and cross-reference them to the face of your answer.
- A clear approach and workings will help earn marks even if you make an arithmetic mistake.
- If you do spot a mistake in your answer, it is not worthwhile spending time amending the consequent effects of it. The marker of your script will not punish you for errors caused by an earlier mistake.
- Don't ignore marks for written recommendations or comments based upon your computation. These are easy marks to gain.
- If you could not complete the calculations required for comment then assume an answer to the calculations. As long as your comments are consistent with your assumed answer you can still pick up all the marks for the comments.

Written questions

Planning

- Read the requirements carefully at least twice to identify exactly how many points you are being asked to address.
- Jot down *relevant* thoughts on your plan
- Give your plan a structure which you will follow when you write up the answer.

Presentation

- Use headings, indentation and bullet points to give your answer structure and to make it more digestible for the marker.
- Use short paragraphs for each point that you are making.
- Use “bullet points” where this seems appropriate.
- Separate paragraphs by leaving at least one line of space between each one.

Style

- Long philosophical debate does not impress markers. Concise, easily understood language scores marks.
- Lots of points briefly explained tend to score higher marks than one or two points elaborately explained.
- Imagine that you are a marker; you would like to see a short, concise answer which clearly addresses the requirement.