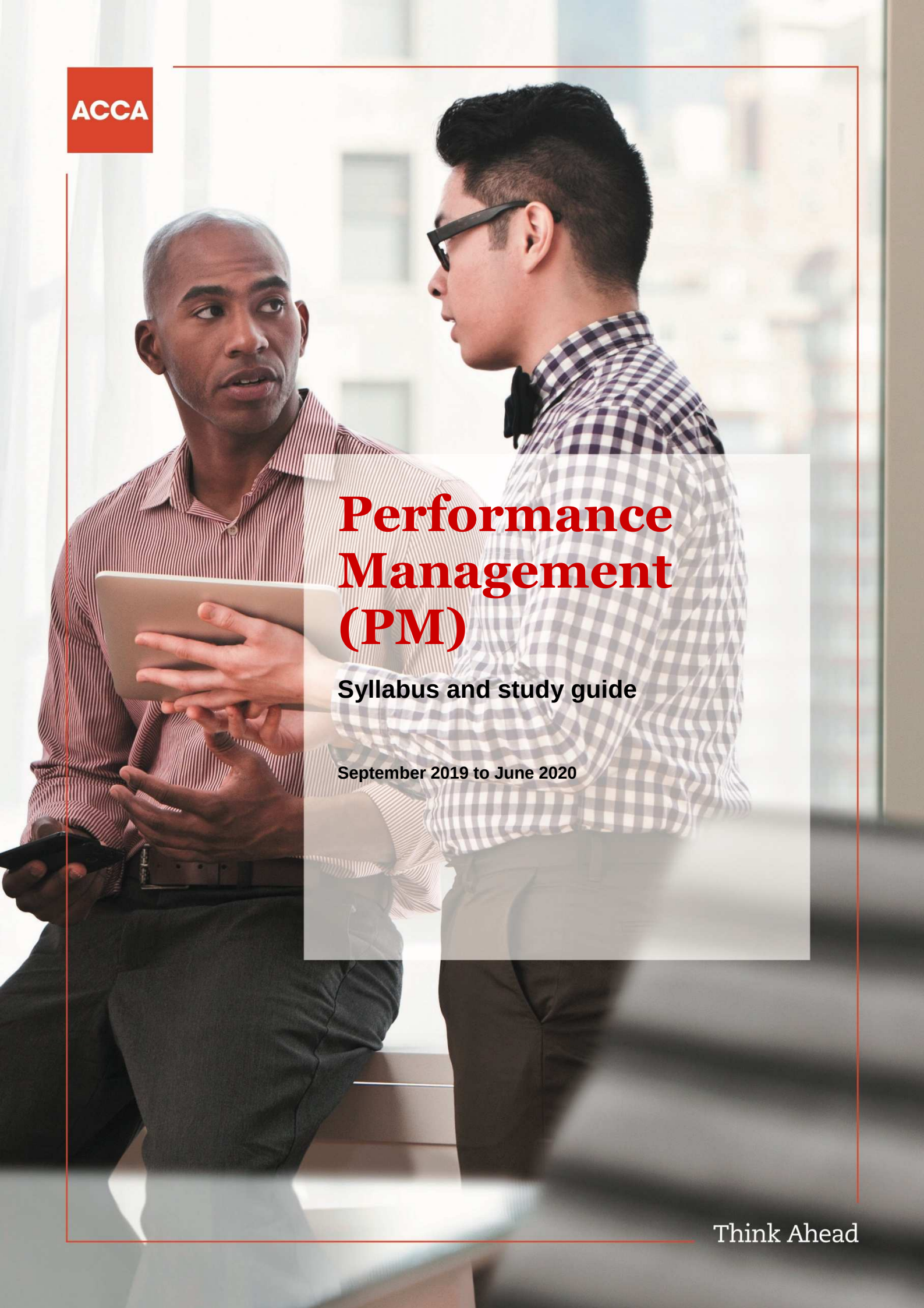

Performance Management (PM)

Syllabus and study guide

September 2019 to June 2020

Think Ahead

Summary of content

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1.Intellectual levels

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

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

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

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

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

2.Learning hours and education recognition

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

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

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

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3.Guide to ACCA examination structure and delivery mode

The structure and delivery mode of examinations varies.

Applied Knowledge

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

Applied Skills

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

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

The longer (constructed response) question types used in the Applied Skills exams (excluding Corporate and Business Law) require students to effectively mimic what they do in the workplace. Students will need to use a range of digital skills and demonstrate their ability to use spreadsheets and word processing tools in producing their answers, just as they would use these tools in the workplace. These assessment methods allow ACCA to focus on testing students' technical and application skills, rather than, for example, their ability to perform simple calculations.

