

Exam Approach Interview: F5 – Performance Management

Interviewer: Welcome to the F5 Examiner's Approach interview.

The following is an Examiner's Approach interview for Paper F5, *Performance Management*. The content of this interview has been prepared by the examiner, working with the Qualifications team at ACCA, and is presented by actors representing an interviewer and the examiner in discussion. For more detail on the examiner's approach, please see the article produced by the examiner in the September 2010 edition of *Student Accountant*.

I suppose it would be most appropriate to start off by asking where F5 fits within the overall structure of the ACCA Qualification.

Examiner: The ACCA Qualification is divided into two levels – Fundamentals and Professional. The Fundamentals level is further divided into two modules – Knowledge and Skills.

F5 is one of the six Skills module subjects which comprehensively cover the main technical areas that any accountant, regardless of their future career aspirations, is expected to have mastered. These comprise law, performance management, taxation, financial reporting, auditing and financial management.

All Skills module exams are three hours long and make use of a range of assessment methods such as short-answer questions, extended computational exercises, essays, scenarios and case studies.

Interviewer: From what you have just said, F5 is connected to other papers within the ACCA Qualification. What are the links with other papers, or with other components of the qualification?

Examiner: F5 develops the knowledge examined in F2, where basic costing and management accounting concepts are introduced. These concepts, and other aspects of F5, *Performance Management* are developed further mainly in the optional paper P5 *Advanced Performance Management* and also in the essential paper P3, *Business Analysis*.

Also, the knowledge and skills acquired in F5 will be useful in paper F9, *Financial Management*.

Finally, all knowledge and capabilities acquired in F5 will be applied in context within the Practical Experience Requirements. The relevant Performance Objectives to this subject are Options objectives 12, 13 and 14.

Interviewer: What is the overall concept or theme for F5 as a paper?

Examiner: This paper sits between two other management accounting based papers – F2 and P5. This is always a challenge for an examiner. This paper must be a step up from the lower paper, in this case F2 but not get too close to the higher-level paper P5. F5 covers the fundamentals of performance management and will also cover those topics essential to a management accountant in business. It will have a much stronger interpretation element than F2 but will not contain the more complex scenarios that will feature in P5. That is not to say that F5 will not contain scenario-based questions, just that these scenarios will be mindful of the fact that students will, in many cases, be relatively new to management accounting techniques.

In F5 (unlike F2), students will be expected not only to manipulate data but also interpret it. They will be expected to take information given and explain what it means and how it is useful to management.

“Knowledge is power”

The statement might be obvious, but in performance management terms, it is about management accountants having the power to plan, control and make relevant decisions about resources. They are able to make these decisions in the overall interests of the business organisation and its stakeholders, through the acquisition and communication of relevant knowledge. This knowledge will be collected and processed from available financial, quantitative and qualitative data.

Interviewer: The syllabus for F5 is structured into five main sections. Can you briefly explain the main content of these sections?

Examiner: Certainly. The syllabus begins at Section A by introducing more specialised management accounting topics. There is some knowledge assumed from F2 – primarily overhead treatments. The objective here is to ensure candidates have a broader background in management accounting techniques. Again, the emphasis will be on the implications of the calculations, not just the calculations themselves. The ABC question in Geoff Cordwell's June 2010 paper is a good example of what I am aiming for. Here the students had to perform some ABC calculations and then suggest strategies for the pricing of two products and reasons for why past sales on one product may have been poor.

In Section B, the syllabus then considers decision-making. Candidates need to appreciate the problems surrounding scarce resource, pricing and make-or-buy decisions, and how these relate to the assessment of performance. Risk and uncertainty are factors in real-life decisions and candidates need to understand risk. They also need to be able to apply some basic methods to help resolve the risks inherent in decision-making. Students should never forget that management accounting provides information partly so that decisions can be made. I see this area of the syllabus as important and a rich source of future questions.

Budgeting forms Section C. It 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. Abuse of the budgeting process is common and damages businesses more than is realised. Students need to appreciate the problems inherent in budgeting and be able to suggest how these problems can be overcome.

Standard costing and variances which were introduced in F2 are then built upon in Section D. In addition, there are new topics of mix and yield variances and planning and operational variances.

You can find an article that I wrote about mix and yield variances in the February 2010 edition of *Student Accountant*. 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.

At Section E, 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 P5. This last section of the syllabus is perhaps the most important. As the relational diagram shows, all the other aspects of the syllabus lead to this area. The point is that this paper is a performance management paper and not a pure management accounting paper. Students must understand this and prepare accordingly. Again, I wrote an article about answering performance measurement questions in the July 2010 edition of *Student Accountant*.

Interviewer: Thank you for explaining the main content of the syllabus for us.
Can you tell us about how the exam itself is structured?

Examiner: First of all it is worth noting that as F5 is a Fundamentals paper, all students must sit this exam unless they have an exemption awarded for prior learning in a degree or equivalent.

As with all papers within the Skills module, the writing time for this exam is three hours. All ACCA three hour papers have been allocated an additional 15 minutes reading and planning time, within which students can read the paper and understand the requirements. An article explaining how this time should be productively used has been published in the *Student Accountant* magazine in the August 2007 edition which can be seen on the website. In addition to this, I wrote an article on 'Approaching Written Questions', which can be found in the November 2009 issue of *Student Accountant*.

Interviewer: What exactly can students do in reading and planning time?

Examiner: They can make notes and plan answers. This may *only* be done on the question paper and *not* on the answer booklet. The answer booklet cannot be used until the exam begins.

Interviewer: So, how many questions are there in the exam and what choice, if any exists?