Strategic Professional

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

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

For September and December 2019 sittings, all Strategic Professional exams will be assessed by paper based examination. From March 2020, these exams will become available by computer based examination. For more details regarding what is available in your market, please consult the ACCA global website.

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

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exams within the ACCA Qualification using this delivery mode.

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

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

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

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

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4.Guide to ACCA examination assessment

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

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

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

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

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

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

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

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

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

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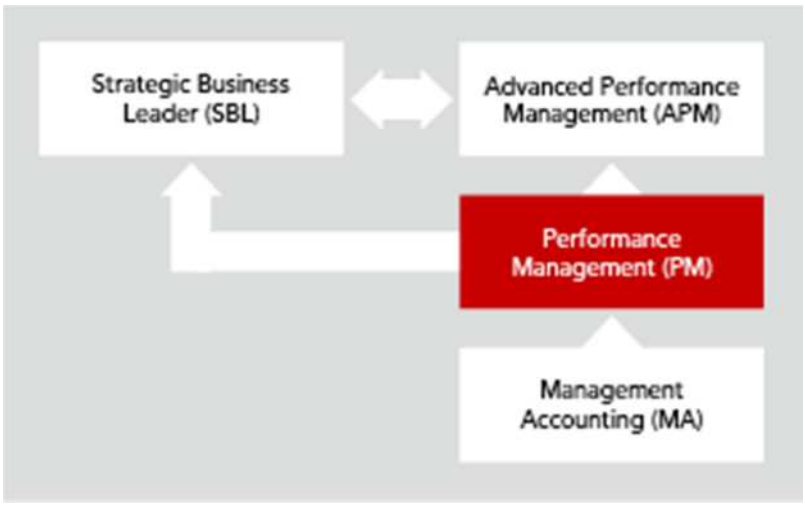
5.Relational diagram linking Performance Management with other exam

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



6.Overall aim of the syllabus

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

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

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7.Main capabilities

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

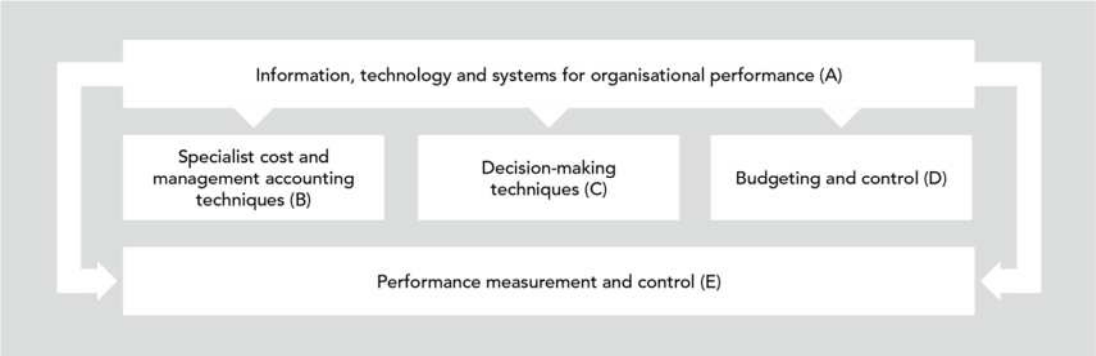
A Identify and discuss the information, systems and developments in technology required for organisations to manage and measure performance.

B Explain and apply cost accounting techniques.

C Select and appropriately apply decision-making techniques to facilitate business decisions and promote efficient and effective use of scarce business resources, appreciating the risks and uncertainty inherent in business and controlling those risks.

D Identify and apply appropriate budgeting techniques and methods for planning and control and use standard costing systems to measure and control business performance and to identify remedial action.

E Assess the performance of an organisation from both a financial and non-financial viewpoint, appreciating the problems of controlling divisionalised businesses and the importance of allowing for external aspects.



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

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8.Rationale

The syllabus for Performance Management (PM), builds on the knowledge gained in Management Accounting (MA) and seeks to examine candidates' understanding of how to manage the performance of a business. It also prepares candidates for more specialist capabilities which are covered in Advanced Performance Management (APM).

The syllabus begins by focusing on the information needs, technologies and systems required by organisations to manage and measure performance in the modern, competitive environment. It is vital for an accountant to understand how information systems and developments in technology influence the management accounting techniques employed and how vital information systems are in the mechanisms of managing and controlling an organisation.

The syllabus then introduces more specialised costing and management accounting topics. There is some knowledge assumed from Management Accounting (MA) – 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. The preparation of fixed, flexible and incremental budgets is assumed knowledge from Management Accounting (MA).

Standard costing and variances are then built on. All the variances examined in Management Accounting (MA) are assumed knowledge in Performance Management (PM). Mix and yield variances, and planning and operational variances are explored here and 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 should appreciate the importance of both financial and non-financial performance measures in management and 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 Advanced Performance Management (APM).

All of the subject areas covered in this syllabus could be examined in either a public sector or private sector context.

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9. Approach to examining the syllabus

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

All questions are compulsory. The exam will contain both computational and discursive elements.

Some questions will adopt a scenario/case study approach.

Candidates are provided with a formulae sheet.

The total exam time is 3 hours. Prior to the start of the exam candidates are given an extra 10 minutes to read the exam instructions.

Section A of the exam comprises 15 objective test questions of 2 marks each.

Section B of the exam comprises of three case style questions. These each contain five objective test questions which are based around a common scenario.

Section C of the exam comprises two 20 mark constructed response questions. The two 20 mark questions will come from decision making techniques, budgeting and control and/or performance measurement and control areas of the syllabus. These questions may also include requirements related to the information systems area of the syllabus. The section A questions and the questions in section B can cover any areas of the syllabus.

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10.The syllabus

A Information, technologies and systems for organisational performance

1. Managing information
2. Sources of information
3. Information systems and data analytics

B Specialist cost and management accounting techniques

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

C Decision-making techniques

1. Relevant cost analysis
2. Cost volume analysis
3. Limiting factors
4. Pricing decisions
5. Make-or-buy and other short-term decisions
6. Dealing with risk and uncertainty in decision-making

D Budgeting and control

1. Budgetary systems and types of budget
2. Quantitative analysis in budgeting
3. Standard costing
4. Material mix and yield variances
5. Sales mix and quantity variances
6. Planning and operational variances
7. Performance analysis

E Performance measurement and control

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

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11. Detailed study guide

A Information, technologies and systems for organisation performance

1. Managing information

a) Explain the role of information systems in organisations.[2]

b) Discuss the costs and benefits of information systems.[2]

c) Explain the uses of the internet, intranet, wireless technology and networks.[2]

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

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

2. Sources of information

a) Identify 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]

3. Information systems and data analytics

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) Define and discuss the main characteristics of transaction processing systems; management information systems; executive information systems; enterprise resource planning systems and customer relationship management systems.[2]

c) Describe the characteristics (volume, velocity, variety) of big data.[2]

d) Explain the uses of big data for enhancing decision-making. [2]

B Specialist cost and management accounting techniques

1. Activity based costing

a) Identify appropriate cost drivers under ABC. [1]

b) Calculate costs per driver and per unit using ABC.[2]

c) Compare ABC and traditional methods of overhead absorption based on production units, labour hours or machine hours.[2]

2. Target costing

a) Derive a target cost in manufacturing and service industries.[2]

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b) Explain the difficulties of using target costing in service industries.[2]

c) Suggest how a target cost gap might be closed.[2]

3. Life-cycle costing

a) Identify the costs involved at different stages of the life-cycle.[2]

b) Derive a life cycle cost or profit in manufacturing and service industries.[2]

c) Identify the benefits of life cycle costing.[2]

4. Throughput accounting

a) Discuss and apply the theory of constraints.[2]

b) Calculate and interpret a throughput accounting ratio (TPAR).[2]

c) Suggest how a TPAR could be improved.[2]

d) Apply throughput accounting to a multi-product decision-making problem.[2]

5. Environmental accounting

a) Discuss the issues business face in the management of environmental costs.[1]

b) Describe the different methods a business may use to account for its environmental costs.[1]

C Decision-making techniques

1. Relevant cost analysis

a) Explain the concept of relevant costing.[2]

b) Identify and calculate relevant costs for a specific decision situations from given data.[2]

c) Explain and apply the concept of opportunity costs.[2]

2. Cost volume profit analysis

a) Explain the nature of CVP analysis.[2]

b) Calculate and interpret the break-even point and margin of safety.[2]

c) Calculate the contribution to sales ratio, in single and multi-product situations, and demonstrate an understanding of its use.[2]

d) Calculate target profit or revenue in single and multi-product situations, and demonstrate an understanding of its use.[2]

e) Interpret break even charts and profit volume charts and interpret the information contained within each, including multi-product situations.[2]

f) Discuss the limitations of CVP analysis for planning and decision making.[2]

3. Limiting factors

a) Identify limiting factors in a scarce resource situation and select an appropriate technique.[2]