Examiner: As can be seen here, the exam has all compulsory questions. The paper contains five 20 mark questions which are based on short scenarios, with requirements divided into two or more parts.

Remember, the student must answer all questions.

For more information about the exam itself and how it is structured there are past papers available on the ACCA website.

Interviewer: What kind of questions will appear in the exam?

Examiner: Where possible, I intend to separate discussion from calculations. However, it is not always possible to do this. Students should rest assured that, where their calculations have been performed incorrectly, but their discussion follows on correctly from their calculations, the marks will be awarded appropriately.

Interviewer: How should students deal with a requirement that asks the candidate to do something AND something else?

Examiner: Because some questions may ask the candidate to do something 'and' something else, the candidate may have to use judgement to decide how much effort to devote to each aspect. This will be based on the difficulty of different cognitive levels, for example 'describe' is usually easier than 'assess'. However, markers will be asked to exercise quite a lot of flexibility in awarding marks in this situation.

Interviewer: Can you explain more about cognitive levels?

Examiner: Certainly. This is *very* important. Most instructional verbs used within the Fundamentals Skills module should be set at level 2, but where lower level verbs are used, the marks available will usually reflect this. For more information on what the different instructions require, refer to the 'Approaching written questions' article I mentioned earlier.

Interviewer: Are any issues about ethics introduced in this paper?

Examiner: In some circumstances, the ethical dimension of a situation may be examined, but it plays a very small part in the syllabus overall. Performance management does have an ethical dimension, however. For example an individual manager may attempt to boost

his own division's performance in order to improve his chances of a promotion or bonus. This needs to be understood.

Interviewer: You said that all the questions were compulsory. Why is this?

Examiner: This is because all questions in all papers are compulsory at the Fundamentals level. As the name of the level implies, all subject areas and main capabilities within these papers are 'fundamental' to having a sound grasp and technical proficiency in all these topics.

Interviewer: What would your advice be about revising effectively for, and passing, F5?

Examiner: I would recommend the best strategies to adopt in the revision phase and in the exam itself are as follows

- Make sure you understand the reasoning behind any calculations you are looking at. Ask yourself how these calculations will be useful to management.
- Look hard at the past papers set by my predecessor, Geoff Cordwell. I don't expect to make any radical departures from the type of questions he set. You may find that my style is slightly different; I'm known for the way I set questions out very

clearly with requirements that are as prescriptive as possible. If you can, you should attend a revision class. Expert tutors can help give you more ideas on the interpretation aspects of the syllabus.

Key areas to focus upon are the performance management aspects of all syllabus areas. Whichever area I examine I will be trying, where possible, to link in to performance management.

Remember – this is not a costing paper.

Interviewer: How important is time management?

Examiner: It is very important. Students must try and ensure that they manage their time effectively, both during revision and in the examination itself. Spending too long revising detailed areas of the syllabus is less productive than developing a proper understanding of the main principles, ideas and concepts within each syllabus section and subject area. In the exam itself, students should maximise their potential for earning marks and spend their time in proportion to the marks available – then move on.

Interviewer: Will there be some easier marks available in the exam?

Examiner: Definitely. There will always be a certain amount of basic calculations and straight-forward written requirements.

Interviewer: What else must students remember during the exam itself?

Examiner: Students must ensure that they apply their knowledge and understanding to the case or scenario provided, where this is required. I am looking for their opinion of the business performance. They cannot answer that type of question without reference to the information I will have given them in the question. They should be positive, apply themselves to the scenario and express an opinion using some evidence from the scenario to support this opinion.

Interviewer: What are the main potential pitfalls in preparing for and taking the F5 exam?

Examiner: The main pitfalls I have seen students fall into are the following:

Failure to step up from F2 adequately. F2 is predominantly a calculations exam and it is objectively tested. F5 contains five 20 mark questions with a substantial written element (see the June 2009 exam). Some students may not adjust adequately. The discursive elements will be a challenge if not prepared.

Poor interpretation of data. Students must be able to interpret simple financial and non-financial data. This is the cornerstone of performance management (see my article in *Student Accountant*).

Poor knowledge. There was evidence in the December 2007 exam sitting that many students did not know what target costing was and did not know what a budget revision was. Given the exam structure contains 20 mark questions, some in depth testing has to be considered possible. This means that knowledge gaps can be a considerable disadvantage. Students must, therefore, prepare thoroughly.

Interviewer: It is clearly important to follow the above tips and avoid any common pitfalls in exam revision and performance. What further information about student performance would you give which might help students prepare for exams?

Examiner: After each examination session, all ACCA examiners are required to produce an exam report. These reports highlight key issues arising in the last exam and focus on where students performed particularly well or badly. These are published in February and August and can be found under paper resources for each paper which can be accessed through the website. In the June 2010

session, the main issues were poor knowledge of some key areas, such as linear programming, and generally weak answers to written requirements.

In addition, after each exam session has been completed, the exam review board meets. This is a board consisting of ACCA internal Education staff and six representative members of the approved learning partner community. Minutes from this board summarise the comments made by tuition provider representatives, report survey results about the exams from student questionnaires and detail the responses. Again, the minutes from the exam review board are available on the website.

Interviewer: And finally, what would be your concluding advice about the F5 examination paper?

Examiner: Firstly, students must always read the question as carefully as they can, identifying clearly the instructional verbs contained within each requirement.

Secondly, it is important to properly understand the requirements; assessing how much the examiner is really looking for in each question part, being fully aware of the marks available for each requirement.

Finally, don't forget that answers given should relate to the question actually asked, not the question a candidate would have liked to answer!

Interviewer: Thank you very much for sharing your insight into this exam paper. I'm sure it has given students and tutors lots of useful information.

Examiner: Thank you.