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b) Determine the optimal production plan where an organisation is restricted by a single limiting factor, including within the context of "make" or "buy" decisions.[2]

c) Formulate and solve multiple scarce resource problems using both linear programming graphsand using simultaneous equations as appropriate.[2]

d) Explain and calculate shadow prices (dual prices) and discuss their implications on decision-making and performance management. [2]

e) Calculate slack and explain the implications of the existence of slack for decision-making and performance management.[2] (Excluding simplex and sensitivity to changes in objective functions)

4. Pricing decisions

a) Explain the factors that influence the pricing of a product or service.[2]

b) Calculate and explain the price elasticity of demand.[1]

c) Derive and manipulate a straight line demand equation. Derive an equation for the total cost function (including volume-based discounts).[2]

d) Calculate the optimum selling price and quantity for an organisation, equating marginal cost and marginal revenue.[2]

e) Evaluate a decision to increase production and sales levels, considering incremental costs, incremental revenues and other factors.[2]

f) Determine prices and output levels for profit maximisation using the demand based approach to pricing (both tabular and algebraic methods).[2]

g) Explain different price strategies, including:[2]
   i) All forms of cost-plus
   ii) Skimming
   iii) Penetration
   iv) Complementary product
   v) Product-line
   vi) Volume discounting
   vii) Discrimination
   viii) Relevant cost

h) Calculate a price from a given strategy using cost-plus and relevant cost.[2]

5. Make-or-buy and other short-term decisions

a) Explain the issues surrounding make vs. buy and outsourcing decisions.[2]

b) Calculate and compare "make" costs with "buy-in" costs.[2]

c) Compare in-house costs and outsource costs of completing tasks and consider other issues surrounding this decision.[2]

d) Apply relevant costing principles in situations involving shut down, one-off contracts and the further processing of joint products.[2]

6. Dealing with risk and uncertainty in decision-making

a) Suggest research techniques to reduce uncertainty e.g. Focus groups, market research.[2]

b) Explain the use of simulation, expected values and sensitivity.[1]

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c) Apply expected values and sensitivity to decision-making problems.[2]

d) Apply the techniques of maximax, maximin, and minimax regret to decision-making problems including the production of profit tables.[2]

e) Interpret a decision tree and use it to solve a multi-stage decision problem.[2]

f) Calculate the value of perfect and imperfect information. [1]

D Budgeting and control

1. Budgetary systems and types of budget

a) Explain how budgetary systems fit within the performance hierarchy.[2]

b) Select and explain appropriate budgetary systems for an organisation, including top-down, bottom-up, rolling, zero-base, activity- base, incremental and feed-forward control.[2]

c) Describe the information used in budget systems and the sources of the information needed.[2]

d) Indicate the usefulness and problems with different budget types (including fixed, flexible, zero-based, activity- based, incremental, rolling, top-down, bottom up, master, functional).[2]

e) Prepare flexed budgets, rolling budgets and activity based budgets.[2]

f) Explain the beyond budgeting model, including the benefits and problems that may be faced if it is adopted in an organisation.[2]

g) Discuss the issues surrounding setting the difficulty level for a budget.[2]

h) Explain the benefits and difficulties of the participation of employees in the negotiation of targets.[2]

i) Explain the difficulties of changing a budgetary system or type of budget used.[2]

j) Explain how budget systems can deal with uncertainty in the environment.[2]

2. Quantitative analysis in budgeting

a) Analyse fixed and variable cost elements from total cost data using high/low method.[1]

b) Estimate the learning rate and learning effect.[2]

c) Apply the learning curve to a budgetary problem, including calculations on steady states [2]

d) Discuss the reservations with the learning curve.[2]

3. Standard costing

a) Explain the use of standard costs.[2]

b) Outline the methods used to derive standard costs and discuss the different types of cost possible.[2]

c) Explain and illustrate the importance of flexing budgets in performance management.[2]

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d) Explain and apply the principle of controllability in the performance management system.[2]

4. Material mix and yield variances

a) Calculate, identify the cause of, and explain material mix and yield variances.[2]

b) Explain the wider issues involved in changing material mix e.g. cost, quality and performance measurement issues.[2]

c) Identify and explain the relationship of the material usage variance with the material mix and yield variances.[2]

d) Suggest and justify alternative methods of controlling production processes.[2]

5. Sales mix and quantity variances

a) Calculate, identify the cause of, and explain sales mix and quantity variances.[2]

b) Identify and explain the relationship of the sales volume variances with the sales mix and quantity variances.[2]

6. Planning and operational variances

a) Calculate a revised budget.[2]

b) Identify and explain those factors that could and could not be allowed to revise an original budget.[2]

c) Calculate, identify the cause of and explain planning and operational variances for:

i) sales, including market size and market share;
ii) materials;
iii) labour, including the effect of the learning curve.[2]

d) Explain and discuss the manipulation issues involved in revising budgets.[2]

7. Performance analysis

a) Analyse and evaluate past performance using the results of variance analysis.[2]

b) Use variance analysis to assess how future performance of an organisation or business can be improved.[2]

c) Identify the factors which influence behaviour.[2]

d) Discuss the effect that variances have on staff motivation and action.[2]

e) Describe the dysfunctional nature of some variances in the modern environment of JIT and TQM.[2]

f) Discuss the behavioural problems resulting from using standard costs in rapidly changing environments.[2]

E Performance measurement and control

1. Performance analysis in private sector organisations

a) Describe, calculate and interpret financial performance indicators (FPIs) for profitability, liquidity and risk in both manufacturing and service businesses. Suggest methods to improve these measures.[2]

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b) Describe, calculate and interpret non-financial performance indicators (NFPIs) and suggest methods to improve the performance indicated.[2]

c) Analyse past performance and suggest ways forimproving financial and non-financial performance.[2]

d) Explain the causes and problems created by short-termism and financial manipulation of results and suggest methods to encourage a long term view.[2]

e) Explain and interpret the Balanced Scorecard, and the Building Block model proposed by Fitzgerald and Moon.[2]

f) Discuss the difficulties of target setting in qualitative areas.[2]

2. Divisional performance and transfer pricing

a) Explain and illustrate the basis for setting a transfer price using variable cost, full cost and the principles behind allowing for intermediate markets.[2]

b) Explain how transfer prices can distort the performance assessment of divisions and decisions made.[2]

c) Explain the meaning of, and calculate, Return on Investment (ROI) and Residual Income (RI), and discuss their shortcomings.[2]

d) Compare divisional performance and recognise the problems of doing so.[2]

3. Performance analysis in not for profit organisations and the public sector

a) Comment on the problems of having non-quantifiable objectives in performance management.[2]

b) Comment on the problems of having multiple objectives in this sector.[2]

c) Explain how performance could be measured in this sector.[2]

d) Outline Value for Money (VFM) as a public sector objective.[1]

e) Describe, calculate and interpret non-financial performance indicators (NFPIs) and suggest methods to improve the performance indicated.[2]

f) Discuss the difficulties of target setting in qualitative areas.[2]

g) Analyse past performance and suggest ways for improving financial and non-financial performance.[2]

h) Explain the causes and problems created by short-termism and financial manipulation of results and suggest methods to encourage a long term view.[2]

4. External considerations and behavioural aspects

a) Explain the need to allow for external considerations in performance management, including stakeholders, market conditions and allowance for competitors.[2]

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b) Suggest ways in which external considerations could be allowed for in performance management.[2]

c) Interpret performance in the light of external considerations.[2]

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Summary of changes to Performance Management (PM)

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

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

	Section and subject area	**Syllabus content**
A	Information, technologies and systems for organisational performance	This is a new syllabus area. A1a, A1b, A1c – new learning outcomes A1d – Was previously D3a A1e – Was previously D3b A2a-d – Was previously D2a-d A3a – Was previously D1a A3b – Was previously D1b and the verb identify has been changed to discuss A3c, A3d – new learning outcomes
B	Specialist cost and management accounting techniques	Overall syllabus area has changed from A to B and subject areas have been re-numbered. Learning outcomes are unchanged.
C	Decision-making techniques	Overall syllabus area has changed from B to C and subject areas have been re-numbered. The following changes to learning outcomes have been applied: C2e – The verb prepare has been changed to interpret. C3c – The learning outcome has been updated to say 'using both linear programming graphs and simultaneous equations as appropriate. C6e – The verb draw has been changed to interpret.
D	Budgeting and control	Overall syllabus area has changed from C to D and subject areas have been re-

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		numbered. The following changes to learning outcomes have been applied: Learning outcomes C2e and C2f under the previous syllabus have been removed.
E	Performance measurement and control	Overall syllabus area has changed from D to E and subject areas have been re-numbered. The following changes to learning outcomes have been applied: Learning outcomes D1a and D1b under the previous syllabus have been moved to A3. Learning outcome D1c under the previous syllabus has been removed. Learning outcomes D2a-D2d under the previous syllabus have been moved to A2. Learning outcome D2e under the previous syllabus has been removed. Learning outcomes D3a and D3b under the previous syllabus have been moved to A1. Learning outcome D7d under the previous syllabus has been removed.

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